



City of Midland, Michigan  
Comprehensive Annual  
Financial Report  
Fiscal Year Ended  
June 30, 2018

**City of Midland, Michigan**  
**Comprehensive Annual Financial Report**  
**June 30, 2018**

Prepared by the Finance Department

## Table of Contents

Section	Page
<b><u>Introductory Section</u></b>	
Letter of Transmittal	i
GFOA Certificate of Achievement	v
Organizational Chart	vi
List of Principal Officials	vii
<b><u>Financial Section</u></b>	
<b>1 Independent Auditors' Report</b>	<b>1 – 1</b>
<b>2 Management's Discussion and Analysis</b>	<b>2 – 1</b>
<b>3 Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	3 – 1
Statement of Activities	3 – 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3 – 4
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	3 – 6
Statement of Revenues, Expenditures and Changes in Fund Balances	3 – 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	3 – 9
Proprietary Funds	
Statement of Net Position	3 – 10
Statement of Revenues, Expenses and Changes in Net Position	3 – 12
Statement of Cash Flows	3 – 14

## Table of Contents

Section		Page
3	<b>Basic Financial Statements</b>	
	Fiduciary Funds	
	Statement of Net Position	3 – 16
	Statement of Changes in Net Position	3 – 17
	Notes to the Financial Statements	3 – 18
4	<b>Required Supplementary Information</b>	
	Budgetary Comparison Schedule	
	General Fund	4 – 1
	Major Street Fund	4 – 3
	Municipal Employees Retirement System	
	Schedule of Employer Contributions	4 – 5
	Schedule of Changes in the City's Net Pension Liability and Related Ratios	4 – 6
	Police and Fire Retirement System	
	Schedule of Changes in the City's Net Pension Liability and Related Ratios	4 – 7
	Schedule of Contributions	4 – 8
	Schedule of Investment Returns	4 – 9
	Other Post Employment Benefits	
	Schedule of Changes in Net OPEB Liability and Related Ratios	4 – 10
	Schedule of Employer Contributions	4 – 11
	Schedule of Investment Returns	4 – 12
	Note to the Required Supplementary Information	4 – 13

## Table of Contents

Section	Page
5	
<b>Other Supplementary Information</b>	
Nonmajor Governmental Funds	
Fund Descriptions	5 – 1
Combining Balance Sheet	5 – 3
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	5 – 4
Budgetary Comparison Schedule	
Local Street Fund	5 – 5
Smart Zone Fund	5 – 6
Center City Authority Fund	5 – 7
Stormwater Management Fund	5 – 8
Grace A. Dow Memorial Library Fund	5 – 9
Community Development Block Grant Fund	5 – 10
Dial-A-Ride Fund	5 – 11
Downtown Development Authority Fund	5 – 12
Midland Community Television Fund	5 – 13
Special Activities Fund	5 – 14
Midland Housing Fund	5 – 15
Debt Service Fund	5 – 16
Nonmajor Proprietary Fund	
Fund Descriptions	5 – 17
Combining Statement of Net Position	5 – 18
Combining Statement of Revenues, Expenses, and Changes in Net Position	5 – 20
Combining Statement of Cash Flows	5 – 22
Fiduciary Funds	
Fund Descriptions	5 – 24
Pension and Other Employee Benefit Trust Funds – Statement of Plan Net Position	5 – 25
Pension and Other Employee Benefit Trust Funds – Statement of Changes in Plan Net Position	5 – 26
Agency Funds – Combining Statement of Changes in Assets and Liabilities	5 – 27
Internal Service Funds	
Fund Descriptions	5 – 29
Combining Statement of Net Position	5 – 30
Combining Statement of Revenues, Expenses, and Changes in Net Position	5 – 32
Combining Statement of Cash Flows	5 – 33

## Table of Contents

**Section**  
6

**Statistical Section (Unaudited)**

**Page**

Section Description	6 – 1
Financial Trends	6 – 2
Net Position by Component	6 – 3
Changes in Governmental Net Position	6 – 4
Changes in Business-type Net Position	6 – 6
Fund Balances – Governmental Funds	6 – 8
Changes in Fund Balances – Governmental Funds	6 – 9
Revenue Capacity	6 – 11
Taxable Value and Assessed Value of Taxable Property	6 – 12
Direct and Overlapping Property Tax Revenues	6 – 13
Principal Property Taxpayers	6 – 15
Property Tax Levies and Collections	6 – 16
Debt Capacity	6 – 17
Ratios of Outstanding Debt	6 – 18
Ratios of General Bonded Debt Outstanding	6 – 19
Direct and Overlapping Debt	6 – 20
Legal Debt Margin	6 – 21
Pledged-Revenue Coverage	6 – 22
Demographic and Economic Information	6 – 23
Demographic and Economic Statistics	6 – 24
Principal Employers	6 – 25
Full-time Government Employees	6 – 26
Operating Information	6 – 27
Operating Indicators	6 – 28
Capital Asset Statistics	6 – 30



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December 19, 2018

Honorable Mayor, City Council Members, and  
Citizens of the City of Midland:

The Comprehensive Annual Financial Report (CAFR) of the City of Midland, Michigan (the “City”) as of and for the year ended June 30, 2018 is hereby submitted. As required by City Charter and state laws, the basic financial statements as identified in the table of contents were audited by Yeo & Yeo, Certified Public Accountants. Their unmodified opinion is located at the front of the financial section of this report. An unmodified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor’s examination has disclosed no conditions that cause them to believe that the financial statements are not fairly presented in all material respects.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that fairly presents the financial position and results of operations of the governmental activities, business-type activities, and various funds and component units of the City of Midland. All disclosures necessary to enable the reader to gain an understanding of the City activities have been included.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a managements’ discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Midland’s MD&A can be found immediately following the report of the independent auditor.

In addition, during the year an audit was performed in accordance with the requirements of the *Single Audit Act Amendments of 1996 (P.L. 104-156)*. The auditor’s reports related to the single audit are issued under separate cover.

## **PROFILE OF THE CITY**

The City of Midland was incorporated in 1887 and is located near the center of the eastern portion of Michigan’s Lower Peninsula, approximately 120 miles northwest of Detroit. It encompasses approximately 36 square miles of land area and is home to a population of 41,950.

The City Charter calls for a council-manager form of government. The governing body consists of five council members, who are elected on a non-partisan basis, one from each of the City’s five wards who in turn choose one of their five to serve as mayor. The City Manager is appointed independently by the City Council and is responsible for carrying out the policies and ordinances of the City Council, for

overseeing the day-to-day operations of the City, and for appointing heads of the various departments and all other City employees. An organization chart is included to better illustrate the City's governmental structure.

The City provides a full range of services including police and fire protection, community planning and zoning, building inspections, code enforcement, library, sanitation, water and wastewater treatment, construction and maintenance of highways, streets and infrastructure, recreation programs, parks, public transportation and senior housing facilities.

The City reports three blended component units as special revenue funds within the governmental type funds: the Downtown Development Authority Fund, the Center City Authority Fund, and the Smart Zone Fund.

## **ECONOMIC CONDITION AND OUTLOOK**

There are many promising opportunities that create a sense of optimism for the City's economic outlook. Last summer, Midland's Downtown Main Street underwent a complete makeover to create a new experience for anyone attending Main Street activities. In the past year the Downtown has benefited from new construction on projects that are complete or nearly complete: a 32-unit apartment complex, a 2-story commercial building, a 3-story residential/commercial mixed-use building, a 3-story 71-unit hotel from a major chain, and plans are in the works for Delta College to build a new 30,000 square foot office and classroom facility on vacant property in Downtown. The Michigan Department of Transportation (MDOT) is about half way through replacing the M-20 Bridge which is the main entrance to the City and Downtown area from the West. Once completed, the new bridge will be much more

aesthetically pleasing and enhance visibility and safety for travelers entering or leaving the City.

Last year the City approved a request from The Dow Chemical Company (Dow) to vacate a portion of Saginaw Road. Nearly all of the properties on both sides of Saginaw Road are owned by Dow and they plan to turn the entire area into an industrial park. The road is now closed and Dow has begun its infrastructure improvements that we hope will lead to additional investment within the industrial park.

Still, Midland's economy is not without challenges. It faces many of the same issues as other communities, such as big-box store tax appeals, and a mall/retail district looking for solutions to foot traffic that has been lost to on-line shopping. But for now, Dow, who still considers Midland its home and is the City's core economic engine, is stable. After the Dow/DuPont merger and split into three separate companies, Midland retained a significant portion of the businesses from before the restructuring. The big unknown is how much and how soon will the new companies invest in their operations within Midland. Until that becomes clearer, the City will continue to exercise conservative budgeting practices.

Residential property values will increase in 2018-19 by .4% to eclipsed \$1 billion for the first time, now making up 48% of the City's regular tax roll. Commercial values will increase by 4% in 2018-19 and have increased seven years in a row. Industrial investment continues to be flat overall, with personal property continuing to decline as more is exempted for the roll.

The City's unemployment rate at year-end was 3.4%, compared to the state unemployment rate of 4.3%, and the national

unemployment rate of 4.2%. The City has maintained its credit ratings of AA with Standard and Poor's, and Aa2 with Moody's.

### **LONG-TERM FINANCIAL PLANNING**

The City will continue to take a conservative approach to projecting changes to its tax roll. While it is anticipated that commercial and industrial investment in the community will pick up, the specific timing is not yet known. Accordingly, budgets and projections will continue to be built upon what is known. In the near term, only minimal growth to the tax revenue stream, based upon taxable values, will be expected.

The City complies with Public Act 20 and Public Act 367 of the State of Michigan in its cash management activities. After several years of slow growth, and nearly nonexistent returns, investment earnings on cash and cash equivalents are now exceeding 2%. Minimal substantive change will be anticipated.

### **RELEVANT FINANCIAL POLICIES**

Through long-term financial and resource planning, the City continues to look for creative and more affordable ways of service delivery to help minimize millage rate increases. Since 2008 the City has eliminated 46 full-time positions, mostly through attrition and without reducing uniformed public safety positions. Also, employee groups have participated in cost reductions through pay freezes and benefit reductions, including defined benefit pension reductions, in order to try to make the cost of providing services more affordable. The opportunity to further reduce staff-size is minimal absent any substantive reduction or change to service delivery.

The City has updated its long-range capital plan which will help serve as a planning tool for the City's infrastructure. All capital projects relating to infrastructure, as well as certain other capital needs, such as building improvements or parking lot improvements, are prioritized, scheduled and funded in accordance with the capital plan. This has enabled the City to coordinate the timing of construction for street, sewer, water, storm water, and sidewalk projects which reduces disruption to the City's traffic flow, as well as maximizes investment by eliminating separate but redundant projects occurring at different times.

### **MAJOR INITIATIVES**

In order to re-establish community expectations and budgetary priorities, the City recently underwent a community engagement process that included a survey and two face-to-face public input sessions. While the attendance at the sessions was light, the survey participation was very high and the City will use this information to re-assess its long range expectations and budgetary priorities.

### **BUDGET CONTROLS**

The annual budget serves as the foundation for the City's financial planning and control. By the second Monday of April of each year, the City Manager presents a proposed budget to the City Council for review. The Council holds public hearings and the final budget is adopted no later than the fourth Monday in May. The Council approves appropriations on the functional basis, which is the legal level of control. Department heads may transfer funds within their function at their discretion up to \$6,000 before requiring City Manager approval. The City Manager can approve all budget transfers except those

between different functions, and any transfer from a reserve for contingency account in excess of \$25,000, which require City Council approval.

All appropriations lapse at year-end except for those specifically approved to be carried forward as part of the year-end encumbrance process.

City Council adopts budgets for all funds as required by Michigan statute. In addition, Council also adopts budgets for all Enterprise and Internal Service Funds, although not required by the State of Michigan.

#### **CERTIFICATE OF ACHIEVEMENT**

For the 29<sup>th</sup> consecutive year, the Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its June 30, 2017 comprehensive annual financial report. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized comprehensive annual financial report, which satisfies both Generally Accepted Accounting Principles and applicable legal requirements.

We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### **ACKNOWLEDGEMENTS**

The preparation of this report was made possible by the dedicated service of the entire Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



C. Bradley Kaye, AICP  
City Manager



David A. Keenan, CPA  
Assistant City Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Midland  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Movill*

Executive Director/CEO

# City of Midland, Michigan Organization Chart



**City of Midland, Michigan**  
**List of Principal Officials**  
**June 30, 2018**

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**City Council**

Ward I	Thomas Adams
Ward II - Mayor	Maureen Donker
Ward III	Steve Arnosky
Ward IV	Diane Brown Wilhelm
Ward V	Marty Wazbinski

**Administrative Staff**

City Manager	C. Bradley Kaye
Assistant City Manager	David A. Keenan
Director of Planning and Community Development	Grant R. Murschel
City Attorney	James O. Branson, III
Director of Human Resources and Labor Relations	Carol A. Stone
City Assessor	Reid A. Duford
City Clerk / Director of Community Affairs	Selina M. Tisdale
City Controller	Deeann L. Bragg Smerdon
City Engineer	Joshua N. Fredrickson
City Treasurer	Dana C. Strayer
Chief Building Inspector	Stephen K. Taglauer
Fire Chief	Chris A. Coughlin
Information Services Manager	Tadd H. Underhill
Library Director	Miriam M. Andrus
Police Chief	Clifford A. Block
Public Services Director	Karen A. Murphy
Utilities Director	Joseph J. Sova



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## Independent Auditors' Report

Management and City Council  
City of Midland, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Midland, Michigan as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise of the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Midland, Michigan as of June 30, 2018 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

## **Other Matters:**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Michigan Employee Retirement System Schedules, Police and Fire Retirement System Schedules, Other Post Employment Benefit Schedules, and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Midland, Michigan's basic financial statements. The Introductory Section, Other Supplementary Information, as identified in the table of contents, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of City of Midland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of City of Midland, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Midland, Michigan's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

December 19, 2018  
Saginaw, Michigan

**City of Midland, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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As management of the City of Midland (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction and additional information that we have furnished on our letter of transmittal, which can be found in the introductory section of this report.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$194.7 million (*net position*).
- The City's total revenues of \$92.1 million were in excess of total expenses of \$75.8 million resulting in an increase of net position of \$16.3 million.
- The City's governmental activities incurred expenses of \$47.6 million. These expenses, plus \$1.5 in transfers to business-type activities were covered by program revenues of \$23.1 million, and general revenues (*i.e., property taxes and state shared revenue*) of \$40.2 million resulting in an increase in net position of \$14.1 million.
- Governmental activities revenue decreased by \$3.9 million, attributable to the reduction in capital grants and contributions. Prior year saw the local philanthropic community pledge \$7 million for the replacement of Downtown's Main Street.
- Governmental activities expenses decreased by \$4.9 million largely due to a reduction in net pension expense driven by favorable investment returns that exceed the assumed rate of return, reduced employee benefit levels, increased employee contributions, and increased employer contributions.
- The City's business-type activities incurred \$28.1 million in expense. These expenses were paid by program revenues, primarily in the form of user charges, of \$28.2 million, transfers in from governmental activities of \$1.5 million, and general revenues of \$594 thousand. This resulted in an increase in net position of \$2.2 million. The prior year yielded a \$4.2 million increase in net position; expenses were \$1.8 million higher for the current year, mainly due to increased raw water costs in the Water Fund, and higher engineering, environmental, and final closure costs in the Sanitary Landfill Fund.
- During the current fiscal year the City implemented *GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. Because the City sponsors a defined-benefit retiree healthcare plan for many of its current and former full time employees, it is now required to account for the net pension liability within its accrual-based financial statements. The cumulative impact of this implementation for years ending June 30, 2017 is reported as a prior-period adjustment on all accrual-based financial statements. The government-wide prior period adjustment was a \$47.4 million reduction to net assets: \$38.2 for governmental activities and \$9.2 million for business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$43.0 million, \$4.9 million more than the close of the prior fiscal year. The increase is primarily due to the additional personal property tax reimbursement discussed previously.
- Unassigned fund balance of \$7.9 million is available for spending at the City's discretion. This is approximately 19.1% of total general fund expenditures and transfers out.

**City of Midland, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The *statement of net position* includes all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The *statement of activities* reports how the City's net position has changed and it includes all of the current year's revenue and expenses, regardless of when cash is received or paid. This change in net position is an indicator of whether the City's financial health is improving or deteriorating. In order to assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure.

The City's government-wide statements are divided into two activities:

Governmental Activities – Most of the City's basic services are included here, such as police, fire, public works, sanitation, parks and recreation, community development, library, transportation, and general administration. Property taxes, state shared revenue, charges for services, and grants finance most of these activities.

Business-type Activities – The City charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include water distribution, wastewater collection, landfill, golf course, civic arena, senior citizen housing, and parking.

**FUND FINANCIAL STATEMENTS**

The fund financial statements begin on page 3-4 and provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The City of Midland has three types of funds:

Governmental Funds – Many of the City's basic services are included in governmental funds which focus on how cash and other financial assets that can be readily converted into cash, flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental fund statements focus on a short-term view, rather than the long-term focus of the government-wide statements. A reconciliation between the governmental funds and the governmental activities of the government-wide statements is provided on page 3-6 to help facilitate a comparison between the two.

The City maintains 15 individual governmental funds. Separate information is presented for the General and Major Street Funds, both considered to be "major" funds. Data from the other 13 governmental funds, considered to be "nonmajor" funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for each of its governmental funds, except for the Cemetery fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long-

**City of Midland, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2018**

and short-term financial information. There are two types of proprietary funds:

- Enterprise funds and business-type activities are the same, but the fund statements provide more detail and additional information. Examples include the Water Fund and Wastewater Fund.
- Internal service funds are used to report activities for services provided to other City departments. Examples include the Equipment Revolving Fund and the Information Services Fund.

The proprietary fund financial statements provide separate information for the Water, Wastewater, Sanitary Landfill, and Civic Arena funds, which are considered to be major funds of the City. The remaining enterprise funds and the internal service funds are each combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the remaining enterprise funds and the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary Funds** - Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

**Government-wide Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, net position was \$194.7 million, at the close of the fiscal year.

The following table shows the comparison of assets, deferred outflows, liabilities, deferred inflows, and net position (in millions of dollars) in a condensed format as of June 30, 2018, to the prior year.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current	\$ 57.5	\$ 56.4	\$ 32.8	\$ 34.3	\$ 90.3	\$ 90.7
Noncurrent						
Restricted and other	0.8	0.8	17.9	17.6	18.7	18.4
Capital, net	116.1	110.0	120.4	119.4	236.5	229.4
Total assets	<u>174.4</u>	<u>167.2</u>	<u>171.1</u>	<u>171.3</u>	<u>345.5</u>	<u>338.5</u>
<b>Deferred Outflows</b>	6.6	9.3	1.7	2.4	8.3	11.7
<b>Liabilities</b>						
Current	3.1	3.8	1.8	1.9	4.9	5.7
Noncurrent	111.5	84.4	40.1	34.3	151.6	118.7
Total liabilities	<u>114.6</u>	<u>88.2</u>	<u>41.9</u>	<u>36.2</u>	<u>156.5</u>	<u>124.4</u>
<b>Deferred Inflows</b>	2.1	-	0.5	-	2.6	-
<b>Net Position</b>						
Net investment in capital assets	111.9	105.4	112.7	110.3	224.6	215.7
Restricted	14.7	24.0	-	1.0	14.7	25.0
Unrestricted (deficit)	(62.3)	(41.1)	17.7	26.2	(44.6)	(14.9)
Total net position	<u>\$ 64.3</u>	<u>\$ 88.3</u>	<u>\$ 130.4</u>	<u>\$ 137.5</u>	<u>\$ 194.7</u>	<u>\$ 225.8</u>

A substantial portion of the City's net position, \$224.6 million, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$14.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted \$44.6 million deficit balance was a \$14.9 million deficit last year. The increase in the deficit is due to the implementation of GASB Statement 75, as discussed earlier.

**City of Midland, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**City of Midland Change in Net Position**  
(in millions of dollars)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3.5	\$ 3.3	\$ 27.3	\$ 27.7	\$ 30.8	\$ 31.0
Operating grants and contributions	16.2	15.8	-	-	16.2	15.8
Capital grants and contributions	3.4	8.1	0.9	0.4	4.3	8.5
General revenues:						
Property taxes	35.2	35.6	-	-	35.2	35.6
Intergovernmental	3.7	3.6	-	-	3.7	3.6
Other revenue	1.3	0.8	0.5	0.7	1.8	1.5
Total revenue	<u>63.3</u>	<u>67.2</u>	<u>28.7</u>	<u>28.8</u>	<u>92.0</u>	<u>96.0</u>
<b>Program Expenses</b>						
General government	3.8	4.7	-	-	3.8	4.7
Public safety	15.6	19.2	-	-	15.6	19.2
Public works	10.6	10.2	-	-	10.6	10.2
Sanitation	3.7	3.6	-	-	3.7	3.6
Community development	0.8	0.7	-	-	0.8	0.7
Parks and recreation	5.6	6.1	-	-	5.6	6.1
Library / community television	4.6	5.0	-	-	4.6	5.0
Airport	0.4	0.3	-	-	0.4	0.3
Transportation	2.2	2.2	-	-	2.2	2.2
Other	0.3	0.6	-	-	0.3	0.6
Water	-	-	10.5	9.9	10.5	9.9
Wastewater	-	-	6.5	6.2	6.5	6.2
Landfill	-	-	4.2	3.5	4.2	3.5
Civic Arena	-	-	1.3	1.3	1.3	1.3
Senior housing	-	-	4.2	4.0	4.2	4.0
Golf course	-	-	1.2	1.2	1.2	1.2
Parking system	-	-	0.2	0.2	0.2	0.2
Total expenses	<u>47.6</u>	<u>52.6</u>	<u>28.1</u>	<u>26.3</u>	<u>75.7</u>	<u>78.9</u>
Change in net position before transfers	15.7	14.6	0.6	2.5	16.3	17.1
Transfers	<u>(1.5)</u>	<u>(1.7)</u>	<u>1.5</u>	<u>1.7</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<b>14.2</b>	<b>12.9</b>	<b>2.1</b>	<b>4.2</b>	<b>16.3</b>	<b>17.1</b>
Net position - beginning	88.3	75.4	137.5	133.3	225.8	208.7
Prior Period Adjustment	<u>(38.2)</u>	<u>-</u>	<u>(9.2)</u>	<u>-</u>	<u>(47.4)</u>	<u>-</u>
Net position - ending	<u>\$ 64.3</u>	<u>\$ 88.3</u>	<u>\$ 130.4</u>	<u>\$ 137.5</u>	<u>\$ 194.7</u>	<u>\$ 225.8</u>

The City's net position increased by \$16.3 million during the current fiscal year, as a result of current year activities.

Total governmental revenue is reported at \$63.3 million, a decrease of \$3.9 million from the prior year. Capital grants and contributions decreased by \$4.7 due to the City receiving a significant level of philanthropic support during the prior year for its Downtown Main Street replacement project. Property tax revenue decreased by \$.4 million reflective of law change to eliminate personal property tax on eligible manufacturing assets. However, the reimbursement from the State for the lost tax revenue associated with the eliminated personal property was \$8 million, more than offsetting the accumulated revenue reductions.

Total governmental expense is reported at \$47.6 million, a decrease of \$5.0 million from the prior year. The decrease is due largely to a reduction in net pension expense driven by investment returns that exceed the assumed rate of return, reduced employee benefit levels, increased employee contributions, and increased employer contributions.

Business-type revenue remained static at \$28.7 million. Charges for services decreased \$.4 million due to less tipping fees at the Sanitary Landfill. This was offset by an increase in capital grants and contributions largely associated developer-donated infrastructure.

Business-type expenses increased by \$1.8 million from last year, mainly due to increased raw water costs in the Water Fund, and higher engineering, environmental, and final closure costs in the Sanitary Landfill Fund.

**The City of Midland's Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a

**City of Midland, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43.0 million, an increase of \$4.9 million in comparison with the prior year. Of this amount, \$7.9 million, (or 18.45%) constitute unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes, 4) committed for particular purposes, or 5) assigned for particular purposes.

The General Fund is the chief operating fund of the City. At the end of the current year the unassigned fund balance of the General Fund, \$7.9 million, was an increase of \$2.3 million from the prior year balance. The total General Fund fund balance increased by \$3.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 19.1% of that total while total fund balance represents 47.6% of the same amount.

General Fund revenue was \$44.9 million for the current year, an increase of \$.4 million as compared to the prior year, or less than 1%, derived from numerous sources.

General Fund expenditures were \$41.4 when including outgoing transfers, an increase of \$.5 million, or an increase of 1.2%, when compared to the prior year.

The Major Street Fund ending fund balance decreased by \$.3 million, which is about \$5.5 million better than budgeted. All but two areas of expenditures were under budget, with the largest underspending being capital projects at \$6.8 million. However, because the street

construction season runs through mid-November, most of these funds will be spent after July 1, 2018.

The unrestricted net position of the Water Fund was \$10.0 million at year-end, reflecting a decrease of \$3.9 million from the prior year, caused by a \$4.2 million prior-period adjustment charge from the implementation of GASB 75. The Wastewater's unrestricted net position remains in a deficit of \$2.1 million, an increase of \$1.5 million from the prior year, caused by a \$2.4 million prior-period adjustment charge for the same reason as discussed for the Water Fund.

### **General Fund Budgetary Highlights**

The General Fund adopted budget included using \$3.7 million of available fund balance over the City Council's target balance of \$5.6 million to prevent reductions in service delivery or an increase to the millage rate. Council also established a budget stabilization reserve, using excess personal property tax reimbursement funds. Council amended the General Fund budget in May of 2018 to reflect a planned decrease of \$1.2 million.

At year-end, actual income from all sources was about \$294 thousand (.7%) over budget, and actual expenditures and transfers out were \$4.4 million less than budget. Capital outlay accounts for \$2.4 million of the expenditure savings and mostly represents transactions that will occur after June 30, 2018. About \$2.7 million of the total savings will be encumbered into 2018-19. The remaining \$2 million is budgetary savings that resulted largely from incurring fewer tax appeals than anticipated, better performing external funds that are supported by General Fund contributions, payroll savings due to staff retirements and vacancies, and favorable renewals on retiree health care.

### **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**City of Midland, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

At June 30, 2018, the City of Midland had \$224.6 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure, net of debt. Last year this total was \$215.8 million. Additional information about the City's capital assets is presented in Note 1 and Note 7 of the Notes to Financial Statements.

At June 30, 2018, the City of Midland's total bonded indebtedness was \$19.5 million, all backed by the full faith and credit of the government. Additional information about the City's indebtedness is presented in Note 1 and Note 11 of the Notes to Financial Statements.

The City maintains an AA rating with Standard and Poor's and an Aa2 rating with Moody's for the issuance of general obligation debt. These ratings place Midland's debt in the range of investment grade bonds of high quality and upper medium quality, respectively.

**CURRENT ECONOMIC EVENTS**

The following priorities were considered when preparing the City's budget for the 2018-19 fiscal year.

- Public services shall be maintained at the highest level possible.
- The millage rate shall be kept at the 2017-18 level of 15.14 mills.
- A portion of the 2017-18 additional personal property tax reimbursement proceeds will be used to balance the budget, with the remaining amount earmarked for future year's budget stabilization efforts. The budget stabilization reserve was increased from \$3.4 million to \$5.5 million. Additional reimbursement should not be assumed for the 2018-19 fiscal year.
- Increase the General Fund's unreserved fund balance from \$5.6 million to \$6 million as of June 30, 2019.

- Taxable value for the City's residential and commercial properties will increase by .6% and 4%, respectively. Industrial taxable value will decrease by 3.5% mostly due to the phasing in of the elimination of personal property tax on eligible manufacturing property.
- All required debt obligations, including funding beyond 100% of the annual required contributions for each of the City's three defined benefit plans will be included in the budget.
- Labor costs will be budgeted in accordance with the number of authorized positions and the collectively bargained labor and benefit rates. Full employment will be assumed.
- Capital expenditures will be budgeted in accordance with the engineering priorities plan, the City's capital and master plans, and departmental 5-year plans.
- A conservative approach will continue to be employed. This is especially prudent in light of the recent business combinations involving two of the City's largest taxpayers, Dow Corning and the Dow Chemical Company, and DuPont.
- Two-years of projections for the fiscal years 2019-20 and 2020-21 will be included in the budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning the information provided in this report, or requests for additional financial information, should be addressed to the Finance Department at the Midland City Hall, 333 W. Ellsworth Street, Midland, MI 48640. Finance Department staff can be reached at 989-837-3322 or at [cityhall@midland-mi.org](mailto:cityhall@midland-mi.org). Additional information can be obtained at the City's website, [www.cityofmidlandmi.gov](http://www.cityofmidlandmi.gov).

**City of Midland, Michigan**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 56,535,320	\$ 20,609,323	\$ 77,144,643
Investments	-	512,198	512,198
Receivables			
Taxes	1,110	-	1,110
Trust deeds	1,030,753	-	1,030,753
Customers	160,508	3,387,824	3,548,332
Special assessments	311,490	9,672	321,162
Accounts and contracts	1,070,227	37,018	1,107,245
Accrued interest	101,722	38,023	139,745
Contributions	550,000	-	550,000
Due from other units of government	2,813,163	145,497	2,958,660
Internal balances	(7,282,150)	7,282,150	-
Inventories	686,528	738,369	1,424,897
Prepaid items	1,453,199	13,369	1,466,568
Restricted assets			
Cash and cash equivalents	-	3,614,220	3,614,220
Assets held for resale	225,000	-	225,000
Investment in joint venture	612,516	14,251,928	14,864,444
Capital assets not being depreciated	16,235,532	7,597,924	23,833,456
Capital assets, net of accumulated depreciation	99,866,734	112,820,413	212,687,147
<b>Total assets</b>	<b>174,371,652</b>	<b>171,057,928</b>	<b>345,429,580</b>
<b>Deferred outflows of resources</b>			
Deferred amount on debt refunding	450,557	231,064	681,621
Deferred amount relating to net pension liability - MERS	3,593,040	1,477,666	5,070,706
Deferred amount relating to net pension liability - police and fire	2,520,802	-	2,520,802
Deferred amount relating to net OPEB liability	22,455	5,404	27,859
<b>Total deferred outflows of resources</b>	<b>6,586,854</b>	<b>1,714,134</b>	<b>8,300,988</b>
<b>Total assets and deferred outflows of resources</b>	<b>180,958,506</b>	<b>172,772,062</b>	<b>353,730,568</b>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 1,890,268	\$ 1,423,269	\$ 3,313,537
Accrued and other liabilities	343,504	23,025	366,529
Due to other units of government	167	-	167
Guarantee and other deposits	89,428	199,880	289,308
Unearned revenue	739,907	80,409	820,316
Accrued interest	26,438	24,617	51,055
Noncurrent liabilities			
Debt due within one year	3,641,665	1,997,277	5,638,942
Debt due in more than one year	11,592,012	11,084,397	22,676,409
Net pension liability - MERS	40,283,602	18,208,962	58,492,564
Net pension liability - police and fire	19,489,261	-	19,489,261
Net OPEB liability	36,547,663	8,791,206	45,338,869
Total liabilities	<u>114,643,915</u>	<u>41,833,042</u>	<u>156,476,957</u>
<b>Deferred inflows of resources</b>			
Deferred amount relating to net pension liability - MERS	981,533	477,345	1,458,878
Deferred amount relating to net pension liability - police and fire	1,017,021	-	1,017,021
Deferred amount relating to net OPEB liability	95,469	22,966	118,435
Total deferred inflows of resources	<u>2,094,023</u>	<u>500,311</u>	<u>2,594,334</u>
Total liabilities and deferred inflows of resources	<u>116,737,938</u>	<u>42,333,353</u>	<u>159,071,291</u>
<b>Net position</b>			
Net investment in capital assets	111,872,266	112,740,412	224,612,678
Restricted (expendable) for			
Major street	8,059,401	-	8,059,401
Local street	3,781,644	-	3,781,644
Smart Zone	179,215	-	179,215
Center city authority	50,109	-	50,109
Downtown development authority	52,099	-	52,099
Midland housing	396,066	-	396,066
Special activities	57,471	-	57,471
Debt service	54,982	-	54,982
Cemetery permanent fund			
Expendable	13,555	-	13,555
Nonexpendable	2,037,966	-	2,037,966
Unrestricted (deficit)	<u>(62,334,206)</u>	<u>17,698,297</u>	<u>(44,635,909)</u>
Total net position	<u>\$ 64,220,568</u>	<u>\$ 130,438,709</u>	<u>\$ 194,659,277</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General government	\$ 3,754,227	\$ -	\$ 7,684,464	\$ -	\$ 3,930,237	\$ -	\$ 3,930,237
Public safety	15,615,959	81,089	47,947	75,475	(15,411,448)	-	(15,411,448)
Public works	10,551,422	1,376,864	6,430,641	9,804	(2,734,113)	-	(2,734,113)
Sanitation	3,723,037	51,978	-	-	(3,671,059)	-	(3,671,059)
Community and economic development	786,020	22,310	55,992	-	(707,718)	-	(707,718)
Parks and recreation	5,593,907	445,940	17,519	3,027,782	(2,102,666)	-	(2,102,666)
Library and community television	4,622,205	1,207,060	416,062	64,415	(2,934,668)	-	(2,934,668)
Airport	395,820	214,555	-	149,214	(32,051)	-	(32,051)
Transportation	2,167,574	127,408	1,446,173	53,251	(540,742)	-	(540,742)
Property tax appeals	191,074	-	-	-	(191,074)	-	(191,074)
Interest and fiscal charges on long-term debt	247,880	-	95,341	-	(152,539)	-	(152,539)
<b>Total governmental activities</b>	<b>47,649,125</b>	<b>3,527,204</b>	<b>16,194,139</b>	<b>3,379,941</b>	<b>(24,547,841)</b>	<b>-</b>	<b>(24,547,841)</b>
<b>Business-type activities</b>							
Water	10,476,617	11,887,163	-	586,450	-	1,996,996	1,996,996
Wastewater	6,541,553	6,563,658	12,090	154,697	-	188,892	188,892
Sanitary Landfill	4,191,418	3,144,542	12,630	-	-	(1,034,246)	(1,034,246)
Civic Arena	1,320,320	1,107,240	-	-	-	(213,080)	(213,080)
Senior Housing	4,164,346	3,577,186	570	-	-	(586,590)	(586,590)
Currie Municipal Golf Course	1,226,263	919,168	-	116,019	-	(191,076)	(191,076)
Parking	204,523	102,249	-	-	-	(102,274)	(102,274)
<b>Total business-type activities</b>	<b>28,125,040</b>	<b>27,301,206</b>	<b>25,290</b>	<b>857,166</b>	<b>-</b>	<b>58,622</b>	<b>58,622</b>
<b>Total primary government</b>	<b>\$ 75,774,165</b>	<b>\$ 30,828,410</b>	<b>\$ 16,219,429</b>	<b>\$ 4,237,107</b>	<b>(24,547,841)</b>	<b>58,622</b>	<b>(24,489,219)</b>
<b>General revenues</b>							
Property taxes, levied for general purposes					25,947,231	-	25,947,231
Property taxes, levied for library					2,079,544	-	2,079,544
Property taxes, levied for Downtown Development Authority					574,132	-	574,132
Property taxes, levied for debt service					541,079	-	541,079
Property taxes, levied for pension savings					2,261,694	-	2,261,694
Other tax related revenue - county road millage					3,792,616	-	3,792,616
State shared revenue, unrestricted					3,670,447	-	3,670,447
Unrestricted investment earnings					345,483	186,398	531,881
Gain on sale of capital assets					-	61,715	61,715
Miscellaneous					945,272	346,265	1,291,537
Transfers					(1,478,177)	1,478,177	-
<b>Total general revenues and transfers</b>					<b>38,679,321</b>	<b>2,072,555</b>	<b>40,751,876</b>
<b>Change in net position</b>					<b>14,131,480</b>	<b>2,131,177</b>	<b>16,262,657</b>
Net position - beginning of year					88,299,973	137,498,811	225,798,784
Prior period adjustment					(38,210,885)	(9,191,279)	(47,402,164)
Net position - beginning of year (restated)					50,089,088	128,307,532	178,396,620
Net position - end of year					<b>\$ 64,220,568</b>	<b>\$ 130,438,709</b>	<b>\$ 194,659,277</b>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 19,046,145	\$ 10,408,210	\$ 12,746,036	\$ 42,200,391
Receivables - net of allowances				
Taxes	955	-	155	1,110
Trust deeds	26,396	-	1,004,357	1,030,753
Customers	-	-	980	980
Accounts and contracts	392,823	30,489	513,523	936,835
Accrued interest	40,827	17,609	21,269	79,705
Contributions	-	550,000	-	550,000
Due from other units of government	1,508,456	792,768	511,939	2,813,163
Due from other funds	-	-	79,932	79,932
Inventories	35,819	-	14,748	50,567
Prepaid items	15,756	-	-	15,756
Assets held for resale	-	225,000	-	225,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 21,067,177</u>	<u>\$ 12,024,076</u>	<u>\$ 14,892,939</u>	<u>\$ 47,984,192</u>
<b>Liabilities</b>				
Accounts payable	\$ 355,445	\$ 656,796	\$ 706,637	\$ 1,718,878
Due to other funds	-	-	79,932	79,932
Due to other units of government	167	-	-	167
Deposits	53,920	-	34,008	87,928
Unearned revenue	296,569	-	443,338	739,907
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>706,101</u>	<u>656,796</u>	<u>1,263,915</u>	<u>2,626,812</u>
<b>Deferred inflows of resources</b>				
Grants and contributions	715	556,148	39,407	596,270
Trust deeds	-	-	1,004,357	1,004,357
State shared revenue	648,182	-	-	648,182
Other	-	-	150,107	150,107
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources	<u>648,897</u>	<u>556,148</u>	<u>1,193,871</u>	<u>2,398,916</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and deferred inflows of resources	<u>1,354,998</u>	<u>1,212,944</u>	<u>2,457,786</u>	<u>5,025,728</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund balances</b>				
Non-spendable				
Inventories	\$ 35,819	\$ -	\$ 14,748	\$ 50,567
Prepaid items	15,756	-	-	15,756
Trust deeds	26,396	-	-	26,396
Restricted for				
Major street	-	10,811,132	-	10,811,132
Local street	-	-	6,459,251	6,459,251
Smart Zone	-	-	179,215	179,215
City center authority	-	-	50,109	50,109
Grace A. Dow Memorial Library	-	-	277,122	277,122
Downtown development authority	-	-	359,286	359,286
Community development block grant	-	-	69,360	69,360
Midland Housing	-	-	231,211	231,211
Special activities	-	-	57,471	57,471
Debt service	-	-	73,607	73,607
Cemetery operations	-	-	2,051,521	2,051,521
Committed				
Future year expenditures	3,486,989	-	75,502	3,562,491
Budget stabilization	5,534,087	-	-	5,534,087
Assigned	2,686,787	-	2,536,750	5,223,537
Unassigned	<u>7,926,345</u>	<u>-</u>	<u>-</u>	<u>7,926,345</u>
Total fund balances	<u>19,712,179</u>	<u>10,811,132</u>	<u>12,435,153</u>	<u>42,958,464</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,067,177</u>	<u>\$ 12,024,076</u>	<u>\$ 14,892,939</u>	<u>\$ 47,984,192</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2018**

<b>Total fund balances for governmental funds</b>	\$ 42,958,464
Total net position for governmental activities in the statement of net position is different because	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	85,034,968
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	16,180,532
Investment in joint ventures are not financial resources and therefore are not reported in the governmental funds.	612,516
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	2,398,916
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(18,625)
Deferred outflows (inflows) of resources.	
Deferred outflows of resources resulting from debt refunding	450,557
Deferred outflows of resources resulting from net pension liability - MERS	3,194,399
Deferred outflows of resources resulting from net pension liability - police and fire	2,520,802
Deferred outflows of resources resulting from net OPEB liability	20,950
Deferred inflows of resources resulting from net pension liability - MERS	(855,048)
Deferred inflows of resources resulting from net pension liability - police and fire	(1,017,021)
Deferred inflows of resources resulting from net OPEB liability	(89,063)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability - MERS	(35,391,846)
Net pension liability - police and fire	(19,489,261)
Net OPEB liability	(34,094,829)
Bonds payable	(7,450,000)
Compensated absences	(3,296,913)
Internal service funds are included as part of governmental activities.	12,551,070
<b>Net position of governmental activities</b>	<b>\$ 64,220,568</b>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 28,208,925	\$ 3,792,616	\$ 3,194,755	\$ 35,196,296
Licenses and permits	609,983	97,307	119,386	826,676
Federal grants	1,073	-	761,890	762,963
State revenue sharing	3,670,447	-	-	3,670,447
Other state grants	7,670,596	4,956,636	2,788,064	15,415,296
Local contributions	553,304	3,350,000	168,389	4,071,693
Charges for services	2,448,931	332,328	1,334,468	4,115,727
Use and admission charges	359,536	-	-	359,536
Interest income	201,997	62,097	81,389	345,483
Rental income	82,287	-	-	82,287
Other revenue	999,429	190,713	135,571	1,325,713
	<u>44,806,508</u>	<u>12,781,697</u>	<u>8,583,912</u>	<u>66,172,117</u>
<b>Expenditures</b>				
Current				
General government	6,192,711	-	3,603	6,196,314
Public safety	17,977,206	-	7,784	17,984,990
Public works	2,046,809	1,786,671	2,018,442	5,851,922
Sanitation	3,985,581	-	-	3,985,581
Community and economic development	-	-	799,143	799,143
Parks and recreation	5,717,471	-	-	5,717,471
Library and community television	-	-	4,599,276	4,599,276
Airport	311,268	-	-	311,268
Transportation	-	-	2,095,573	2,095,573
Property tax appeals	191,074	-	-	191,074
Capital outlay	375,145	8,074,683	2,106,103	10,555,931
Debt service				
Principal retirement	-	-	1,400,000	1,400,000
Interest and fiscal charges	-	-	166,825	166,825
	<u>36,797,265</u>	<u>9,861,354</u>	<u>13,196,749</u>	<u>59,855,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,009,243</u>	<u>2,920,343</u>	<u>(4,612,837)</u>	<u>6,316,749</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ 2,961	\$ -	\$ 15,000	\$ 17,961
Transfers in	58,257	-	7,426,597	7,484,854
Transfers out	<u>(4,624,498)</u>	<u>(3,205,038)</u>	<u>(1,045,132)</u>	<u>(8,874,668)</u>
Total other financing sources (uses)	<u>(4,563,280)</u>	<u>(3,205,038)</u>	<u>6,396,465</u>	<u>(1,371,853)</u>
Net change in fund balance	3,445,963	(284,695)	1,783,628	4,944,896
Fund balance - beginning of year	<u>16,266,216</u>	<u>11,095,827</u>	<u>10,651,525</u>	<u>38,013,568</u>
Fund balance - end of year	<u>\$ 19,712,179</u>	<u>\$ 10,811,132</u>	<u>\$ 12,435,153</u>	<u>\$ 42,958,464</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2018**

<b>Net change in fund balances - Total governmental funds</b>	\$	4,944,896
Total change in net position reported for governmental activities in the statement of activities is different because		
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.		
Depreciation expense		(5,510,979)
Capital outlay		9,483,972
Donations of capital assets		3,062,681
Loss on disposal of capital assets		(32,293)
Investment in joint ventures are not financial resources and therefore are not shown in the fund-based statements.		28,317
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
State shared revenue		32,302
Customers		(164,073)
Grants		(3,641,034)
Trust deeds		(97,579)
Other		148,391
Expenses are recorded when incurred in the statement of activities.		
Accrued interest		9,057
Compensated absences		(21,080)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.		
Net change in net pension liability - MERS		3,300,862
Net change in net pension liability - police and fire		3,954,194
Net change in net OPEB liability		1,551,598
Net change in the deferred inflow of resources related to the net pension liability - MERS		(855,048)
Net change in the deferred inflow of resources related to the net pension liability - police and fire		(1,017,021)
Net change in the deferred inflow of resources related to the net OPEB liability		(89,063)
Net change in the deferred outflows of resources related to the net pension liability - MERS		(1,164,475)
Net change in the deferred outflows of resources related to the net pension liability - police and fire		(1,363,203)
Net change in the deferred outflows of resources related to the net OPEB liability		20,950
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Repayments of long-term debt		1,400,000
Amortization of premiums, discounts and similar items		(90,112)
Internal service funds are also included as governmental activities.		240,220
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>14,131,480</u></b>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2018**

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>							
Current assets							
Cash and cash equivalents	\$ 6,664,860	\$ 2,094,787	\$ 8,319,837	\$ 1,048,674	\$ 2,481,165	\$ 20,609,323	\$ 14,334,929
Investments	-	-	-	-	512,198	512,198	-
Receivables - net of allowances							
Customers	1,892,597	1,095,476	371,926	8,359	19,466	3,387,824	159,528
Special assessments, current	5,745	3,927	-	-	-	9,672	59,340
Accounts and contracts	5,699	12,118	-	-	19,201	37,018	133,392
Accrued interest	11,924	5,860	14,298	1,776	4,165	38,023	22,017
Due from other units of government	-	145,497	-	-	-	145,497	-
Due from other funds	-	-	21,472	-	-	21,472	-
Inventories	676,400	-	-	28,174	33,795	738,369	635,961
Prepaid items	-	-	-	-	13,369	13,369	1,437,443
Restricted assets							
Cash and cash equivalents	-	1,302,217	-	-	-	1,302,217	-
Total current assets	<u>9,257,225</u>	<u>4,659,882</u>	<u>8,727,533</u>	<u>1,086,983</u>	<u>3,083,359</u>	<u>26,814,982</u>	<u>16,782,610</u>
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	92,815	-	2,219,188	-	-	2,312,003	-
Special assessments receivable	-	-	-	-	-	-	252,150
Advances to other funds	-	-	266,189	-	-	266,189	-
Capital assets not being depreciated	1,404,761	476,683	1,283,429	-	4,433,051	7,597,924	55,000
Capital assets, net of accumulated depreciation	41,851,784	40,547,599	8,677,658	6,513,886	15,229,486	112,820,413	14,831,766
Investment in joint venture	14,251,928	-	-	-	-	14,251,928	-
Total noncurrent assets	<u>57,601,288</u>	<u>41,024,282</u>	<u>12,446,464</u>	<u>6,513,886</u>	<u>19,662,537</u>	<u>137,248,457</u>	<u>15,138,916</u>
Total assets	<u>66,858,513</u>	<u>45,684,164</u>	<u>21,173,997</u>	<u>7,600,869</u>	<u>22,745,896</u>	<u>164,063,439</u>	<u>31,921,526</u>
<b>Deferred outflows of resources</b>							
Deferred amount of debt refunding	-	-	-	231,064	-	231,064	-
Deferred amount relating to net pension liability - MERS	693,347	353,879	227,390	38,196	164,854	1,477,666	398,641
Deferred amount relating to net OPEB liability	2,463	1,396	758	182	605	5,404	1,505
Total deferred outflows of resources	<u>695,810</u>	<u>355,275</u>	<u>228,148</u>	<u>269,442</u>	<u>165,459</u>	<u>1,714,134</u>	<u>400,146</u>
Total assets and deferred outflows of resources	<u>67,554,323</u>	<u>46,039,439</u>	<u>21,402,145</u>	<u>7,870,311</u>	<u>22,911,355</u>	<u>165,777,573</u>	<u>32,321,672</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2018**

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Liabilities</b>							
Current liabilities							
Accounts payable	\$ 1,087,303	\$ 98,495	\$ 115,221	\$ 37,703	\$ 84,547	\$ 1,423,269	\$ 171,390
Accrued and other liabilities	-	-	-	-	23,025	23,025	-
Due to other funds	-	-	-	-	-	-	21,472
Deposits	1,820	-	-	2,240	103,005	107,065	1,500
Unearned revenue	15,828	79	-	-	64,502	80,409	-
Accrued interest	-	12,216	-	12,401	-	24,617	26,438
Estimated healthcare claims	-	-	-	-	-	-	324,879
Total current liabilities	<u>1,104,951</u>	<u>110,790</u>	<u>115,221</u>	<u>52,344</u>	<u>275,079</u>	<u>1,658,385</u>	<u>545,679</u>
Noncurrent liabilities							
Current portion of noncurrent liabilities	200,395	1,386,923	82,309	269,899	57,751	1,997,277	403,446
Guarantee deposits	92,815	-	-	-	-	92,815	-
Advances from other funds	-	-	-	-	-	-	266,189
Long-term debt net of current portion	148,610	3,052,184	88,908	3,312,051	104,644	6,706,397	4,083,318
Net pension liability - MERS	8,484,544	4,446,611	2,792,220	480,419	2,005,168	18,208,962	4,891,756
Net OPEB liability	4,007,956	2,271,477	1,233,217	294,703	983,853	8,791,206	2,452,834
Accrued landfill closure and postclosure care costs	-	-	4,378,000	-	-	4,378,000	-
Total noncurrent liabilities	<u>12,934,320</u>	<u>11,157,195</u>	<u>8,574,654</u>	<u>4,357,072</u>	<u>3,151,416</u>	<u>40,174,657</u>	<u>12,097,543</u>
Total liabilities	<u>14,039,271</u>	<u>11,267,985</u>	<u>8,689,875</u>	<u>4,409,416</u>	<u>3,426,495</u>	<u>41,833,042</u>	<u>12,643,222</u>
<b>Deferred inflows of resources</b>							
Deferred amount relating to net pension liability - MERS	217,373	123,859	72,360	13,423	50,330	477,345	126,485
Deferred amount relating to net OPEB liability	10,470	5,934	3,221	770	2,571	22,966	6,406
Total deferred inflows of resources	<u>227,843</u>	<u>129,793</u>	<u>75,581</u>	<u>14,193</u>	<u>52,901</u>	<u>500,311</u>	<u>132,891</u>
Total liabilities and deferred inflows of resources	<u>14,267,114</u>	<u>11,397,778</u>	<u>8,765,456</u>	<u>4,423,609</u>	<u>3,479,396</u>	<u>42,333,353</u>	<u>12,776,113</u>
<b>Net position</b>							
Net investment in capital assets	43,256,545	36,770,219	9,961,087	3,184,950	19,567,611	112,740,412	10,656,766
Unrestricted (deficit)	<u>10,030,664</u>	<u>(2,128,558)</u>	<u>2,675,602</u>	<u>261,752</u>	<u>(135,652)</u>	<u>10,703,808</u>	<u>8,888,793</u>
Total net position	<u>\$ 53,287,209</u>	<u>\$ 34,641,661</u>	<u>\$ 12,636,689</u>	<u>\$ 3,446,702</u>	<u>\$ 19,431,959</u>	<u>123,444,220</u>	<u>\$ 19,545,559</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities						<u>6,994,489</u>	
Net position of business-type activities						<u>\$ 130,438,709</u>	

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Operating revenue</b>							
Customer fees	\$ 11,147,668	\$ 6,348,383	\$ -	\$ -	\$ -	\$ 17,496,051	\$ -
Use and admission charges	-	-	3,139,840	1,107,240	1,010,151	5,257,231	-
Billings to other funds	-	-	-	-	-	-	12,765,528
Rental income	390,900	-	-	-	2,559,342	2,950,242	4,832,180
Fines and forfeits	88,120	87,797	4,702	-	-	180,619	-
Sale of meals	-	-	-	-	740,225	740,225	-
Other revenue	72,506	220,577	56,701	23,145	371,213	744,142	2,490,780
<b>Total operating revenue</b>	<u>11,699,194</u>	<u>6,656,757</u>	<u>3,201,243</u>	<u>1,130,385</u>	<u>4,680,931</u>	<u>27,368,510</u>	<u>20,088,488</u>
<b>Operating expenses</b>							
Operations	3,482,423	1,260,607	3,313,808	854,251	4,693,451	13,604,540	18,213,786
Administration	1,409,907	1,004,320	-	-	-	2,414,227	-
Maintenance	3,771,940	2,242,700	-	39,553	117,982	6,172,175	-
Other expenses	2,831	18,903	14,099	11,023	2,390	49,246	-
Depreciation and amortization	1,619,937	1,797,428	726,853	238,584	745,269	5,128,071	2,213,030
<b>Total operating expenses</b>	<u>10,287,038</u>	<u>6,323,958</u>	<u>4,054,760</u>	<u>1,143,411</u>	<u>5,559,092</u>	<u>27,368,259</u>	<u>20,426,816</u>
<b>Operating income (loss)</b>	<u>1,412,156</u>	<u>332,799</u>	<u>(853,517)</u>	<u>(13,026)</u>	<u>(878,161)</u>	<u>251</u>	<u>(338,328)</u>
<b>Nonoperating revenue (expenses)</b>							
State grant	-	157,587	2,630	-	-	160,217	1,890
Interest income	46,372	24,305	57,432	6,616	51,673	186,398	92,164
Contractual revenues	348,595	-	-	-	-	348,595	-
Gain (loss) on disposition of assets	38,032	1,853	29,443	(7,606)	(7)	61,715	84,005
Other revenue	-	-	-	-	570	570	-
Interest expense	-	(100,135)	-	(164,114)	(3,680)	(267,929)	-
<b>Total nonoperating revenues (expenses)</b>	<u>432,999</u>	<u>83,610</u>	<u>89,505</u>	<u>(165,104)</u>	<u>48,556</u>	<u>489,566</u>	<u>178,059</u>
<b>Income (loss) before contributions and transfers</b>	1,845,155	416,409	(764,012)	(178,130)	(829,605)	489,817	(160,269)

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Capital contributions	\$ 586,450	\$ 9,200	\$ -	\$ -	\$ 56,385	\$ 652,035	\$ -
Transfers in	-	825,429	-	350,000	362,748	1,538,177	60,000
Transfers out	-	(60,000)	-	-	-	(60,000)	(148,363)
Change in net position	<u>2,431,605</u>	<u>1,191,038</u>	<u>(764,012)</u>	<u>171,870</u>	<u>(410,472)</u>	<u>2,620,029</u>	<u>(248,632)</u>
Net position - beginning of year	55,045,955	35,825,471	14,690,040	3,582,946	20,871,058	130,015,470	22,358,649
Prior period adjustment	<u>(4,190,351)</u>	<u>(2,374,848)</u>	<u>(1,289,339)</u>	<u>(308,114)</u>	<u>(1,028,627)</u>	<u>(9,191,279)</u>	<u>(2,564,458)</u>
Net position - beginning of year (restated)	<u>50,855,604</u>	<u>33,450,623</u>	<u>13,400,701</u>	<u>3,274,832</u>	<u>19,842,431</u>	<u>120,824,191</u>	<u>19,794,191</u>
Net position - end of year	<u>\$ 53,287,209</u>	<u>\$ 34,641,661</u>	<u>\$ 12,636,689</u>	<u>\$ 3,446,702</u>	<u>\$ 19,431,959</u>	<u>\$ 123,444,220</u>	<u>\$ 19,545,559</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities						<u>(488,852)</u>	
Change in net position of business-type activities						<u>\$ 2,131,177</u>	

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities</b>							
Receipts from customers	\$ 11,908,511	\$ 6,479,854	\$ 3,180,200	\$ 1,146,361	\$ 5,684,251	\$ 28,399,177	\$ 7,848,247
Receipts from other funds	-	-	-	-	-	-	12,873,437
Payments to suppliers	(5,285,121)	(2,641,232)	(1,844,462)	(649,801)	(3,300,727)	(13,721,343)	(15,190,769)
Payments to employees	(3,936,355)	(2,202,570)	(1,306,503)	(265,167)	(1,905,593)	(9,616,188)	(2,976,368)
Net cash provided by operating activities	<u>2,687,035</u>	<u>1,636,052</u>	<u>29,235</u>	<u>231,393</u>	<u>477,931</u>	<u>5,061,646</u>	<u>2,554,547</u>
<b>Cash flows from noncapital financing activities</b>							
Transfer from other funds	-	825,429	-	350,000	362,748	1,538,177	60,000
Transfers to other funds	-	(60,000)	-	-	-	(60,000)	(148,363)
Advances from other funds	-	-	21,471	-	-	21,471	-
Advances to other funds	-	-	-	-	-	-	(21,471)
Nonoperating federal and state grants	-	157,587	2,630	-	570	160,787	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>923,016</u>	<u>24,101</u>	<u>350,000</u>	<u>363,318</u>	<u>1,660,435</u>	<u>(109,834)</u>
<b>Cash flows from capital and related financing activities</b>							
Capital contributions	586,450	9,200	-	-	56,385	652,035	-
Purchases/construction of capital assets	(3,716,839)	(913,814)	(274,238)	(19,803)	(1,224,791)	(6,149,485)	(1,341,858)
Principal and interest paid on long-term debt	-	(1,370,136)	-	(324,835)	(29,456)	(1,724,427)	(4,994)
Proceeds from sale of capital assets	45,268	1,853	29,443	-	-	76,564	96,992
Net cash used by capital and related financing activities	<u>(3,085,121)</u>	<u>(2,272,897)</u>	<u>(244,795)</u>	<u>(344,638)</u>	<u>(1,197,862)</u>	<u>(7,145,313)</u>	<u>(1,249,860)</u>
<b>Cash flows from investing activities</b>							
Interest received	46,372	24,305	57,432	6,616	29,528	164,253	92,164
Net change in cash and cash equivalents	(351,714)	310,476	(134,027)	243,371	(327,085)	(258,979)	1,287,017
Cash and cash equivalents - beginning of year	7,109,389	3,086,528	10,673,052	805,303	2,808,250	24,482,522	13,047,912
Cash and cash equivalents - end of year	<u>\$ 6,757,675</u>	<u>\$ 3,397,004</u>	<u>\$ 10,539,025</u>	<u>\$ 1,048,674</u>	<u>\$ 2,481,165</u>	<u>\$ 24,223,543</u>	<u>\$ 14,334,929</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash and equivalents reported on Statement of Net Position as follows</b>							
Cash and cash equivalents	\$ 6,664,860	\$ 2,094,787	\$ 8,319,837	\$ 1,048,674	\$ 2,481,165	\$ 20,609,323	\$ 14,334,929
Cash and cash equivalents - restricted current	-	1,302,217	-	-	-	1,302,217	-
Cash and cash equivalents - restricted noncurrent	92,815	-	2,219,188	-	-	2,312,003	-
Net cash and equivalents	<u>\$ 6,757,675</u>	<u>\$ 3,397,004</u>	<u>\$ 10,539,025</u>	<u>\$ 1,048,674</u>	<u>\$ 2,481,165</u>	<u>\$ 24,223,543</u>	<u>\$ 14,334,929</u>
<b>Noncash investing activities - changes in fair value of investments</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,144</u>	<u>\$ 22,144</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>							
Operating income (loss)	\$ 1,760,751	\$ 332,799	\$ (853,517)	\$ (13,026)	\$ (878,161)	\$ 348,846	\$ (338,328)
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	1,619,937	1,797,428	726,853	238,584	745,269	5,128,071	2,213,030
Noncash portion related to net pension liability - MERS	(839,155)	(478,149)	(279,342)	(51,814)	(194,301)	(1,842,761)	(488,906)
Noncash portion related to net OPEB liability	(182,395)	(103,371)	(56,122)	(13,411)	(44,774)	(400,073)	(111,005)
Loss on investment in joint venture	(205,889)	-	-	-	-	(205,889)	-
Changes in assets and liabilities							
Receivables (net)	(139,278)	(31,406)	(20,936)	15,976	1,003,320	827,676	633,089
Due from other units of government	-	(145,497)	-	-	-	(145,497)	-
Due from other funds	-	-	(107)	-	-	(107)	-
Inventories	(11,584)	-	-	12,601	5,826	6,843	126,286
Prepaid items	-	-	-	-	19,866	19,866	495,130
Deferred outflows relating to net pension liability - MERS	296,760	169,093	98,787	18,323	68,713	651,676	172,679
Deferred outflows relating to net OPEB liability	(2,463)	(1,396)	(758)	(182)	(605)	(5,404)	(1,505)
Accounts payable	210,290	27,152	17,375	14,487	(276,823)	(7,519)	83,892
Accrued and other liabilities	15,350	(3,385)	13,421	(5,472)	(8,668)	11,246	(325,367)
Deposits	(31,653)	(57,066)	-	1,134	(16,025)	(103,610)	(1,500)
Due to other funds	-	-	-	-	-	-	107
Accrued landfill closure costs	-	-	308,000	-	-	308,000	-
Unearned revenue	(31,479)	57	-	-	1,393	(30,029)	(35,946)
Deferred inflows relating to net pension liability - MERS	217,373	123,859	72,360	13,423	50,330	477,345	126,485
Deferred inflows relating to net OPEB liability	10,470	5,934	3,221	770	2,571	22,966	6,406
Net cash provided by operating activities	<u>\$ 2,687,035</u>	<u>\$ 1,636,052</u>	<u>\$ 29,235</u>	<u>\$ 231,393</u>	<u>\$ 477,931</u>	<u>\$ 5,061,646</u>	<u>\$ 2,554,547</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Fiduciary Funds**  
**Statement of Net Position**  
**June 30, 2018**

	Police and Fire Retirement Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 1,394,882	\$ 858,174
Investments		
Common stock	32,404,281	-
Preferred stock	688,773	-
Bonds	17,731,699	-
International funds	10,543,871	-
Alternative investments	3,462,458	-
Receivables - net of allowances		
Accounts and contracts	-	41,925
Accrued interest and other	76,123	199
Prepays	-	101,433
	66,302,087	\$ 1,001,731
<b>Liabilities</b>		
Accrued and other liabilities	-	\$ 573,105
Due to foundations	-	130,918
Due to other units of government	-	297,708
	-	\$ 1,001,731
<b>Net position</b>		
Net position restricted for pensions	\$ 66,302,087	

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<u>Police and Fire Retirement Trust Fund</u>
<b>Additions</b>	
Contributions	
Employer	\$ 2,784,282
Plan members	<u>607,126</u>
Total contributions	<u>3,391,408</u>
Investment earnings	
Net gain on fair value of investments	5,082,408
Interest	311,714
Dividends	<u>907,722</u>
Total investment earnings	6,301,844
Less investment expense	<u>(446,740)</u>
Net investment earnings	5,855,104
Other expense	<u>(149,422)</u>
Total additions	<u>9,097,090</u>
<b>Deductions</b>	
Benefits paid	<u>5,192,199</u>
Change in net position	3,904,891
Net position restricted for pensions - beginning of year	<u>62,397,196</u>
Net positions restricted for pensions - end of year	<u>\$ 66,302,087</u>

See Accompanying Notes to the Financial Statements

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Midland, Michigan (the “City”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Midland, Michigan.

**Reporting Entity**

The City of Midland is a municipal corporation governed by an elected five-member City Council (the “Council”), which biannually selects one of its members to serve as mayor. The City operates under a council-manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government’s operations and data from these units are therefore combined with data from the primary government.

**Blended Component Unit**

Midland Downtown Development Authority – The Midland Downtown Development Authority (MDDA) was established in 1987 for the purpose of maintaining and renovating the downtown Midland area. The MDDA is administered by a 12-person board, which is appointed by the City Council. Funding for the MDDA is provided by a two-mill levy on property within the district and by tax increment financing. All projects initiated by the MDDA are considered public improvements to the City’s infrastructure, parks, or parking facilities. Since the MDDA is used exclusively as a financing source for City facilities, it has been blended into the financial statements of the City as a Special Revenue Fund. The MDDA has a June 30 year end.

Center City Authority – The Center City Authority (CCA) was established in May 2008 for the purpose of capturing incremental tax revenues generated in the district to reinvest them in the district thus enhancing the area’s business climate. The CCA is administered by a seven-member board, which is appointed by the City Council. Funding for the CCA mainly comes from tax increment financing from properties located within the CCA district. All projects initiated by the CCA will be considered public improvements by the City facilities, it has been blended into the financial statements as a Special Revenue Fund. The CCA has a June 30 year end.

**Joint Ventures**

Saginaw-Midland Municipal Water Supply Corporation – The Saginaw-Midland Municipal Water Supply Corporation (SMMWSC), located approximately 13.5 miles east of the City of Midland, is an Authority incorporated by the Cities of Midland and Saginaw, Michigan, under Act 233, Public Acts of Michigan, 1955, as amended. The SMMWSC is administered by a six-member board of trustees, each community appointing three members, and is empowered to prepare, adopt, and submit to the legislative bodies of each municipality an annual budget covering estimated revenues, proposed expenditures, and the necessary funds required from each municipality for the next fiscal year.

Funding for the acquisition of property and for the development and improvement of the water supply system is provided by sale of SMMWSC negotiable bonds secured by the full faith and credit of each municipality in a ratio based upon predetermined capacity reserves; 20/43rds for the City of Midland and 23/43rds for the City of Saginaw. Funding for operations is provided by sale of water to the two communities on a consumption basis. The City’s equity in the SMMWSC is accounted for in the Water Fund, which is included in the business-type activities column of the statement of net position.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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A summary of SMMWSC's financial information for the year ended June 30, 2018 follows:

Total assets and deferred outflows of resources	\$ 38,705,300
Total liabilities and deferred inflows of resources	8,063,655
Equity - City of Midland	14,251,928
Equity - City of Saginaw	16,389,717
Total revenues	6,125,793
Total expenses	4,444,628
Net income	1,681,165

At June 30, 2018, total outstanding bonded debt of the SMMWSC was \$4,995,000. The City was obligated for \$2,323,256 of this total.

Midland City/County Joint Building Authority – The City's ownership interest in the Midland City/County Joint Building Authority is accounted for in the governmental activities column of the statement of net position. The Authority was created as a financing vehicle for the Midland Law Enforcement Center. The Law Enforcement Center is leased from the Joint Building Authority (JBA) by the City of Midland Police Department, the Midland County Sheriff Department, and the Midland County Central Dispatch Authority. The JBA is governed by a three-person board with the City and County each appointing one member and with the third member being mutually appointed. Additional information concerning the Joint Building Authority and its lease with the City is detailed later in the notes.

Complete financial statements, which are audited for the Saginaw-Midland Municipal Water Supply Corporation and the Midland City/County Joint Building Authority, are available from the City Clerk's office.

Total net position per the JBA June 30, 2018 financial statements was \$945,240. The City's equity of 64.80 percent of this total, resulted in \$612,516 at June 30, 2018 which is recorded in the government-wide statements.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating parties in the near future for any of the above organizations.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that 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.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**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 and fiduciary fund financial statements, excluding agency funds which have no measurement focus. 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.

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

Property taxes, sales taxes, franchise taxes, licenses, and interest 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. Sales and motor fuel taxes collected and held by the State at fiscal year end on behalf of the City are also recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items 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 City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for revenues from charges for services, gas and weight taxes and property taxes levied for expenditures relating to construction activities, repairs, and maintenance of all major streets and trunklines.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water supply system and capital additions.

The Wastewater Fund accounts for the operation and maintenance of the City's sewage disposal system, capital additions and retirement of bonds.

The Sanitary Landfill Fund accounts for the operation and maintenance of the City's trash and garbage disposal system.

The Civic Arena Fund accounts for the operations and maintenance of the City's ice arena facility, capital additions, and retirement of debt.

The City reports the following nonmajor governmental funds:

**Special Revenue Funds**

Local Street Fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as local streets.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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Smart Zone Fund through a partnership with Midland Tomorrow accounts for funds collected from the Tax Increment Financing District to align and strategically fund community economic development functions building on Midland's base of innovation in the chemical and advanced materials sectors.

Center City Authority Fund accounts for the economic growth in the City Center as it becomes a destination for endless possibilities to eat, shop, and explore.

Stormwater Management Fund accounts for storm sewer maintenance, open drain cleaning, and county drain assessments related to storm water management within the City.

Grace A. Dow Memorial Library Fund accounts for property taxes, library services revenue and a General Fund subsidy to be used for providing library services to the citizens of Midland.

Community Development Block Grant Fund accounts for grant revenues from the Department of Housing and Urban Development to be used for residential and other capital improvements.

Dial-A-Ride Fund accounts for the City's Dial-A-Ride transportation system.

Downtown Development Authority Fund accounts for property taxes levied by and authority established for the purpose of maintaining and renovating the downtown Midland area.

Midland Community Television Fund accounts for franchise fees generated by an agreement with a local cable company to support two public access channels operated by the City.

Special Activities Fund accounts for various types of activities that are specifically funded by outside parties, not appropriate to be accounted for in any other Special Revenue Fund, and for which the City is the benefactor of those activities.

Midland Housing Fund is used to account for a housing rehabilitation program, which was established by a local foundation.

#### Debt Service Fund

The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

#### Permanent Fund

The Cemetery Fund is used to account for the Midland Cemetery perpetual care principal and interest earnings.

The City reports the following nonmajor proprietary funds:

The Washington Woods Fund accounts for the operation and maintenance of one of the City's senior housing rental properties.

Riverside Place Fund accounts for the operation and maintenance of one of the City's senior housing rental properties.

The Currie Municipal Golf Course Fund accounts for the operation and maintenance of the City's golf course.

The Parking Fund accounts for the operations of the City's metered and leased parking spaces and downtown parking structure.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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Additionally, the City reports the following internal service funds:

The Information Services Fund accounts for the operations of the City's Information Services Department.

The Store Revolving Fund accounts for the revenue and expenses associated with inventory items consumed by various departments and not specific to any one department.

The Equipment Revolving Fund accounts for rental charges of City-owned equipment to other City departments.

The Municipal Service Center Fund accounts for the operations of the City's Service Center building.

The Renewable Energy Services Fund was created to account for the activities related to the City's gas-to-energy project. Gases from the City's landfill will be captured and converted to electric energy, which will be sold to outside entities. Savings created by this operation will be rebated back to other City funds based upon their electricity consumption.

The Property and Liability Insurance Fund accounts for insurance expenses resulting from property and liability claims.

The Health Insurance Fund accounts for revenues and expenses of the City's self-insurance program for health insurance along with the contributions toward postemployment healthcare benefits.

The Special Assessment Revolving Fund accounts for the funding of the City's special assessment projects.

The Municipal Service Annex Fund accounts for the operations of the City's Municipal Service Annex building.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Because these funds represent trust responsibilities of the City, these assets are restricted in purpose and do not represent discretionary assets of the City. The City's only fiduciary fund in the current year is the Police and Fire Retirement Fund. The City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position.

The agency funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results in operations. The City administers the following agency funds:

The Payroll Fund is used to account for all benefits charged and all deductions withheld during payroll processing until payments are remitted.

The Midland Downtown Business Association Fund accounts for special assessments charged to property owners within the Authority district for promotion of this area. The City acts as an agent for the financial management of this authority.

The DDA Façade Improvements Fund accounts for loans to businesses in the Downtown Development Authority business district. The funding for these loans was provided by a grant from the Rollin M. Gerstacker Foundation.

The Tax Collection Fund is used to account for taxes collected on behalf of other governmental units.

The Center City Façade Improvements Fund accounts for loans to commercial property owners and business owners in the Center City corridor for qualifying façade improvements. The funding for these loans was provided by a grant from the Midland Area Community Foundation.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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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-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 the City's proprietary funds and the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The portion intended to recover the cost of infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Property tax receivables are shown as net of allowance for uncollectible amounts totaling \$58,300. The property tax receivable allowance at June 30, 2018 equals 100 percent of outstanding property taxes over two years old, 50 percent of outstanding property taxes two years old, and 10 percent of outstanding property taxes one year old.

Properties are assessed annually as of December 31, and property taxes are billed and become a lien on July 1 of the following year. These taxes are due on September 15 with a final collection date of February 28 before they are added to the county tax roll. The City also bills and collects an amount each December, primarily for schools, County, and college. Also included in the December billing is a tax administration fee, which is revenue to the City. The December billing is due February 14 with a final collection date of February 28. Penalties and interest are assessed on payments received after the due date.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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The 2017 taxable valuation of the City totaled \$2,078,340,133 on which ad valorem taxes consisted of 12.7475 mills for the City's operating purposes, 1.0000 mills for Library services, 1.1306 for pension savings, and 0.2604 mills for debt levies. This resulted in \$24,968,387 for operating expenses, \$1,958,689 for the Library, \$2,214,494 for pension savings, and \$541,200 for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on an average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted assets – Certain resources are set aside for debt service on the City's Enterprise Fund general obligation bonds and are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, certain resources are set aside for closure and postclosure costs for the enterprise landfill operation and are classified as restricted assets because their use is limited by applicable State regulations.

Assets held for resale – include properties acquired with the express intent of resale. Properties are recorded at cost in the governmental funds. At year end, the City's Major Street fund held property with the intent of selling or exchanging it for road right-of-way property for future street expansion projects.

Capital assets – Capital assets, which include property, plant, equipment, and infrastructure (e.g., road, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or

estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Projects with total costs of less than \$10,000 are considered repairs and are reported as expenses in the year incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	20 years
Land improvements	50 years
Roads and sidewalks	20 to 30 years
Water and sewer distribution systems	50 years
Vehicles	3 to 10 years
Equipment	10 years
Library circulation materials	5 years
Computer equipment	4 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The City reported deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension liability and net OPEB liability are deferred

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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and amortized over the expected remaining service lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year. Deferred amounts on bond refundings are included in government-wide financial statements. The amounts represent the difference between reacquisition price and the net carrying amount of the prior debt.

**Compensated absences** – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is fully vested when earned, and sick pay is conditionally vested upon completion of 10 years of service. Upon retirement, employees are paid accumulated vacation and one-half of unused sick days at their hourly rate as of their retirement date.

All sick and vacation pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for the entire amount, current and long term is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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. Premiums received on debt issuances are 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.

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and the Police and Fire Retirement System and additions to/deductions from MERS and the Police and Fire Retirement System’s fiduciary net position have been determined on the same basis as they are reported to the systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefits (OPEB)** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Midland’s Retiree Healthcare Plan (“the Plan”) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Deferred inflows of resources** – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension liability and net OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

Fund equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the City’s highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by City Council. The City Council annually approves a resolution granting the City’s Assistant City Manager the authority to assign funds. In governmental funds other than the General Fund, the assigned fund balance represents the amount that is not restricted or committed which indicates that these resources are, at a minimum, intended to be used for the purpose of that fund.

The governmental funds have an assigned fund balance as of June 30, 2018 for the following purposes:

General Fund Encumbrances	\$ 2,686,787
Stormwater Management	1,171,078
Midland Community Television	<u>1,441,174</u>
 Total	 <u><u>\$ 5,299,039</u></u>

Unassigned – all other resources for General Fund; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Encumbrances**

The following encumbrances are reported within assigned and restricted fund balance in the governmental funds:

General cash flow management	\$ 2,686,787
Major Street	6,390,252
Nonmajor Governmental	1,393,223

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Adoption of New Accounting Standards**

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post employment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

**Upcoming Adoption of New Accounting Standards**

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The City is evaluating the impact that the above GASBs will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**State Construction Code Act**

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection on building construction renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 follows:

Shortfall at July 1, 2017	\$	(965,612)
Current year building permit revenue		508,239
Related expenses:		
Direct costs	\$	601,195
Estimated indirect costs		36,072
Total construction code expenses		637,267
Cumulative shortfall at June 30, 2018	\$	(1,094,640)

**Excess of Expenditures Over Appropriations**

During the year, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	Final Budget	Actual	Variance
General Fund			
Public works	\$ 2,034,722	\$ 2,046,809	\$ 12,087
Sanitation	3,853,075	3,985,581	132,506
Airport	306,559	311,268	4,709
Dial-A-Ride Fund			
Capital outlay	137,730	143,555	5,825

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associates that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rates as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City Council has designated nine financial institutions for the deposit of local unit funds. The investment policy adopted by the City in accordance with Public Act 20 of 1943 (as amended) authorizes investments in U.S. Treasuries, U.S. agencies and instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), repurchase agreements, investment pools, bankers' acceptances of U.S. banks, and mutual funds. Repurchase agreements must be signed with the bank or dealer and must contain provisions comparable to those outlined in the Public Security Association's model Master Repurchase Agreement. The City Treasurer may invest in investment pools organized under the Surplus Funds Investment Pool Act of 1982 and under the Urban Cooperation Act of 1967.

For Mutual Funds, the City Treasurer may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share and investment vehicles that are legal for direct investment by a public corporation.

The above-mentioned City investment policy applies to all financial assets of the City except for its Post-Retirement Health Care and the Police and Fire Retirement System Fund, which are organized and administered separately. Investments are made pursuant to provisions of the Public Employee Retirement System Investment Act of 1965. Michigan Public Act 314 of 1965 and Michigan Public Act 149 of 1999, as amended, authorize investments in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

At year end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 56,535,320	\$ -	\$ -	\$ 56,535,320
Business-type activities	<u>20,609,323</u>	<u>512,198</u>	<u>3,614,220</u>	<u>24,735,741</u>
Total primary government	77,144,643	512,198	3,614,220	81,271,061
Fiduciary funds	<u>2,253,056</u>	<u>64,831,082</u>	<u>-</u>	<u>67,084,138</u>
Total	<u>\$ 79,397,699</u>	<u>\$ 65,343,280</u>	<u>\$ 3,614,220</u>	<u>\$ 148,355,199</u>

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

The break down between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 80,750,311	\$ 2,253,056	\$ 83,003,367
Investments in securities, mutual funds and similar vehicles	512,198	64,831,082	65,343,280
Petty cash and cash on hand	8,552	-	8,552
<b>Total</b>	<b><u>\$ 81,271,061</u></b>	<b><u>\$ 67,084,138</u></b>	<b><u>\$ 148,355,199</u></b>

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**Concentration of Credit Risk** – The City has no policy that would limit the amount that may be issued in any one issuer. The City has one investment in individual issuers that exceeded five percent of total investments. The Ironwood Institutional Multi-Strategy Fund LLC alternative investment was 5.05% of total investments, respectively.

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$67,060,140 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits its funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk** – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
Commercial paper	\$ 11,136,547	0.23
Corporate bonds	9,671,963	5.15
FHLM	818,364	27.64
FNMA	965,473	22.16
International bonds	96,201	2.86
Municipal obligation	1,939,703	3.25
U.S. Treasury notes	1,937,171	8.76

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City’s investment policy does not further limit its investment choices. As of yearend, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Organization</u>
Commercial paper	\$ 11,136,547	A1	S & P
Corporate bonds	107,548	A	S & P
Corporate bonds	1,060,489	A-	S & P
Corporate bonds	328,545	A-	S & P
Corporate bonds	781,136	A	S & P
Corporate bonds	80,774	A+	S & P
Corporate bonds	93,240	AA-	S & P
Corporate bonds	108,137	AA+	S & P
Corporate bonds	668,250	AAA	S & P
Corporate bonds	147,576	B-	S & P
Corporate bonds	196,038	BB-	S & P
Corporate bonds	2,119,408	BBB	S & P
Corporate bonds	1,277,590	BBB-	S & P
Corporate bonds	1,472,780	BBB+	S & P
Corporate bonds	1,230,456	N/A	N/A
Exchange traded and closed end	1,600,218	N/A	N/A
FHLM	818,364	AA+	S & P
FNMA	965,473	AA+	S & P
International bonds	96,201	AAA	S & P
Money market funds	455,109	N/A	N/A
Municipal obligation	104,131	A+	S & P
Municipal obligation	582,018	AA	S & P
Municipal obligation	25,094	AA-	S & P
Municipal obligation	292,760	AA+	S & P
Municipal obligation	466,235	AAA	S & P
Municipal obligation	469,465	N/A	N/A
Mutual funds	4,440,364	N/A	N/A
Pooled funds	1,633,822	N/A	N/A

**Endowments**

The City has established endowment funds at the Midland Area Community Foundation (the “Foundation”). The Foundation has variance power over the funds transferred by the City to the endowment fund and could use those funds for other purposes. Assets held at the Foundation where the Foundation has variance power are not included in these financial statements and had a market value of \$2,121,973 at June 30, 2018.

**Alternative Investments**

The City is invested in two alternative investments as of June 30, 2018. The City has approved an investment asset allocation by class that establishes minimum, maximum, and target allocations. Alternative investments are not to exceed 15% of the asset allocation per the strategy. The alternative investments held by the City are privately offered and invest in various third party private investment funds. The Ironwood Institutional Multi-Strategy Fund had a fair value of \$3,299,023 at June 30, 2018. The Mesirow Institutional Multi-Strategy Fund LP had a fair value of \$163,434 at June 30, 2018. The fair value of these funds is determined by the net asset value per share.

The Ironwood Institutional Multi-Strategy Fund is a fund of hedge funds. The fund holds units that are not redeemable. The Fund’s Board, in its sole and absolute discretion, may authorize the Fund to make a tender offer to repurchase members’ units at the net asset value per unit on a repurchase date. Ironwood expects that it will recommend to the Board that the Fund make an offer to repurchase units from members as of June 30 and December 31 of each year. While there can be no guarantee that it will continue this practice, to date the Fund has offered to repurchase up to 10-20% of its units at each of its June 30 and December 31 repurchase offers. Responses to a repurchase notice must be received by the Fund at least 95 calendar days prior to the repurchase date. Units held less than one year are subject to a fee of 5% of the value of the units repurchased by the Fund, payable to the Fund

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

The Ironwood Institutional Multi-Strategy Fund may suspend or postpone a tender offer in limited circumstances and only by a vote of a majority of the Board, including a majority of the Independent Directors. These circumstances may include the following: (i) a period during which an emergency exists as a result of which it is not reasonably practicable for the Fund to dispose of securities it owns or to determine the value of the Fund's net assets; (ii) for any other periods that the SEC permits by order; or (iii) other unusual circumstances as the Board determines, in compliance with applicable laws, it is in the best interest of the Fund, the Feeder Fund, the Members or the members of the Feeder Fund to suspend or postpone such tender offer. There are no intentions to sell the funds as of June 30, 2018 and there were no unfunded commitments

For the Mesirow Institutional Multi-Strategy Fund LP, the City can make additional contributions on the first business day of each calendar quarter at the discretion of the general partner. The City may also withdraw capital at the end of any calendar quarter upon 95 days prior written notice to the general partner or at any time with the consent of the general partner. During the fiscal year, the City chose to redeem their investment in the fund. The 5% required holdback amount was still owed at year end and makes up the entire balance remaining in the fund. These funds are expected to be paid in full in approximately June 2019.

**Note 4 - Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2018:

	Balance at Year End	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 32,916,479	\$ 32,916,479	\$ -
Preferred stock	688,773	688,773	-
Bonds	17,731,699	17,731,699	-
International funds	10,543,871	10,543,871	-
Alternative investments	<u>3,462,458</u>	<u>-</u>	<u>3,462,458</u>
<b>Total</b>	<u><u>\$ 65,343,280</u></u>	<u><u>\$ 61,880,822</u></u>	<u><u>\$ 3,462,458</u></u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

The fair value of Level 3 investments is determined by the net asset value per share.

Changes in the level 3 assets at fair value on a recurring basis:

Beginning balance, July 1	\$ 6,305,937
Sales	(3,268,696)
Unrealized gain	<u>425,217</u>
Ending balance, June 30	<u><u>\$ 3,462,458</u></u>

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 5 - Receivables**

The special assessment receivables that are not expected to be collected within one year are as follows:

	Due After One Year
Special assessments	<u>\$ 252,150</u>

The receivables are included in the Special Assessment Revolving Fund.

Contributions receivable are all scheduled to be collected in one year. Discounts on contributions receivable were not considered material. The receivables are accounted for in the Major Street Fund.

**Note 6 - Unearned Revenue**

Governmental activities and business-type activities report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the balance in unearned revenue is comprised of the following:

Grants and contributions	\$ 454,137
Utility overpayments	15,907
State PPT reimbursement	285,770
Other revenue	<u>64,502</u>
Total	<u><u>\$ 820,316</u></u>

**Note 7 - Capital Assets**

Capital assets activity of the City for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 6,336,058	\$ -	\$ -	\$ 6,336,058
Construction in progress	<u>7,498,121</u>	<u>10,353,304</u>	<u>7,951,951</u>	<u>9,899,474</u>
Total capital assets not being depreciated	<u>13,834,179</u>	<u>10,353,304</u>	<u>7,951,951</u>	<u>16,235,532</u>
Capital assets being depreciated				
Major and local streets	91,764,410	5,916,593	-	97,681,003
Sidewalks	5,918,666	230,266	-	6,148,932
Buildings	34,549,577	73,841	77,769	34,545,649
Land improvements	28,417,526	3,284,028	-	31,701,554
Library circulation materials	4,571,808	-	-	4,571,808
Equipment	15,958,532	960,623	199,048	16,720,107
Vehicles	<u>17,979,119</u>	<u>1,026,800</u>	<u>352,459</u>	<u>18,653,460</u>
Total capital assets being depreciated	<u>199,159,638</u>	<u>11,492,151</u>	<u>629,276</u>	<u>210,022,513</u>
Less accumulated depreciation for				
Major and local streets	46,980,978	3,520,369	-	50,501,347
Sidewalks	3,918,116	187,187	-	4,105,303
Buildings	16,075,839	843,820	47,906	16,871,753
Land improvements	9,952,855	623,061	-	10,575,916
Library circulation materials	4,545,622	26,186	-	4,571,808
Equipment	11,309,102	1,034,451	188,058	12,155,495
Vehicles	<u>10,235,145</u>	<u>1,488,935</u>	<u>349,923</u>	<u>11,374,157</u>
Total accumulated depreciation	<u>103,017,657</u>	<u>7,724,009</u>	<u>585,887</u>	<u>110,155,779</u>
Net capital assets being depreciated	<u>96,141,981</u>	<u>3,768,142</u>	<u>43,389</u>	<u>99,866,734</u>
Governmental activities capital assets, net	<u>\$ 109,976,160</u>	<u>\$ 14,121,446</u>	<u>\$ 7,995,340</u>	<u>\$ 116,102,266</u>

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 2,777,794	\$ -	\$ -	\$ 2,777,794
Construction in progress	<u>5,203,219</u>	<u>4,267,530</u>	<u>4,650,619</u>	<u>4,820,130</u>
Total capital assets not being depreciated	<u>7,981,013</u>	<u>4,267,530</u>	<u>4,650,619</u>	<u>7,597,924</u>
Capital assets being depreciated				
Water and sewer lines	101,313,150	3,538,163	-	104,851,313
Building and building improvements	87,376,103	1,186,303	30,638	88,531,768
Land improvements	9,609,686	38,220	-	9,647,906
Landfill improvements	13,693,436	-	-	13,693,436
Equipment	9,570,863	1,747,240	240,070	11,078,033
Vehicles	<u>2,196,989</u>	<u>22,650</u>	<u>8,429</u>	<u>2,211,210</u>
Total capital assets being depreciated	<u>223,760,227</u>	<u>6,532,576</u>	<u>279,137</u>	<u>230,013,666</u>
Less accumulated depreciation for				
Water and sewer lines	43,579,758	1,976,374	-	45,556,132
Building and building improvements	47,835,671	1,939,778	30,631	49,744,818
Land improvements	2,785,586	190,646	-	2,976,232
Landfill improvements	9,841,336	298,094	-	10,139,430
Equipment	6,862,112	578,644	225,204	7,215,552
Vehicles	<u>1,424,983</u>	<u>144,535</u>	<u>8,429</u>	<u>1,561,089</u>
Total accumulated depreciation	<u>112,329,446</u>	<u>5,128,071</u>	<u>264,264</u>	<u>117,193,253</u>
Net capital assets being depreciated	<u>111,430,781</u>	<u>1,404,505</u>	<u>14,873</u>	<u>112,820,413</u>
Business-type capital assets, net	<u>\$ 119,411,794</u>	<u>\$ 5,672,035</u>	<u>\$ 4,665,492</u>	<u>\$ 120,418,337</u>

Depreciation expense was charged to programs as follows:

Governmental activities:

General government	\$ 177,336
Public safety	463,535
Public works	5,419,583
Sanitation	522,567
Parks and recreation	514,530
Library	343,094
Airport	84,916
Transportation	188,273
Other functions	<u>10,175</u>

Total governmental activities

\$ 7,724,009

Business-type activities:

Civic Arena	\$ 238,584
Landfill	726,853
Senior Housing	518,886
Golf course	189,502
Parking system	36,880
Wastewater	1,797,428
Water	<u>1,619,938</u>

Total business-type activities

\$ 5,128,071

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8 - Construction Commitments**

The City had active construction projects as of June 30, 2018. The projects included sidewalk, streets, storm, senior housing, wastewater, and water system projects.

At year end, the City's commitments with contractors were as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
General construction projects	\$ 138,362	\$ 318,959
Street projects	8,563,585	2,635,336
Storm projects	133,000	5,418
Senior housing projects	3,056,395	1,650
Wastewater projects	378,300	220,321
Water projects	<u>930,022</u>	<u>1,314,344</u>
Total	<u>\$ 13,199,664</u>	<u>\$ 4,496,028</u>

**Note 9 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sanitary Landfill	Internal Service Funds	\$ 21,472
Nonmajor governmental funds	Nonmajor governmental funds	<u>79,932</u>
		<u>\$ 101,404</u>

The balance owing from the Midland Housing Fund to the Community Development Block Grant (CDBG) Fund represents remaining balances on mortgages subsidized by the CDBG fund. The remaining interfund balance resulted from loans made for working capital purposes.

Advances at year end are as follows:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	<u>Amount</u>
Sanitary Landfill	Internal Service Funds	<u>\$ 266,189</u>

Payments of \$22,910 including interest at 0.5% are due annually for the advance between the Sanitary Landfill Fund and Renewable Energy Services Fund. Future principal payments are as follows, which include the current amount of \$21,472 recorded in interfund balances:

<u>Year ending June 30,</u>	
2019	\$ 21,472
2020	21,579
2021	21,687
2022	21,795
2023	21,904
2024-2028	111,174
2029-2031	<u>68,050</u>
Total	<u>\$ 287,661</u>

Beginning July 1, 2018, Renewable Energy Fund is being combined with the Sanitary Landfill Fund and annual principal and interest payments will cease.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

The detail for interfund transfers is as follows:

	Transfers Out										Total
	General Fund	Major Street Fund	Local Street Fund	Community Development Block Grant Fund	Special Activities Fund	Downtown Development Authority Fund	Debt Service Fund	Wastewater Fund	Equipment Revolving Fund	Special Assessment Revolving Fund	
Transfers In											
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 198	\$ -	\$ -	\$ -	\$ -	\$ 58,059	\$ 58,257
Local Street Fund	-	3,075,000	-	-	-	-	-	-	-	-	3,075,000
Stormwater Management Fund	670,000	130,038	133,757	-	-	-	-	-	-	-	933,795
Grace A. Dow Memorial Library Fund	1,064,740	-	-	-	-	-	-	-	-	-	1,064,740
Dial-a-Ride Fund	496,560	-	-	-	-	-	-	-	90,304	-	586,864
Downtown Development Authority Fund	10,000	-	-	-	-	-	-	-	-	-	10,000
Debt Service Fund	1,756,198	-	-	-	-	-	-	-	-	-	1,756,198
Civic Arena Fund	350,000	-	-	-	-	-	-	-	-	-	350,000
Washington Woods Fund	-	-	-	31,230	9,518	-	-	-	-	-	40,748
Currie Golf Course Fund	250,000	-	-	-	-	-	-	-	-	-	250,000
Parking Fund	27,000	-	-	-	-	45,000	-	-	-	-	72,000
Wastewater Fund	-	-	-	-	-	-	825,429	-	-	-	825,429
Renewable Energy Fund	-	-	-	-	-	-	-	60,000	-	-	60,000
<b>Total</b>	<b>\$ 4,624,498</b>	<b>\$ 3,205,038</b>	<b>\$ 133,757</b>	<b>\$ 31,230</b>	<b>\$ 9,716</b>	<b>\$ 45,000</b>	<b>\$ 825,429</b>	<b>\$ 60,000</b>	<b>\$ 90,304</b>	<b>\$ 58,059</b>	<b>\$ 9,083,031</b>

The transfers from the General Fund to the Stormwater Management, Library, Dial-A-Ride, Downtown Development Authority, Civic Arena, Currie Municipal Golf Course and Parking Funds represent the use of unrestricted resources to finance these programs, in accordance with the budgetary operations. The transfer from the General Fund to the Debt Service Fund is to provide funding for the debt service payments for the 2008 Judgement bonds. The transfers from the Major Street Fund to the Local Street Fund represent the sharing of gas and weight tax in accordance with Act 51, as well as sharing the 1-mill County Road Millage and 1-mill special County Road Millage that is accounted for in the City's Major Street Fund. Both the Major Street Fund and the Local Street Fund transfer funding to the Stormwater Management Fund to offset roadside drainage costs that are accounted for in that fund. The transfers from Community Development Block Grant Fund to Washington Woods Fund are for grant funding as approved by HUD. The transfers from the Special Activities Fund to the General Fund and Washington Woods Fund are transfers in accordance with budgetary authorization. The transfer from the Downtown Development Authority to the Parking Fund is an annual contribution made by the DDA to help fund parking enforcement and related activities within the downtown district. The transfer from the Debt Service Fund to the Wastewater Fund is necessary to transfer an additional millage for debt retirement to the Wastewater Fund, which is the fund that accounts for the related debt. The transfers from the Wastewater Fund to the Renewable Energy Fund were to provide assistance for start up costs in the Fund's operations. The transfers from ERF to DART is for the transfer of funding for the joint purchase of a hoist as the hoist is a DART asset. The transfers from the Special Assessment Revolving Fund to the General Fund is for Special Assessments related to construction projects in the General fund.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 10 - Leases**

**Operating Leases**

The City leases its police facility under a non-cancelable operating lease. Total costs for the lease were \$275,724 for the year ended June 30, 2018. According to the terms of its lease with the Midland City/County Joint Building Authority, the City's obligation for operating leases amounts to 64.8 percent of total operating expenses of the police facility.

The future minimum lease payments for these leases, including estimates of obligations under the policy facility lease, are as follows:

<u>Year ending June 30,</u>	
2019	\$ 283,292
2020	291,791
2021	300,545
2022	309,561
2023	318,848
2024-2028	<u>1,743,587</u>
Total	<u>\$ 3,247,624</u>

**Capital Leases**

The City has two capital leases for equipment. The future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 29,456
2020	29,456
2021	30,697
2022	<u>10,969</u>
Total minimum lease payments	100,578
Less amount representing interest	<u>5,651</u>
Present value of minimum lease payments	<u>\$ 94,927</u>
Asset	
Equipment	\$ 136,074
Less accumulated depreciation	<u>22,679</u>
Total	<u>\$ 113,395</u>

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 11 - Long-Term Debt**

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2008 Judgment Funding Bonds	\$ 17,890,000	May 2018	4.125%	\$1,270,000	\$ 1,270,000	\$ -	\$ 1,270,000	\$ -	\$ -
2010 Renewable Energy*	6,000,000	October 2030	2.50%	\$280,000 - \$375,000	4,500,000	-	270,000	4,230,000	280,000
2016 Judgment Refunding Bonds	7,725,000	May 2022	1.50%	\$1,450,000 - \$1,530,000	7,580,000	-	130,000	7,450,000	1,450,000
Total bonds payable					13,350,000	-	1,670,000	11,680,000	1,730,000
Compensated absences					3,543,616	1,933,755	1,923,694	3,553,677	1,911,665
Total governmental activities					<u>\$ 16,893,616</u>	<u>\$ 1,933,755</u>	<u>\$ 3,593,694</u>	<u>\$ 15,233,677</u>	<u>\$ 3,641,665</u>
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
2001 Sewer Construction - State Revolving Fund	\$ 5,130,000	May 2022	2.50%	\$285,000 - \$304,063	\$ 1,464,064	\$ -	\$ 280,001	\$ 1,184,063	\$ 285,000
2017 Civic Arena Refunding Bonds	9,480,000	May 2021	2.09%	\$255,000 - \$335,000	-	3,795,000	235,000	3,560,000	255,000
2012 Civic Arena Refunding Bonds	4,550,000	May 2030	1.80% - 3.55%	\$280,000	3,740,000	-	3,740,000	-	-
2015 Sewer Refunding Bonds	5,965,000	May 2021	1.69%	\$1,005,000 - \$1,040,000	4,060,000	-	990,000	3,070,000	1,005,000
Total bonds payable					9,264,064	3,795,000	5,245,001	7,814,063	1,545,000
Capital leases					120,702	-	25,775	94,927	26,660
Compensated absences					778,767	453,887	437,970	794,684	425,617
Landfill closure and postclosure					4,070,000	308,000	-	4,378,000	-
Total business-type activities					<u>\$ 14,233,533</u>	<u>\$ 4,556,887</u>	<u>\$ 5,708,746</u>	<u>\$ 13,081,674</u>	<u>\$ 1,997,277</u>

\*Recorded in internal service funds.

Compensated absences, the net pension liability, and net other post employment benefit obligations are normally liquidated by the fund in which the individual employees are budgeted. For governmental activities, the following funds have been used for liquidation: General Fund, Grace A. Dow Memorial Library Fund, Midland Community Television Fund, Dial-A-Ride Fund, and the Downtown Development Authority Fund. Also included in the governmental activities are the following internal service funds: Information Services Fund, Equipment Revolving Fund, Renewable Energy Services Fund, and the Municipal Service Center Fund.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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On May 19, 2008, the City Council authorized the issuance of \$17,890,000 limited tax general obligation judgment bonds for the purpose of paying a part of a tax refund to The Midland Cogeneration Venture (MCV), as ordered by the Michigan Tax Tribunal's Consent Judgment, dated April 18, 2008. The sale of the bonds occurred on June 17, 2008, with the City taking possession of the proceeds on July 10, 2008, and issuing the refund to MCV on July 17, 2008. Future funding for this bond's debt service will come from the General Fund. These bonds were partially refunded on June 14, 2016.

The 2001 Sewer Construction Bonds were approved by the voters in a general election held on February 22, 2000. The City Council has approved a resolution to levy a millage to pay approximately 60 percent of the principal and interest cost of these bonds. The 40 percent balance of the obligation is to be repaid by fees from the users of the municipal sanitary sewage collection and treatment system. The proceeds were being used for construction of sewer facilities recorded in the Wastewater Fund. On September 12, 2005, General Obligation Unlimited Tax Bonds were issued to refund \$9,025,000 of the outstanding bond.

On December 3, 2001, the City Council authorized issuance of general obligation limited tax bonds, series 2001, in the principal sum not to exceed \$5,130,000. The purpose of this issuance was to fund the construction of a storm water retention basin at the wastewater treatment plant. User fees will fund 40 percent of the principal and interest on these bonds and the remaining 60 percent will be funded by a millage that the City has levied. The full faith and credit and the limited taxing power of the City are pledged for payment of the principal and interest thereon.

On September 12, 2005, the City issued \$9,480,000 of General Obligation Unlimited Tax Refund Bonds. The bonds were issued pursuant to resolutions adopted by the City Council on July 11, 2005 and August 22, 2005, and provide for an average interest rate of 3.95 percent. The proceeds of these bonds were used to advance refund \$9,025,000 of outstanding 2001 General Obligation Unlimited Bonds

with an average interest rate of 5.07 percent. These bonds were refunded again on February 3, 2015.

On June 13, 2012, the City issued \$4,550,000 of General Obligation Unlimited Tax Refund Bonds. The bonds provide for an interest rate of .70 to 3.55 percent. The proceeds of these bonds were used to advance refund \$4,325,000 of outstanding 2004 General Obligation Unlimited Bonds with an interest rate of 3.75 to 4.75 percent. The bonds were refunded again on October 5, 2017.

On February 3, 2015, the City issued \$5,965,000 of General Obligation Unlimited Tax Refund Bonds. The bonds were issued pursuant to resolutions adopted by the City Council on November 24, 2014, and provide for an average interest rate of 1.69 percent. The proceeds of these bonds were used to advance refund \$5,910,000 of outstanding 2005 General Obligation Unlimited Bonds with an average interest rate of 3.90 percent.

On June 14, 2016, the City issued \$7,725,000 of General Obligation Unlimited Tax Refund Bonds. The bonds were issued pursuant to resolutions adopted by the City Council on May 23, 2016 and provide for an interest rate of 1.50 percent. The proceeds of these bonds were used to advance refund \$7,145,000 of outstanding 2008 General Obligation Unlimited Bonds with an average interest rate of 4.30 percent.

On October 5, 2017, the City issued \$3,795,000 of General Obligation Unlimited Tax Refund Bonds. The bonds were issued pursuant to resolutions adopted by the City Council on August 28, 2017 and provide for an interest rate of 2.09 percent. The proceeds of these bonds were used to advance refund \$3,740,000 of outstanding 2015 General Obligation Unlimited Tax Refund Bonds with an average interest rate of 1.80 to 3.55 percent.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

The City has pledged its full faith and credit on the bonded indebtedness of the Saginaw-Midland Municipal Water Supply Corporation, a jointly owned raw water system described in Note 1 – Summary of Significant Accounting Policies.

By statute, the City’s general obligation debt is restricted to 10 percent of the equalized value of all property in the City. Certain obligations, such as water revenue refunding bonds, are not subject to this limitation. At June 30, 2018, the City’s general obligation debt statutory and legal debt limit amounted to \$225,025,892 and the indebtedness subject to the limitation aggregated \$19,494,063.

Annual debt service requirements to maturity for the above obligations are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 1,730,000	\$ 214,000	\$ 1,545,000	\$ 155,889
2020	1,755,000	185,188	1,585,000	126,449
2021	1,785,000	155,888	1,620,000	96,214
2022	1,810,000	126,100	584,063	65,286
2023	1,840,000	92,825	285,000	51,832
2024 - 2028	1,660,000	243,375	1,535,000	166,366
2029 - 2033	1,100,000	41,625	660,000	20,796
	<u>\$ 11,680,000</u>	<u>\$ 1,059,001</u>	<u>\$ 7,814,063</u>	<u>\$ 682,832</u>

**Deferred Amount of Debt Refunding**

The City issued bonds to advance refund and retire previously issued term refund bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through the fiscal year.

Deferred amount on refunding activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental activities</b>				
2016 Judgment Refunding Bonds	\$ 540,669	\$ -	\$ 90,112	\$ 450,557
<b>Business-type activities</b>				
2017 Civic Arena Refunding Bonds	\$ -	\$ 250,319	\$ 19,255	\$ 231,064
2012 Civic Arena Refunding Bonds	250,319	-	250,319	-
Total	<u>\$ 250,319</u>	<u>\$ 250,319</u>	<u>\$ 269,574</u>	<u>\$ 231,064</u>

**Defeased Debt**

In the current and prior years, the City defeased bonds issued by creating separate irrevocable trust funds. New debt was issued and the net proceeds of the refunding was placed in special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City’s financial statements. At June 30, 2018, \$7,145,000 of bonds outstanding are considered defeased.

**Note 12 - Landfill Closure and Postclosure Care Cost**

State and federal laws and regulations require the City to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as operating expense in each period based on landfill capacity used as of each year end. The \$4,378,000 reported as landfill closure and post closure care liability at June 30, 2018

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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represents the cumulative amount reported to date based on the use of 100 percent of the capacity of Area A (32 acres closed in 1993) and cells 1 through 13 (40.2 acres closed in 2005), cell 14 (12.6 acres), 95 percent of the estimated capacity of cell 15, and 44 percent of the estimated capacity of cell 16.

The City will recognize the remaining estimated cost of closure and post closure care of \$1,665,666 as the remaining capacity of cells 15 and 16 are filled.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. The City expects to reach 100 percent capacity in cell 15 during the fiscal year ending June 2019 and in cell 16 during the fiscal year ending June 30, 2023. The actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make contributions to a Trust to finance closure and postclosure care. The City is in compliance with these requirements, and at June 30, 2018, cash and cash equivalents in the amount of \$2,219,188 were held for these purposes, and reported as restricted assets on the statement of net position. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The City has also entered into an agreement to provide a letter of credit in favor of the State of Michigan to fulfill certain bonding requirements imposed upon the City, by Michigan law.

**Note 13 - Restricted Cash**

Cash and cash equivalents are restricted within the Water and Wastewater Funds for future debt service obligations in the amounts of \$92,815 and \$1,302,217, respectively. Within each of these funds, an offsetting liability “payable from restricted assets” designates the separation of these assets from unreserved assets. In addition, the Landfill Fund has \$2,219,188 of restricted assets that are for closure and postclosure costs.

**Note 14 - Employee Retirement and Benefit Systems**

**Police and Fire Pension System**

Plan Description – The Police and Fire Pension System is a single-employer defined benefit pension plan that is administered by the City of Midland Police and Fire Employees Retirement System. This plan covers all police and fire employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan does not issue a separate financial report. At December 31, 2017, the date of the most recent actuarial valuation, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	141
Inactive employees entitled to but not yet receiving benefits	2
Active employees	92
	235
	235

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s collective bargaining units and requires a contribution from the employees of 8 percent of gross wages from all employees. The City’s funding policy provides for biweekly employee contributions and monthly employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

earnings. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Contributions – Plan member contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies

Accounting policy – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System has been determined on the same basis as they are reported by the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net pension liability – The City’s net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2017 using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.5%	
Salary increases	3.5% to 7.4%	including inflation
Investment rate of return	7.0%	net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Fully Generational Mortality Tables, with a base year of 2006 and future mortality improvements assume each year using scale MP-2015. The actuarial

assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for a 5-year period ending December 31, 2015, issued August 4, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Projected Rate of Return
U.S. large cap equity	35.00%	7.10%
U.S. mid cap	7.50%	8.20%
U.S. small cap	7.50%	7.70%
International/EM equity	15.00%	6.70%
Cored fixed income	35.00%	2.70%

A single discount rate of 7.00 percent was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.00 percent and municipal bond rate of 3.62 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

Changes in net pension liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Opening balances	\$ 85,840,652	\$ 62,397,197	\$ 23,443,455
Changes for the year			
Service cost	1,784,178	-	1,784,178
Interest	5,883,755	-	5,883,755
Benefit changes	(2,859,418)	-	(2,859,418)
Difference between expected and actual experience	500,365	-	500,365
Employer contributions	-	2,784,282	(2,784,282)
Employee contributions	-	607,126	(607,126)
Net investment income	-	5,855,101	(5,855,101)
Benefit payments, including refunds of employee contributions	(5,358,186)	(5,358,186)	-
Other	-	16,565	(16,565)
Net changes	(49,306)	3,904,888	(3,954,194)
Closing balances	\$ 85,791,346	\$ 66,302,085	\$ 19,489,261

The City's annual money-weighted rate of return, net of investment expenses is 9.55%. The plan's net position as a percent of total pension liability is 77.28%

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease 6.00%	Current Single Rate 7.00%	1% Increase 8.00%
Total pension liability	\$ 96,065,172	\$ 85,791,346	\$ 77,252,310
Plan fiduciary net position	66,302,085	66,302,085	66,302,085
Net pension liability	<u>\$ 29,763,087</u>	<u>\$ 19,489,261</u>	<u>\$ 10,950,225</u>

Pension expense and deferred outflows and inflows of resources related to pensions – For the year ended June 30, 2018, the City recognized pension expense of \$1,210,312. The City reported deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources	Total to Amortize
Difference between expected and actual experience	\$ -	\$ 1,162,694	\$ 1,162,694
Assumption changes	-	1,358,108	1,358,108
Excess (deficit) investment returns	(1,017,021)	-	(1,017,021)
Total	<u>\$ (1,017,021)</u>	<u>\$ 2,520,802</u>	<u>\$ 1,503,781</u>

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2019	\$ 1,271,774
2020	835,888
2021	(378,755)
2022	<u>(225,126)</u>
Total	<u>\$ 1,503,781</u>

**Municipal Employee’s Retirement System of Michigan – Defined Benefit Retirement Plan**

Plan description – The City participates in the Michigan Municipal Employees’ Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers substantially all employees of the City other than police and fire employees and employees hired on or after July 1, 2005. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multiplier of 2.50%. Vesting period is 10 years. Normal retirement age is 60 with early retirement at 55 with range of 15 to 20 years of service. Final average compensation is calculated based on 3 to 5 years. Member contributions range from 0% to 5%.

Employees covered by benefit terms – At the December 31, 2017 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	340
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>121</u>
	<u><u>484</u></u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 15.53% to 60.87% based on annual payroll for open divisions.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases of 3.75% in the long-term; 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

Mortality rates used were based on the 2014 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study prepared as of December 31, 2017.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	55.5%	8.65%
Global fixed income	18.5%	3.76%
Real assets	13.5%	9.72%
Diversifying strategies	12.5%	7.50%

Discount rate – The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

Change in the net pension liability:

**Total Pension Liability**

Service cost	\$ 786,413
Interest on the total pension liability	11,054,578
Experience differences	1,068,561
Benefit changes	(2,503,869)
Benefit payments and refunds	<u>(10,134,941)</u>
Net change in total pension liability	270,742
Total pension liability - beginning	<u>141,414,757</u>
Total pension liability - ending (a)	<u>\$ 141,685,499</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 6,045,280
Employee contributions	125,821
Pension plan net investment income	10,025,476
Benefit payments and refunds	(10,134,941)
Pension plan administrative expense	<u>(158,984)</u>
Net change in plan fiduciary net position	5,902,652
Plan fiduciary net position - beginning	<u>77,290,283</u>
Plan fiduciary net position - ending (b)	<u>\$ 83,192,935</u>
Net pension liability (a-b)	<u>\$ 58,492,564</u>
Plan fiduciary net position as a percentage of total pension liability	58.72%
Covered employee payroll	\$ 7,684,171
Net pension liability as a percentage of covered employee payroll	761.21%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 155,718,852	\$ 141,685,499	\$ 129,676,965
Fiduciary net position	<u>83,192,935</u>	<u>83,192,935</u>	<u>83,192,935</u>
Net pension liability	<u>\$ 72,525,917</u>	<u>\$ 58,492,564</u>	<u>\$ 46,484,030</u>

Pension expense and deferred outflows and inflows of resources related to pensions – For the year ended June 30, 2018, the City recognized pension expense of \$7,364,845. The City reported deferred outflows and deferred inflows related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ -	\$ 712,374	\$ 712,374
Excess (deficit) investment returns	(1,458,878)	-	(1,458,878)
Contributions subsequent to the measurement date*	<u>-</u>	<u>4,358,332</u>	<u>-</u>
Total	<u>\$ (1,458,878)</u>	<u>\$ 5,070,706</u>	<u>\$ (746,504)</u>

\*The amount reported as deferred outflows and inflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability, in the following year.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,			
2019	\$	811,939	
2020		534,176	
2021		(1,291,186)	
2022		(801,433)	
Total	\$	(746,504)	

**Municipal Employee’s Retirement System of Michigan – Defined Contribution Retirement Plan**

The City participates in the Municipal Employee’s Retirement System of Michigan (MERS) defined contribution plan for all employees hired on or after July 1, 2005, with the exception of police and fire employees. In the defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution, the City contributes 12 percent of the employee’s gross earnings in the plan. The employee is fully vested after five years of service or at age 65.

The City’s total payroll during the current year was \$25,516,650. The current year contribution was calculated based on covered payroll of \$5,476,212, resulting in an employer contribution of \$566,202. Employee contributions were \$202,977.

**International City/County Management Association (ICMA) – RC 457 – Deferred Compensation Plan**

The City also participates in an ICMA-RC 457 deferred compensation plan for all employees hired on or after July 1, 2005, with the exception of police and fire employees. In the deferred compensation plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution,

the City will contribute up to 7 percent of the employee’s wages with 100 percent matching of the employee wage contributions, in 1 percent increments. The plan was discontinued as of December 31, 2017. These participants are not contributing to the Municipal Employee’s Retirement System of Michigan (MERS). The employer portion of ICMA-RC 457 was discontinued as of December 31, 2017. The plan remains open for employee contributions only beginning with January 1, 2018.

The City’s total payroll during the current year was \$25,516,650. The current year contribution was calculated based on covered payroll of \$6,851,020, resulting in an employer contribution of \$87,266 and employee contributions of \$87,266.

**Municipal Employee’s Retirement System of Michigan – Hybrid Defined Contribution and Defined Benefit Pension Plan**

The City participates in the Michigan Municipal Employee’s Retirement System (MERS) hybrid plan for all employees hired after January 1, 2017, with the exception of police and fire employees.

Beginning January 1, 2017, the first two employee groups to participate in the plan were the Confidential/Unclassified and the United Steelworkers employees. Existing employees from those groups participating in the Defined Contribution pension plan had the option of joining the Hybrid plan effective January 1, 2017.

On January 1, 2018 Midland Municipal Employees Association and Midland Municipal Supervisory Employees Association employees began participation in the hybrid plan. Existing employees from those groups participating in the Defined Contribution pension plan effective January 1, 2018.

The Hybrid plan consists of a modest defined benefit component and a defined contribution component. Under the defined benefit component, the multiplier is 1% and there is a 6 year vesting requirement. For existing employees who transferred into the hybrid

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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plan, their prior years of eligible service were transferred from the defined contribution plan to the hybrid plan for vesting purposes.

The total cost of the hybrid plan is capped at 12% of eligible wages. The defined benefit contribution is actuarially determined and first applied against the 12% cap. The remainder of the 12% cap, after the defined benefit component is deducted, is contributed to the defined contribution component for each employee. Participants are immediately vested at 100% of the City's defined contribution component. Member contributions range from 2% to 5%.

Employees who did not elect to transfer to the Hybrid pension plan will continue to participate in the Defined Contribution pension plan.

The City's total payroll during the current year was \$25,516,650. The current year contribution was calculated based on 62 participants and covered payroll of \$2,678,521, resulting in an employer defined benefit contribution of \$149,194, defined contribution of \$172,228 and employee contributions of \$133,927.

**Note 15 - Postemployment Benefits**

The City provides postemployment healthcare coverage under a traditional insured plan to retired employees and their qualified spouses and other dependents, as mandated by collective bargaining agreements. The trust assets are invested in a mutual vehicle qualified for the purpose and managed by the Municipal Employees Retirement System of Michigan (MERS). Each agreement contains variations of the following general guidelines. Most employees fall into one of the following general groups:

The first group of employees will be enrolled in the comprehensive medical plan available at the time of retirement. The City will pay 100 percent of the premium for retiree, spouse, and family.

The second group of employees will be eligible for continued medical coverage when they retire from the City, providing they pay 50

percent of the premium. The City will pay the other 50 percent.

The third group, employees hired on or after July 1, 2005, excluding police and fire employees, will not be eligible to be included in the City's group health insurance plan. For those employees, the City will contribute 2 percent of the employee's wages into a healthcare savings program.

The City funds the retiree health insurance on a "pay as you go" basis. The net cost to the City for providing postemployment health care coverage for the three most recent fiscal years is as follows:

<u>Year</u>	<u>Number of Retirees</u>	<u>Amount</u>
2016	392	\$ 5,994,594
2017	556	6,143,293
2018	542	5,713,961

Effective September 1, 2016, the City put into place Medicare Advantage plan. With this plan, two individuals under the original single self-funded contract became two individuals under Medicare Advantage, each with their own contract. Therefore, the number of retiree contracts increased significantly from 2016 to 2017.

MERS acts as a fiduciary, investing and managing funds for the future payment of postemployment healthcare coverage for the City.

The covered wages for the retiree health post employment for the fiscal year were \$9,383,944.

**Health Care Savings Program**

The City participates in the Municipal Employee's Retirement System of Michigan (MERS) healthcare savings program for all employees hired on or after July 1, 2005, with the exception of police and fire employees. In the healthcare savings program, benefits depend solely on the amounts contributed to the plan plus investment earnings.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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Employees are eligible to participate from the date of employment. As established by City Council resolution, the City contributes 2 percent of the employee's gross earnings in the program. The employee is fully vested after three years of service.

The City's total payroll during the current year was \$25,516,650. The current year contribution was calculated based on covered payroll of \$8,019,233, resulting in an employer contribution of \$160,534.

Police employees hired on or after July 1, 2011 are not eligible to participate in the City retiree health insurance plan. Employees hired after these dates participate in a Health Care Savings Program. Contributions in the program consist of 2% of the employee's wages by the City and employees for a total of 4%. The 2% employee contribution is mandatory. A vesting period of 3 years will apply for all employer contributions to the Health Care Savings Program.

The current year contribution was calculated based on a covered payroll of \$1,357,993, resulting in an employer contribution of \$27,160 and employee contributions of \$27,160.

Fire employees hired on or after November 14, 2011 are not eligible to participate in the City retiree health insurance plan. In lieu of participation in the City retiree health insurance plan, employees shall participate in a Health Savings Account (HSA) to accumulate funds for post-employment health care costs. The City shall contribute 2% of compensation to the HSA. An employee contribution to the HSA will not be available effective July 1, 2013.

The current year contribution was calculated based on a covered payroll of \$1,166,067 resulting in an employer contribution of \$23,321 and employee contributions of \$0.

**Other Post Employment Benefits**

Plan administration - The City of Midland's Retiree Healthcare Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City. The City provides postemployment

healthcare coverage under a traditional insured plan to retired employees and their qualified spouses and other dependents, as mandated by collective bargaining agreements. The trust assets are invested in a mutual vehicle qualified for the purpose and managed by the Municipal Employees Retirement System of Michigan (MERS). Each agreement contains variations of the following general guidelines.

Plan membership – At June 30, 2016, the plan membership consisted of the following:

Inactive plan members or beneficiaries	
currently receiving benefit payments	399
Active plan members	166
	565

The OPEB plan is closed to new members.

Benefits provided – The Plan provides 100% of health insurance benefits to eligible retirees and their dependents. The benefit is provided upon general administrative employees attaining 55 years of age, with 20 years of service to the City, and public safety employees are eligible with 25 years of service regardless of age. The City Council has the authority to establish and amend the benefit terms, subject to terms of collective bargaining agreements and employment contracts, as applicable.

Contributions – The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the year ended June 30, 2018, the City contributed \$5,783,315 to the plan which was \$241,635 more than the Annual Determined Contribution (ADC). Plan members are not required to contribute to the plan.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

Investment policy – The Plans policy in regards to the allocation of invested assets is established and may be amended by the Employees Retirement System Board by a majority vote of its members. It is the policy of the Retirement System Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2018 are summarized below along with the Boards adopted asset allocation policy:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	55.50%	8.65%
Global fixed income	18.50%	3.76%
Real assets	13.50%	9.72%
Diversifying strategies	12.50%	7.50%
<b>Total</b>	<b>100%</b>	

Rate of return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.78%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement: 1) Actuarial cost method: individual entry-age; 2) Amortization method: level-dollar; 3) Remaining amortization period: 22 years, closed; 4) Asset valuation method: market value of assets; 5) Inflation 2.50%; 6) Salary increase for general of 3.5% to 16.5% including inflation and 3.5% to 7.4% including inflation; 7) investment rate of return 7.5% net of OPEB plan investment expense including inflation; 8) Retirement age for general and Act 345 based on experience-based table of rates that are specific to that type of eligibility condition; 9) Mortality for general based on RP-2000 Mortality Table projected 20 years with Scale BB and for Act 345 based on RP-2014 Fully Generational Mortality Tables, with base year of 2006 and future mortality improvements assumed each year using scale MP-2015; 10) Health care trend rates 9.0% trend, gradually decreasing to 3.5% in year 10; 11) Excise tax 1.0% load was applied in connection with “Cadillac” tax; 12) Aging factors based on the 2013 SOA Study “Health Care Cost – From Birth to Death”.

The actuarial assumptions used in the June 30, 2016 valuation were based on a pension experience study performed by the actuary for the period January 1, 2011 through December 31, 2015 the actuary recommended changes to various valuation assumptions. These recommendations included the use of the RP-2014 Healthy Annuity Fully Generational Mortality Tables, with a base year of 2006, and future mortality improvements assumed each year using scale MP-

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

2015. The new assumptions were reflected in the June 30, 2016 funding valuation, which develops the contribution rate for the fiscal years ending June 30, 2018 and June 30, 2019. The tables used to model the impact of aging on claims utilization were developed by the Society of Actuaries in 2013. The other OPEB specific assumptions (health care trend, plan elections, etc.) are reviewed during each OPEB valuation and updated as needed.

Discount rate – A Single Discount Rate of 7.50% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 7.50%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate (0% of payroll) and that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

**Total OPEB Liability**

Service cost	\$ 516,347
Interest on the total OPEB liability	6,789,422
Experience differences	(188,802)
Benefit payments and refunds	<u>(5,678,627)</u>
Net change in total OPEB liability	1,438,340

Total OPEB liability - beginning 93,106,765

Total OPEB liability - ending (a) \$ 94,545,105

**Plan Fiduciary Net Position**

Employer contributions	\$ 5,783,315
Net investment income	3,396,947
Benefit payments and refunds	<u>(5,678,627)</u>
Net change in plan fiduciary net position	3,501,635

Plan fiduciary net position - beginning 45,704,601

Plan fiduciary net position - ending (b) \$ 49,206,236

Net OPEB liability (a-b) \$ 45,338,869

Plan fiduciary net position as a percentage of total OPEB liability	52.05%
Covered employee payroll	\$ 9,383,944
Net OPEB liability as a percentage of covered employee payroll	483.15%

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current discount rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Net OPEB liability	\$ 55,550,098	\$ 45,338,869	\$ 36,733,704

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (8.0%) or 1% higher (10.0%) than the current healthcare cost trend rates:

	1% Decrease 8.0%	Current Healthcare Cost Trend Rate Assumption 9.0%	1% Increase 10.0%
Net OPEB liability	\$ 35,323,258	\$ 45,338,869	\$ 57,070,354

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2018 the employer recognized OPEB expense of \$1,972,719. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources	Total to Amortize
Difference between expected and actual experience	\$ (118,435)	\$ -	\$ (118,435)
Excess investment returns	-	27,859	27,859
Total	<u>\$ (118,435)</u>	<u>\$ 27,859</u>	<u>\$ (90,576)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	\$ (63,402)
2020	(41,103)
2021	6,965
2022	6,964
Total	<u>\$ (90,576)</u>

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 16 - Claims, Litigation, and Other Contingencies**

In the normal course of its activities, the City becomes a party in various legal actions. Although some actions have been brought for large amounts, the City has not generally experienced significant losses or cost. City management is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Note 17 - Enterprise Fund Contractual Revenue**

The City supplies large quantities of water to Dow Chemical Company and Dow Corning Corporation under contractual arrangements with each company. Under the Dow Chemical Supplemental Agreement dated March 1, 1979, and the Dow Corning Agreement dated July 15, 1985, the companies agree to pay for the variable cost of industrial grade water. In addition, the companies agree to pay a percentage of certain fixed costs, including the principal and interest costs on debt incurred by the City related to plant expansions necessary to meeting the companies' special requirements. These fixed cost payments are due in monthly installments until the bonds of the Saginaw-Midland Municipal Water Supply Corporation are paid in full.

The payment percentage is based upon the cost of the facilities required to meet the companies' exact capacity requirements relative to the total cost of the City's initial capacity requirements.

The percentage of the bond principal and interest payments reimbursed by each company follows:

	Percentage	
	Dow Chemical Company	Dow Corning Corporation
2009 Saginaw-Midland - Water Refunding Bonds	34.00%	4.20%
2012 Saginaw-Midland - Water Refunding Bonds	34.00%	4.20%
2013 Saginaw-Midland - Water Revenue Bonds	34.00%	4.20%

Total payments received under these agreements during the fiscal year were \$77,794, consisting of principal and interest of \$71,070 and \$6,724 respectively. These payments have been recorded as nonoperating revenue in the City's Enterprise Funds. Under the terms of these agreements, no equity accrues to either company.

Under the terms of the agreement with Dow Chemical Company, the Water Fund shall retain in a Dow Chemical Emergency Repair and Maintenance Fund, \$25,000 to fund Dow's share of non-budgeted repair, replacement, or improvements.

**Note 18 - Urban Cooperation Act Agreement**

Effective December 30, 1992, the City entered into a 30-year interlocal public agency agreement with the Township of Midland, as authorized by the provisions of Public Act 7 of the Public Acts of the State of Michigan of 1967 (Ex Sess) [MSA 5.4088(1) et seq; MCLA 124.501 et seq].

The agreement provides for (1) the orderly and uncontested annexation to the City of certain property then located in the Township; (2) future sharing, through the year 2022, of revenues derived from the City's levy of property taxes on certain property to be annexed under the agreement; (3) beginning in September 1993, and continuing through the year 2012, the sharing of revenues derived from the City's levy of property taxes on certain commercial and industrial property already located within the City; and (4) extension,

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

at City cost, of water and sewer services by the City to the Township boundary.

The City's obligation under provision 3 above shall cease if and when total cumulative payments there under reach \$15,000,000. The amount of revenue sharing due to the Township by the City under this agreement during the year ended June 30, 2018 was \$129,361. The total cumulative payments from the City through June 30, 2018 were \$4,342,865.

**Note 19 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for liability and property claims, airport liability, and pension fiduciary liability claims; it participates in the Michigan Municipal Workers' Compensation Pool for employee injury claims.

The Michigan Municipal League risk pool programs operate as common risk-sharing/management programs for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Beginning July 1, 2007, the City started a self-insurance program for health insurance, which is accounted for in the Health Insurance Fund (Internal Service Fund). An independent administrator (BCBS) processes the daily claims. The City has a \$40,000 stop-loss, per contract. There were no reductions to insurance coverage from the prior year. The cost for health care is charged out to other City funds through its payroll system based upon illustrative rates generated by BCBS. These charges, together with employee withholdings, are the source of revenue to the Health Insurance Fund. Settled claims for the past three years, including the current year, as well as the prior two years relating to the commercial health insurance, have not exceeded the amount of insurance coverage.

The City estimates the liability for healthcare claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

The estimated liability is recorded in accrued and other liabilities in the Statement of Net Position. The estimated liability for the past two fiscal years is as follows:

	2018	2017
Unpaid claims - beginning of year	\$ 367,540	\$ 459,485
Incurred claims, including claims incurred but not reported	7,544,747	7,845,875
Claims paid	(7,587,408)	(7,937,820)
Unpaid claims - end of year	\$ 324,879	\$ 367,540

**Note 20 - Tax Abatements**

The Government enters into property tax abatement agreements with local businesses under several programs as authorized under Public Act 328 of 1998 (PA 328) and Public Act 198 of 1974, as amended (PA 198).

PA 328 (Personal Property Tax Relief in Distressed Communities) allows eligible distressed communities to abate taxes on new investments made by eligible commercial businesses that reduce unemployment, promote economic growth, and increase capital investment. Neighborhood Enterprise Zone designation would qualify a community as eligible for the PA 328 exemption. Eligible projects include manufacturing, mining, research and development, wholesale trade, and office operations. Retail businesses and casinos are not eligible. Abatements reduce property taxes by the full millage rate. The law does not specify a maximum or a minimum number of years to be abated.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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PA198 (Industrial Property Tax Abatement) allows abatements to encourage Michigan manufacturers to build new plants, expand existing plants, renovate aging plants, or add new machinery and equipment. High technology operations are also eligible for the abatement. Once approved the firm pays an Industrial Facilities Tax (IFT), instead of property taxes, which reflects the abatement savings. The exemption covers only the specific project that is the subject of the application. Any buildings and equipment that existed prior to the construction of a new facility are not exempt. Likewise, any structures or equipment added after completion of the project are fully taxable. The IFT on new plant and non-industrial personal property is computed at half the local property mileage rate, resulting in a reduction of property taxes of approximately 50%. For an obsolete plant or machinery that is being replaced or restored, the IFT is frozen at the assessed value of the plant prior to improvement, resulting in a 100% exemption from property tax on the value of the improvements. A speculative building would be eligible for a reduction in property taxes of approximately 50%. Commercial personal property will receive an automatic reduction of 12 mills for local school on their property tax bill.

As of June 30, 2018, the City of Midland provides tax abatements through five major categories, which are explained below.

*Industrial Facilities Tax Exemptions.* The City approves Industrial Facility Tax (IFT) Exemptions to encourage job growth and capital investment within the community. IFTs are authorized under Public Act 198 of 1974, as amended. Approved IFT projects will pay approximately half of the property tax burden when compared to non-IFT investments. In exchange for this tax benefit, investors will create projects that either maintain jobs or increase jobs in the community, while making a capital investment to the tax base. IFT exemptions must also receive approval from the State of Michigan, and be located on an established Industrial Development District. IFT exemption holders can maintain this benefit for up to 12 years, providing that they pay their taxes on time, maintain the level of employment promised, make the required amount of capital investment in a timely

manner, and meet the City's annual reporting requirement. The current ITFs within the City total approximately \$98 million in taxable value, and \$742,755 in abated City property taxes.

*Brownfield Redevelopment Districts.* Brownfield Redevelopment Districts are authorized under Public Act 381 of 1996 to encourage development in areas that are economically disadvantaged by conditions of blight or contamination. Conceptually, a developer performs redevelopment and environmental cleanup activities to a qualified site. The increase in taxable value caused by this developer investment is then captured through tax increment financing and the related property taxes are used to repay the developer for all qualified costs. The City makes no other commitments other than the repayment of eligible costs. Brownfield Redevelopment projects require approval by not only the local brownfield authority, but also the State of Michigan. For the year ended June 30, 2018, approximately \$27.2 million in taxable value and \$405,394 in City property taxes were abated by Brownfield Redevelopment Districts.

*Payment In Lieu Of Taxes.* Payment In Lieu Of Taxes, or PILOTs are offered to encourage the development of housing for citizens of low and moderate income. They must satisfy several local and State requirements. They are authorized by The Michigan State Housing Development Authority Act of 1966, as amended. Locally they are authorized by Section 202.60 of the City of Midland Code of Ordinances. If approved, a PILOT exemption recipient will be exempted from all property taxes. Instead the recipient will pay an annual fee based upon a fixed percentage of eligible rents for that year. Should any of these PILOTs fail to fulfill the agreed upon requirements, they will be placed back on the roll at full value, and the PILOT exemption will be forfeited. The value of the abated taxes represents the amount of taxes these PILOTs would have paid, less the PILOT fee actually paid. The City currently has 18 PILOT developments valued at approximately \$11.7 million in taxable value, abating \$134,516 in City property taxes.

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

*New Personal Property Exemption.* Michigan Public Act 328 of 1998, as amended, affords a 100% property tax exemption for specific businesses located within eligible distressed communities. The City may determine the number of years granted for the exemption, and may offer this abatement on new personal property within a certain geographical area in order to stimulate economic development that would not otherwise be sited in the City of Midland. Approval is required by the City Council and the State Treasurer. The City may recapture the taxes if the recipient defaults on any of the terms of the agreement. Approximately \$55.7 million in taxable value and \$843,167 in property taxes have been abated under this program.

*Renaissance Zones.* Renaissance Zones are provided for by the Michigan Renaissance Zone Act, or Act 376 of 1996. The City has entered into agreements with the applicants and the Michigan Economic Development Corporation to incentivize investment and job creation in Michigan. Projects that are designated as Renaissance Zones are exempt from all property taxes, except for debt millage. Abatements are for up to 15 years, and are phased out at 25% per year, during the final years of the abatement period. Renaissance Zones can be revoked by the State if the recipient fails to satisfy the terms of the developer agreement. As of June 30, 2018, the City has four Renaissance Zones that abate approximately \$118 million in taxable value and \$1,759,975 in City property taxes.

**Note 21 - Change in Accounting Principle**

As indicated in Note 1, Governmental Accounting Standards Board Statement 75 has been adopted. This statement requires the net OPEB liability and OPEB expense to be recorded. The standard requires this change be applied retroactively. The impact of this change is to reduce beginning governmental activities net position in the statement of activities as of July 1, 2017 by \$38,210,885, restating it from \$88,299,973 to \$50,089,088. The beginning net position of the business-type activities in the statement of activities was restated as of July 1, 2017 by \$9,191,279, restating it from \$137,498,811 to \$128,307,532.

The impact also changed the beginning net position of the following proprietary and internal service funds:

	<u>Beginning Net Position</u>	<u>Change</u>	<u>Restated Beginning Net Position</u>
Water	\$ 55,045,955	\$ (4,190,351)	\$50,855,604
Wastewater	35,825,471	(2,374,848)	33,450,623
Sanitary Landfill	14,690,040	(1,289,339)	13,400,701
Civic Arena	3,582,946	(308,114)	3,274,832
Washington Woods	6,780,931	(459,801)	6,321,130
Riverside Place	7,581,875	(554,605)	7,027,270
Parking	1,518,197	(14,221)	1,503,976
Information Services	712,784	(715,773)	(2,989)
Equipment Revolving	7,337,242	(1,687,517)	5,649,725
Municipal Services Center	2,352,629	(14,221)	2,338,408
Renewable Energy Services	2,602,180	(146,947)	2,455,233

**Note 22 - Subsequent Event**

On July 1, 2018, the City combined the Renewable Energy Fund with the Landfill Fund. The Landfill provides an environmentally responsible waste disposal site for Midland County residents and businesses. As part of the natural decomposition process, the solid waste within the Landfill generates gas and a small concentration of other chemical compounds. The Landfill was in need of a solution to collect and dispose of this gas and the idea of capturing it and burning it to create electricity was put into motion and the Renewable Energy Fund was created. At its inception the Renewable Energy Fund was intended to create a revenue stream through the sale of electricity in an amount adequate to not only break even, but to subsidize the electricity costs of the City's numerous departments. Therefore, because it was providing a service to the City departments, it was set up to be an Internal Service Fund. After a few years of operation, it became evident that Fund was barely generating adequate revenue to break even, and was not providing a service to any funds other than

**City of Midland, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2018**

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the Landfill, by solving its gas collection and disposal problem. During the 2018 fiscal year, the City determined the Renewable Energy Fund should be combined with the Landfill enterprise fund beginning with the 2019 fiscal year based on the established nature of the activity of the fund.

All activity was merged with Landfill operations and will be managed by the Landfill staff. Inter-fund loan activity as described in Note 9 between the Landfill fund and the Renewable Energy fund was eliminated as of the combination date. Additionally, the 2010 Renewable Energy bonded debt maturing in October 2030, which was previously governmental activities, will now be categorized as business-type activities as seen in Note 11 as of the merger date and for fiscal year ending June 30, 2019.

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 27,123,508	\$ 27,123,508	\$ 27,124,903	\$ 1,395
Other taxes	37,000	37,000	37,144	144
Penalties and interest	90,000	90,000	99,970	9,970
Administration fee	950,000	950,000	946,908	(3,092)
Licenses and permits	454,315	470,015	609,983	139,968
Federal grants	1,700	2,145	1,073	(1,072)
State revenue sharing	3,470,560	3,648,250	3,670,447	22,197
State grants	4,246,631	7,670,020	7,670,596	576
Local contributions	392,875	551,212	553,304	2,092
Charges for services	2,463,786	2,446,850	2,448,931	2,081
Use and admission charges	303,800	350,130	359,536	9,406
Interest income	70,000	150,000	201,997	51,997
Rental income	82,687	82,687	82,287	(400)
Other revenue	923,710	935,713	999,429	63,716
Total revenues	<u>40,610,572</u>	<u>44,507,530</u>	<u>44,806,508</u>	<u>298,978</u>

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Expenditures</b>				
General government	\$ 6,907,752	\$ 6,732,491	\$ 6,192,711	\$ (539,780)
Public safety	18,652,279	18,551,000	17,977,206	(573,794)
Public works	2,050,901	2,034,722	2,046,809	12,087
Sanitation	3,682,428	3,853,075	3,985,581	132,506
Parks and recreation	5,801,938	6,088,729	5,717,471	(371,258)
Airport	309,805	306,559	311,268	4,709
Property tax appeals	521,000	471,000	191,074	(279,926)
Reserve for contingencies	400,000	90,500	-	(90,500)
Capital outlay	839,765	2,772,701	375,145	(2,397,556)
Total expenditures	<u>39,165,868</u>	<u>40,900,777</u>	<u>36,797,265</u>	<u>(4,103,512)</u>
Excess of revenues over expenditures	<u>1,444,704</u>	<u>3,606,753</u>	<u>8,009,243</u>	<u>4,402,490</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	1,000	100	2,961	2,861
Transfer in	65,000	66,291	58,257	(8,034)
Transfers out	<u>(5,208,302)</u>	<u>(4,918,286)</u>	<u>(4,624,498)</u>	<u>293,788</u>
Total other financing sources (uses)	<u>(5,142,302)</u>	<u>(4,851,895)</u>	<u>(4,563,280)</u>	<u>288,615</u>
Net change in fund balance	(3,697,598)	(1,245,142)	3,445,963	4,691,105
Fund balance - beginning of year	<u>16,266,216</u>	<u>16,266,216</u>	<u>16,266,216</u>	<u>-</u>
Fund balance - end of year	<u>\$ 12,568,618</u>	<u>\$ 15,021,074</u>	<u>\$ 19,712,179</u>	<u>\$ 4,691,105</u>

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes	\$ 4,010,494	\$ 4,166,116	\$ 3,792,616	\$ (373,500)
Licenses and permits	80,000	80,000	97,307	17,307
Federal grants	750	7,512	-	(7,512)
Other State grants	4,219,450	4,511,573	4,956,636	445,063
Local contributions	2,840,000	4,985,000	3,350,000	(1,635,000)
Charges for services	181,921	331,526	332,328	802
Interest income	13,000	33,000	62,097	29,097
Other revenue	12,000	160,950	190,713	29,763
Total revenues	<u>11,357,615</u>	<u>14,275,677</u>	<u>12,781,697</u>	<u>(1,493,980)</u>
<b>Expenditures</b>				
Public works				
Engineering	222,288	229,956	206,740	(23,216)
Right of way inspections	18,574	19,689	7,884	(11,805)
Roadway maintenance	176,841	171,342	167,694	(3,648)
Guardrail maintenance	8,676	8,204	5,444	(2,760)
Sweeping and flushing	180,701	187,499	154,809	(32,690)
Shoulder maintenance	10,429	7,861	3,035	(4,826)
Roadside drainage	122,319	124,023	128,210	4,187
Curb and gutter maintenance	68,031	68,376	45,383	(22,993)
Roadside cleanup	27,007	29,007	26,528	(2,479)
Capital outlay	7,657,885	14,858,246	8,074,683	(6,783,563)
Snow and ice control	541,747	610,805	577,163	(33,642)
Stormwater activities credit	(139,049)	(140,753)	(130,038)	10,715
Trunkline maintenance	181,921	184,526	140,831	(43,695)
Other charges	5,000	5,000	930	(4,070)
Reserve for contingencies	20,000	20,000	-	(20,000)
Traffic services	533,308	501,163	452,058	(49,105)
Total public works	<u>9,635,678</u>	<u>16,884,944</u>	<u>9,861,354</u>	<u>(7,023,590)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,721,937</u>	<u>(2,609,267)</u>	<u>2,920,343</u>	<u>5,529,610</u>

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Other financing sources (uses)</b>				
Transfers out	\$ (2,977,049)	\$ (3,215,753)	\$ (3,205,038)	\$ 10,715
Net change in fund balance	(1,255,112)	(5,825,020)	(284,695)	5,540,325
Fund balance - beginning of year	11,095,827	11,095,827	11,095,827	-
Fund balance - end of year	<u>\$ 9,840,715</u>	<u>\$ 5,270,807</u>	<u>\$ 10,811,132</u>	<u>\$ 5,540,325</u>

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Determined Contribution	Annual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 5,134,284	\$ 5,141,787	\$ (7,503)	\$ 8,470,701	60.70%
2016	5,609,484	5,877,039	(267,555)	8,532,203	68.88%
2017	6,263,424	6,455,072	(191,648)	7,235,651	89.21%
2018	6,731,568	7,077,095	(345,527)	6,043,466	117.10%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Individual entry-age
Amortization method	Fixed
Remaining amortization period	15 for closed divisions and 21 for open divisions
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	60
Mortality	2014 Group annuity mortality table of 50% male and 50% female blend

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**

Fiscal year ended June 30,	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 786,413	\$ 1,045,540	\$ 1,111,759	\$ 1,243,931
Interest on the total pension liability	11,054,578	10,994,431	10,620,508	10,390,626
Experience differences	1,068,561	1,190,327	(1,004,050)	-
Changes in actuarial assumptions	-	-	7,206,009	-
Benefit changes	(2,503,869)	(4,063,218)	-	-
Other changes	-	1,887	1	-
Benefit payments and refunds	(10,134,941)	(9,414,060)	(8,903,860)	(8,660,169)
Net change in total pension liability	270,742	(245,093)	9,030,367	2,974,388
Total pension liability - beginning	141,414,757	141,659,850	132,629,483	129,655,095
Total pension liability - ending (a)	<u>\$ 141,685,499</u>	<u>\$ 141,414,757</u>	<u>\$ 141,659,850</u>	<u>\$ 132,629,483</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 6,045,280	\$ 6,200,113	\$ 5,382,318	\$ 4,968,968
Employee contributions	125,821	114,789	122,197	120,825
Pension plan net investment income (loss)	10,025,476	8,120,002	(1,123,214)	4,743,891
Benefit payments and refunds	(10,134,941)	(9,414,060)	(8,903,860)	(8,660,169)
Net transfers	-	(90,421)	-	-
Pension plan administrative expense	(158,984)	(160,386)	(166,307)	(173,596)
Net change in plan fiduciary net position	5,902,652	4,770,037	(4,688,866)	999,919
Plan fiduciary net position - beginning	77,290,283	72,520,246	77,209,112	76,209,193
Plan fiduciary net position - ending (b)	<u>\$ 83,192,935</u>	<u>\$ 77,290,283</u>	<u>\$ 72,520,246</u>	<u>\$ 77,209,112</u>
Net pension liability (a-b)	<u>\$ 58,492,564</u>	<u>\$ 64,124,474</u>	<u>\$ 69,139,604</u>	<u>\$ 55,420,371</u>
Plan fiduciary net position as a percentage of total pension liability	58.72%	54.66%	51.19%	58.21%
Covered employee payroll	\$ 7,684,171	\$ 6,861,725	\$ 7,759,320	\$ 8,685,943
Net pension liability as a percentage of covered employee payroll	761.21%	934.52%	891.05%	638.05%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Police and Fire Retirement System**

**Schedule of Changes in the City's Net Pension Liability and Related Ratios**

Fiscal year ended June 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>				
Service cost	\$ 1,784,178	\$ 1,858,502	\$ 1,818,607	\$ 1,792,921
Interest on the total pension liability	5,883,755	5,546,214	5,401,449	5,239,339
Difference between expected and actual experience of the total pension liability	500,365	793,929	465,691	782,304
Assumption changes	(2,859,418)	2,284,416	-	-
Benefit payments and refunds	(5,358,186)	(5,889,565)	(5,385,686)	(5,637,423)
Net change in total pension liability	(49,306)	4,593,496	2,300,061	2,177,141
Total pension liability - beginning of year	<u>85,840,652</u>	<u>81,247,156</u>	<u>78,947,095</u>	<u>76,769,954</u>
Total pension liability - end of year <b>(a)</b>	<u>\$ 85,791,346</u>	<u>\$ 85,840,652</u>	<u>\$ 81,247,156</u>	<u>\$ 78,947,095</u>
<b>Plan fiduciary net position</b>				
Employer contributions	\$ 2,784,282	\$ 2,575,684	\$ 2,557,242	\$ 2,466,484
Employee contributions	607,126	578,989	596,652	562,157
Pension plan net investment income (loss)	5,855,101	7,690,217	(1,252,024)	2,613,608
Benefit payments and refunds	(5,358,186)	(5,889,565)	(5,385,686)	(5,637,423)
Other	16,565	15,348	-	-
Net change in plan fiduciary net position	3,904,888	4,970,673	(3,483,816)	4,826
Plan fiduciary net position - beginning of year	<u>62,397,197</u>	<u>57,426,524</u>	<u>60,910,340</u>	<u>60,905,514</u>
Plan fiduciary net position - end of year <b>(b)</b>	<u>\$ 66,302,085</u>	<u>\$ 62,397,197</u>	<u>\$ 57,426,524</u>	<u>\$ 60,910,340</u>
Net pension liability - ending <b>(a) - (b)</b>	<u>\$ 19,489,261</u>	<u>\$ 23,443,455</u>	<u>\$ 23,820,632</u>	<u>\$ 18,036,755</u>
Plan fiduciary net position as a percentage of total pension liability	77.28%	72.69%	70.68%	77.15%
Covered employee payroll	\$ 7,589,063	\$ 7,237,356	\$ 7,458,145	\$ 7,027,322
Net pension liability as a percentage of covered employee payroll	256.81%	323.92%	319.39%	256.67%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Police and Fire Retirement System**  
**Schedule of Contributions**

Fiscal Year Ended June 30,	Annual Determined Contribution	Annual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 2,572,418	\$ 2,572,418	\$ -	\$ 6,904,434	37.26%
2015	2,466,484	2,466,484	-	7,027,322	35.10%
2016	2,557,242	2,557,242	-	7,458,145	34.29%
2017	2,575,684	2,575,684	-	7,237,356	35.59%
2018	2,784,282	2,784,282	-	7,589,063	36.69%
			-		

Note: Information from 2008 - 2013 is not available. Additional years will be presented on this schedule on a prospective basis.

The information presented above was determined as part of the actuarial valuations at the date indicated above. Additional information as of December 31, 2017, the latest actuarial valuation, follows:

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	22 years, closed
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increases	3.5% to 7.4%
Investment rate of return	7.0% (net of administrative expenses)
Retirement age	Experience-based table of rates that are specific to type of eligibility condition
Mortality	RP-2014 Fully Generational Mortality Tables, with a base year of 2006 and future mortality improvements assumed each year using scale MP-2015

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Police and Fire Retirement System**  
**Schedule of Investment Returns**

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Fiscal Year Ended June 30,	Annual Return % *
2014	16.19%
2015	4.38%
2016	-2.09%
2017	13.68%
2018	9.55%

\* Annual money-weighted rate of return, net of investment expenses

Note: Information from 2008 - 2013 is not available. Additional years will be presented on this schedule on a prospective basis.

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**

Fiscal year ended June 30,	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 516,347	\$ 510,303
Interest	6,789,422	6,663,524
Differences between expected and actual experience	(188,802)	207,499
Benefit payments	(5,678,627)	(5,732,786)
Net change in total OPEB liability	1,438,340	1,648,540
Total OPEB liability - beginning	93,106,765	91,458,225
Total OPEB liability - ending (a)	\$ 94,545,105	\$ 93,106,765
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 5,783,315	\$ 5,276,990
Net investment income	3,396,947	5,097,143
Benefit payments and refunds	(5,678,627)	(5,732,786)
Other	-	740,340
Net change in plan fiduciary net position	3,501,635	5,381,687
Plan fiduciary net position - beginning	45,704,601	40,322,914
Plan fiduciary net position - ending (b)	\$ 49,206,236	\$ 45,704,601
Net OPEB liability (a-b)	\$ 45,338,869	\$ 47,402,164
Plan fiduciary net position as a percentage of total OPEB liability	52.05%	49.09%
Covered employee payroll	\$ 9,383,944	\$ 10,473,580
Net OPEB liability as a percentage of covered employee payroll	483.15%	452.59%

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$ 6,518,128	\$ 6,518,128	-	Not available	Not available
2011	6,629,537	6,629,537	-	Not available	Not available
2012	5,747,843	5,747,843	-	14,457,139	39.76%
2013	5,800,533	5,800,533	-	13,502,768	42.96%
2014	5,103,471	5,103,471	-	12,317,631	41.43%
2015	5,097,424	5,097,424	-	11,949,634	42.66%
2016	5,069,409	5,069,409	-	12,059,463	42.04%
2017	5,055,234	5,276,990	(221,756)	10,473,580	50.38%
2018	5,541,680	5,783,315	(241,635)	9,383,944	61.63%

**Notes to Schedule of Contributions**

Valuation date: June 30, 2016

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar
Remaining amortization period	22 years, closed
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	General: 3.5% to 16.5%, including inflation Act 345: 3.5% to 7.4%, including inflation
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation
Retirement age	General: Experience-based table of rates that are specific to that type of eligibility condition. Act 345: Experience-based table of rates that are specific to that type of eligibility condition.
Mortality	General: The RP-2000 Mortality Table projected 20 years with Scale BB. Act 345: The RP-2014 Fully Generational Mortality Tables, with base year of 2006, and future mortality improvements assumed each year using scale MP-2015
Health care trend rates	9.00 % trend, gradually decreasing to 3.5% in year 10
Excise tax	A 1.0% load was applied in connection with the "Cadillac" tax
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

**City of Midland, Michigan**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Investment Returns**

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Fiscal Year Ended June 30,	Annual Return % *
2017	14.61%
2018	7.78%

\* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Midland, Michigan**  
**Note to the Required Supplementary Information**  
**Year Ended June 30, 2018**

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**NOTE – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information** – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Special Revenue Funds, and Debt Service Fund. All annual appropriations lapse at the end of the fiscal year, except as noted.

On or before the second Monday in April, the City Manager presents the proposed budget to the City Council for review. The City holds public hearings and a final budget must be prepared and adopted no later than the fourth Monday in May. During the current year, the budget was amended in a legally permissible manner.

The City Council approves the annual budget, which is prepared at the functional level.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders, contracts, and other commitments for the expenditure of monies) outstanding at year end are reported as committed fund balance since they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The City did not adopt a budget for the Cemetery Permanent Fund. Accordingly, no budget comparison schedule is provided.

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Fund Descriptions**  
**Year Ended June 30, 2018**

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**Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Local Street Fund – This fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as local streets.

Smart Zone Fund – This fund through a partnership with Midland Tomorrow accounts for funds collected from the Tax Increment Financing District to align and strategically fund community economic development functions building on Midland’s base of innovation in the chemical and advanced materials sectors.

Center City Authority Fund - This fund accounts for the economic growth in the City Center as it becomes a destination for endless possibilities to eat, shop, and explore.

Stormwater Management Fund – This fund accounts for storm sewer maintenance, open drain cleaning, and county drain assessments related to storm water management within the City.

Grace A. Dow Memorial Library Fund – This fund accounts for property taxes, library services revenue and a General Fund subsidy to be used for providing library services to the citizens of Midland.

Community Development Block Grant Fund – This fund accounts for grant revenues from the Department of Housing and Urban Development to be used for residential and other capital improvements.

Dial-A-Ride Fund – This fund accounts for the City’s Dial-A-Ride transportation system.

Downtown Development Authority Fund – This fund accounts for property taxes levied by and authority established for the purpose of maintaining and renovating the downtown Midland area.

Midland Community Television Fund – This fund accounts for franchise fees generated by an agreement with a local cable company to support two public access channels operated by the City.

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Fund Descriptions**  
**Year Ended June 30, 2018**

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Special Activities Fund – This fund accounts for various types of activities that are specifically funded by outside parties, not appropriate to be accounted for in any other Special Revenue Fund, and for which the City is the benefactor of those activities.

Midland Housing Fund – This fund is used to account for a housing rehabilitation program, which was established by a local foundation.

**Debt Service Fund**

The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

**Permanent Fund**

The Cemetery Fund is used to account for the Midland Cemetery perpetual care principal and interest earnings.

**City of Midland, Michigan**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds										Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Local Street Fund	Smart Zone Fund	Center City Authority Fund	Stormwater Management Fund	Grace A. Dow Memorial Library Fund	Community Development Block Grant Fund	Dial-A-Ride Fund	Downtown Development Authority Fund	Midland Community Television Fund	Special Activities Fund	Midland Housing Fund	Debt Service Fund		Cemetery Fund
<b>Assets</b>														
Cash and cash equivalents	\$ 6,395,209	\$ 179,215	\$ 50,025	\$ 1,197,882	\$ 844,846	\$ -	\$ -	\$ 381,838	\$ 1,262,600	\$ 84,710	\$ 231,465	\$ 73,134	\$ 2,045,112	\$ 12,746,036
Receivables - net of allowances														
Taxes	-	-	-	-	103	-	-	-	-	-	-	52	-	155
Trust deeds	-	-	-	-	-	1,004,357	-	-	-	-	-	-	-	1,004,357
Customers	-	-	-	-	-	-	-	-	-	980	-	-	-	980
Accounts and contracts	-	-	-	952	195	-	2,205	-	176,927	-	330,269	-	2,975	513,523
Accrued interest and other	10,064	-	84	1,989	1,884	-	-	758	2,147	60	428	421	3,434	21,269
Due from other units of government	199,486	-	-	-	-	112,397	200,056	-	-	-	-	-	-	511,939
Due from other funds	-	-	-	-	-	79,932	-	-	-	-	-	-	-	79,932
Inventories	-	-	-	-	-	-	-	-	-	-	14,748	-	-	14,748
<b>Total assets</b>	<b>\$ 6,604,759</b>	<b>\$ 179,215</b>	<b>\$ 50,109</b>	<b>\$ 1,200,823</b>	<b>\$ 847,028</b>	<b>\$ 1,196,686</b>	<b>\$ 202,261</b>	<b>\$ 382,596</b>	<b>\$ 1,441,674</b>	<b>\$ 85,750</b>	<b>\$ 576,910</b>	<b>\$ 73,607</b>	<b>\$ 2,051,521</b>	<b>\$ 14,892,939</b>
<b>Liabilities</b>														
Accounts payable	\$ 145,508	\$ -	\$ -	\$ 24,487	\$ 167,076	\$ 122,969	\$ 119,516	\$ 23,310	\$ 500	\$ 2,359	\$ 100,912	\$ -	\$ -	\$ 706,637
Due to other funds	-	-	-	-	-	-	-	-	-	-	79,932	-	-	79,932
Deposits	-	-	-	5,258	2,830	-	-	-	-	25,920	-	-	-	34,008
Unearned revenue	-	-	-	-	400,000	-	43,338	-	-	-	-	-	-	443,338
<b>Total liabilities</b>	<b>145,508</b>	<b>-</b>	<b>-</b>	<b>29,745</b>	<b>569,906</b>	<b>122,969</b>	<b>162,854</b>	<b>23,310</b>	<b>500</b>	<b>28,279</b>	<b>180,844</b>	<b>-</b>	<b>-</b>	<b>1,263,915</b>
<b>Deferred inflows of resources</b>														
Grants	-	-	-	-	-	-	39,407	-	-	-	-	-	-	39,407
Trust deeds	-	-	-	-	-	1,004,357	-	-	-	-	-	-	-	1,004,357
Other	-	-	-	-	-	-	-	-	-	-	150,107	-	-	150,107
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,004,357</b>	<b>39,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,107</b>	<b>-</b>	<b>-</b>	<b>1,193,871</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>145,508</b>	<b>-</b>	<b>-</b>	<b>29,745</b>	<b>569,906</b>	<b>1,127,326</b>	<b>202,261</b>	<b>23,310</b>	<b>500</b>	<b>28,279</b>	<b>330,951</b>	<b>-</b>	<b>-</b>	<b>2,457,786</b>
<b>Fund balances</b>														
Non-spendable														
Inventories	-	-	-	-	-	-	-	-	-	-	14,748	-	-	14,748
Restricted for														
Local street	6,459,251	-	-	-	-	-	-	-	-	-	-	-	-	6,459,251
Smart Zone	-	179,215	-	-	-	-	-	-	-	-	-	-	-	179,215
Center city authority	-	-	50,109	-	-	-	-	-	-	-	-	-	-	50,109
Grace A. Dow Memorial Library	-	-	-	-	277,122	-	-	-	-	-	-	-	-	277,122
Downtown development authority	-	-	-	-	-	-	359,286	-	-	-	-	-	-	359,286
Community development block grant	-	-	-	-	-	69,360	-	-	-	-	-	-	-	69,360
Midland housing	-	-	-	-	-	-	-	-	-	231,211	-	-	-	231,211
Special activities	-	-	-	-	-	-	-	-	-	57,471	-	-	-	57,471
Debt service	-	-	-	-	-	-	-	-	-	-	-	73,607	-	73,607
Cemetery operations	-	-	-	-	-	-	-	-	-	-	-	-	2,051,521	2,051,521
Committed														
Future year expenditures	-	-	-	75,502	-	-	-	-	-	-	-	-	-	75,502
Assigned	-	-	-	1,095,576	-	-	-	-	1,441,174	-	-	-	-	2,536,750
<b>Total fund balances</b>	<b>6,459,251</b>	<b>179,215</b>	<b>50,109</b>	<b>1,171,078</b>	<b>277,122</b>	<b>69,360</b>	<b>-</b>	<b>359,286</b>	<b>1,441,174</b>	<b>57,471</b>	<b>245,959</b>	<b>73,607</b>	<b>2,051,521</b>	<b>12,435,153</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,604,759</b>	<b>\$ 179,215</b>	<b>\$ 50,109</b>	<b>\$ 1,200,823</b>	<b>\$ 847,028</b>	<b>\$ 1,196,686</b>	<b>\$ 202,261</b>	<b>\$ 382,596</b>	<b>\$ 1,441,674</b>	<b>\$ 85,750</b>	<b>\$ 576,910</b>	<b>\$ 73,607</b>	<b>\$ 2,051,521</b>	<b>\$ 14,892,939</b>

**City of Midland, Michigan**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds										Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Local Street Fund	Smart Zone Fund	Center City Authority Fund	Stormwater Management Fund	Grace A. Dow Memorial Library Fund	Community Development Block Grant Fund	Dial-A-Ride Fund	Downtown Development Authority Fund	Midland Community Television Fund	Special Activities Fund	Midland Housing Fund	Debt Service Fund		Cemetery Fund
<b>Revenues</b>														
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,079,544	\$ -	\$ -	\$ 574,132	\$ -	\$ -	\$ -	\$ 541,079	\$ -	\$ 3,194,755
Licenses and permits	102,249	-	-	17,137	-	-	-	-	-	-	-	-	-	119,386
Federal grants	-	-	-	-	-	125,895	635,995	-	-	-	-	-	-	761,890
State grants	1,466,397	-	-	1,460	365,931	-	846,326	4,359	8,250	-	95,341	-	-	2,788,064
Local contributions	-	-	-	-	113,796	-	-	22,085	750	15,198	-	-	16,560	168,389
Charges for services	-	-	-	-	497,869	-	127,408	-	709,191	-	-	-	-	1,334,468
Interest income	36,009	-	335	7,560	7,446	-	-	2,348	8,243	332	1,814	3,747	13,555	81,389
Other revenue	7,127	-	-	230	3,241	77,719	-	1,746	-	31,542	13,966	-	-	135,571
<b>Total revenues</b>	<b>1,611,782</b>	<b>-</b>	<b>335</b>	<b>26,387</b>	<b>3,067,827</b>	<b>203,614</b>	<b>1,609,729</b>	<b>604,670</b>	<b>718,184</b>	<b>55,322</b>	<b>15,780</b>	<b>640,167</b>	<b>30,115</b>	<b>8,583,912</b>
<b>Expenditures</b>														
<b>Current</b>														
General government	-	-	-	-	-	-	-	-	-	3,603	-	-	-	3,603
Public safety	-	-	-	-	-	-	-	-	-	7,784	-	-	-	7,784
Public works	1,413,689	14,210	1,095	589,448	-	-	-	-	-	-	-	-	-	2,018,442
Community and economic development	-	-	-	-	-	179,078	-	579,069	-	38,934	2,062	-	-	799,143
Library and community television	-	-	-	-	4,009,611	-	-	-	589,665	-	-	-	-	4,599,276
Transportation	-	-	-	-	-	-	2,095,573	-	-	-	-	-	-	2,095,573
Capital outlay	1,502,501	-	-	232,217	220,540	-	143,555	-	7,290	-	-	-	-	2,106,103
<b>Debt service</b>														
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	1,400,000	-	1,400,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	166,825	-	166,825
<b>Total expenditures</b>	<b>2,916,190</b>	<b>14,210</b>	<b>1,095</b>	<b>821,665</b>	<b>4,230,151</b>	<b>179,078</b>	<b>2,239,128</b>	<b>579,069</b>	<b>596,955</b>	<b>50,321</b>	<b>2,062</b>	<b>1,566,825</b>	<b>-</b>	<b>13,196,749</b>
Excess (deficiency) of revenues over (under) expenditures	(1,304,408)	(14,210)	(760)	(795,278)	(1,162,324)	24,536	(629,399)	25,601	121,229	5,001	13,718	(926,658)	30,115	(4,612,837)
<b>Other financing sources (uses)</b>														
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	-	15,000	-	-	15,000
Transfers in	3,075,000	-	-	933,795	1,064,740	-	586,864	10,000	-	-	-	1,756,198	-	7,426,597
Transfers out	(133,757)	-	-	-	-	(31,230)	-	(45,000)	-	(9,716)	-	(825,429)	-	(1,045,132)
<b>Total other financing sources and uses</b>	<b>2,941,243</b>	<b>-</b>	<b>-</b>	<b>933,795</b>	<b>1,064,740</b>	<b>(31,230)</b>	<b>586,864</b>	<b>(35,000)</b>	<b>-</b>	<b>(9,716)</b>	<b>15,000</b>	<b>930,769</b>	<b>-</b>	<b>6,396,465</b>
<b>Net change in fund balance</b>	<b>1,636,835</b>	<b>(14,210)</b>	<b>(760)</b>	<b>138,517</b>	<b>(97,584)</b>	<b>(6,694)</b>	<b>(42,535)</b>	<b>(9,399)</b>	<b>121,229</b>	<b>(4,715)</b>	<b>28,718</b>	<b>4,111</b>	<b>30,115</b>	<b>1,783,628</b>
Fund balance - beginning of year	4,822,416	193,425	50,869	1,032,561	374,706	76,054	42,535	368,685	1,319,945	62,186	217,241	69,496	2,021,406	10,651,525
Fund balance - end of year	\$ 6,459,251	\$ 179,215	\$ 50,109	\$ 1,171,078	\$ 277,122	\$ 69,360	\$ -	\$ 359,286	\$ 1,441,174	\$ 57,471	\$ 245,959	\$ 73,607	\$ 2,051,521	\$ 12,435,153

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Street Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				
Licenses and permits	\$ 70,000	\$ 70,000	\$ 102,249	\$ 32,249
Other State grants	1,109,400	1,457,400	1,466,397	8,997
Local contributions	50,000	50,000	-	(50,000)
Interest income	10,000	18,000	36,009	18,009
Other revenue	7,000	7,000	7,127	127
Total revenues	<u>1,246,400</u>	<u>1,602,400</u>	<u>1,611,782</u>	<u>9,382</u>
<b>Expenditures</b>				
Public works				
Engineering	162,537	189,805	183,183	(6,622)
Right of way inspections	8,021	8,290	8,285	(5)
Roadway maintenance	280,032	296,644	252,489	(44,155)
Guardrail maintenance	3,883	3,838	319	(3,519)
Sweeping and flushing	323,448	329,735	300,086	(29,649)
Shoulder maintenance	3,863	3,749	1,884	(1,865)
Roadside drainage	140,014	140,047	133,759	(6,288)
Curb and gutter maintenance	206,028	193,595	149,317	(44,278)
Roadside cleanup	25,067	25,318	28,585	3,267
Dust control	14,273	14,111	2,451	(11,660)
Snow and ice control	431,665	361,573	308,334	(53,239)
Stormwater activities credit	(140,014)	(140,047)	(133,758)	6,289
Traffic services	154,633	182,921	178,755	(4,166)
Reserve for contingencies	20,000	17,300	-	(17,300)
Total expenditures	<u>1,633,450</u>	<u>1,626,879</u>	<u>1,413,689</u>	<u>(213,190)</u>
Capital outlay	<u>1,645,000</u>	<u>2,918,350</u>	<u>1,502,501</u>	<u>(1,415,849)</u>
Total public works	<u>3,278,450</u>	<u>4,545,229</u>	<u>2,916,190</u>	<u>(1,629,039)</u>
Deficiency of revenues under expenditures	<u>(2,032,050)</u>	<u>(2,942,829)</u>	<u>(1,304,408)</u>	<u>1,638,421</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,838,000	3,075,000	3,075,000	-
Transfers out	(140,014)	(140,047)	(133,757)	6,290
Total other financing sources and uses	<u>2,697,986</u>	<u>2,934,953</u>	<u>2,941,243</u>	<u>6,290</u>
Net change in fund balance	665,936	(7,876)	1,636,835	1,644,711
Fund balance - beginning of year	<u>4,822,416</u>	<u>4,822,416</u>	<u>4,822,416</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,488,352</u>	<u>\$ 4,814,540</u>	<u>\$ 6,459,251</u>	<u>\$ 1,644,711</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Smart Zone Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Local contributions	15,000	15,000	-	(15,000)
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>
<b>Expenditures</b>				
Public works				
Administration	88,000	88,000	14,210	(73,790)
Other	25,000	25,000	-	(25,000)
Total expenditures	113,000	113,000	14,210	(98,790)
Capital outlay	5,000	5,000	-	(5,000)
Total expenditures	<u>118,000</u>	<u>118,000</u>	<u>14,210</u>	<u>(103,790)</u>
Net change in fund balance	(83,000)	(83,000)	(14,210)	68,790
Fund balance - beginning of year	<u>193,425</u>	<u>193,425</u>	<u>193,425</u>	<u>-</u>
Fund balance - end of year	<u>\$ 110,425</u>	<u>\$ 110,425</u>	<u>\$ 179,215</u>	<u>\$ 68,790</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Center City Authority Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Interest income	\$ 80	\$ 141	\$ 335	\$ 194
<b>Expenditures</b>				
Public works				
Other	-	23,596	1,095	(22,501)
Net change in fund balance	80	(23,455)	(760)	22,695
Fund balance - beginning of year	50,869	50,869	50,869	-
Fund balance - end of year	\$ 50,949	\$ 27,414	\$ 50,109	\$ 22,695

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Stormwater Management Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 19,700	\$ 16,603	\$ 17,137	\$ 534
Other state grants	-	1,460	1,460	-
Interest income	1,200	6,000	7,560	1,560
Other revenue	-	230	230	-
Total revenues	<u>20,900</u>	<u>24,293</u>	<u>26,387</u>	<u>2,094</u>
<b>Expenditures</b>				
Public works				
Administration	16,451	16,451	16,451	-
Open drain maintenance	53,776	46,474	43,305	(3,169)
Storm sewer maintenance	221,369	238,542	194,217	(44,325)
Inspection expenses	26,118	24,426	12,804	(11,622)
Storm sewer repair	56,217	75,441	58,876	(16,565)
Purchased services	291,063	292,800	263,795	(29,005)
Reserve for contingencies	25,000	13,500	-	(13,500)
Total public works	689,994	707,634	589,448	(118,186)
Capital outlay	<u>425,000</u>	<u>915,709</u>	<u>232,217</u>	<u>(683,492)</u>
Total expenditures	<u>1,114,994</u>	<u>1,623,343</u>	<u>821,665</u>	<u>(801,678)</u>
Deficiency of revenues under expenditures	(1,094,094)	(1,599,050)	(795,278)	803,772
<b>Other financing sources</b>				
Transfers in	<u>949,063</u>	<u>950,800</u>	<u>933,795</u>	<u>(17,005)</u>
Net change in fund balance	(145,031)	(648,250)	138,517	786,767
Fund balance - beginning of year	<u>1,032,561</u>	<u>1,032,561</u>	<u>1,032,561</u>	<u>-</u>
Fund balance - end of year	<u>\$ 887,530</u>	<u>\$ 384,311</u>	<u>\$ 1,171,078</u>	<u>\$ 786,767</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grace A. Dow Memorial Library Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,054,410	\$ 2,079,586	\$ 2,079,544	\$ (42)
State grants	363,251	365,751	365,931	180
Local contributions	55,000	124,415	113,796	(10,619)
Charges for services	514,218	498,054	497,869	(185)
Interest income	2,000	5,600	7,446	1,846
Other revenue	2,500	4,500	3,241	(1,259)
Total revenues	<u>2,991,379</u>	<u>3,077,906</u>	<u>3,067,827</u>	<u>(10,079)</u>
<b>Expenditures</b>				
Library and community television				
Personal services	3,149,326	2,975,378	2,892,683	(82,695)
Supplies	491,860	551,934	515,538	(36,396)
Other charges	716,736	690,143	601,390	(88,753)
Capital outlay	80,000	495,963	220,540	(275,423)
Total expenditures	<u>4,437,922</u>	<u>4,713,418</u>	<u>4,230,151</u>	<u>(483,267)</u>
Deficiency of revenues under expenditures	(1,446,543)	(1,635,512)	(1,162,324)	473,188
<b>Other financing sources</b>				
Transfers in	1,446,543	1,260,808	1,064,740	(196,068)
Net change in fund balance	-	(374,704)	(97,584)	277,120
Fund balance - beginning of year	374,706	374,706	374,706	-
Fund balance - end of year	<u>\$ 374,706</u>	<u>\$ 2</u>	<u>\$ 277,122</u>	<u>\$ 277,120</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ 326,405	\$ 407,809	\$ 125,895	\$ (281,914)
Other revenue	15,000	43,184	77,719	34,535
Total revenues	<u>341,405</u>	<u>450,993</u>	<u>203,614</u>	<u>(247,379)</u>
<b>Expenditures</b>				
Community and economic development				
Administration	43,000	43,000	38,109	(4,891)
Residential home rehabs	106,506	106,506	65,169	(41,337)
Public facilities improvements	100,399	100,399	35,178	(65,221)
Public services project	23,500	23,500	20,640	(2,860)
Affordable housing	15,000	15,000	15,000	-
Removal of architectural barriers	5,000	5,000	4,982	(18)
Reserve for contingencies	10,000	3,830	-	(3,830)
Total expenditures	<u>303,405</u>	<u>297,235</u>	<u>179,078</u>	<u>(118,157)</u>
Excess of revenues over expenditures	<u>38,000</u>	<u>153,758</u>	<u>24,536</u>	<u>(129,222)</u>
<b>Other financing uses</b>				
Transfers out	(38,000)	(38,000)	(31,230)	6,770
Net change in fund balance	-	115,758	(6,694)	(122,452)
Fund balance - beginning of year	<u>76,054</u>	<u>76,054</u>	<u>76,054</u>	<u>-</u>
Fund balance - end of year	<u>\$ 76,054</u>	<u>\$ 191,812</u>	<u>\$ 69,360</u>	<u>\$ (122,452)</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Dial-A-Ride Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ 687,523	\$ 712,088	\$ 635,995	\$ (76,093)
Other State grants	871,474	895,264	846,326	(48,938)
Charges for services	114,744	125,744	127,408	1,664
Total revenues	<u>1,673,741</u>	<u>1,733,096</u>	<u>1,609,729</u>	<u>(123,367)</u>
<b>Expenditures</b>				
Transportation				
Operations	1,653,237	1,613,290	1,512,289	(101,001)
Administration	240,383	240,133	226,145	(13,988)
Dispatching	405,158	368,758	357,139	(11,619)
Reserve for contingencies	10,000	10,000	-	(10,000)
Total transportation	<u>2,308,778</u>	<u>2,232,181</u>	<u>2,095,573</u>	<u>(136,608)</u>
Capital outlay	<u>80,524</u>	<u>137,730</u>	<u>143,555</u>	<u>5,825</u>
Total expenditures	<u>2,389,302</u>	<u>2,369,911</u>	<u>2,239,128</u>	<u>(130,783)</u>
Deficiency of revenues under expenditures	(715,561)	(636,815)	(629,399)	7,416
<b>Other financing sources</b>				
Transfers in	<u>715,561</u>	<u>594,280</u>	<u>586,864</u>	<u>(7,416)</u>
Net change in fund balance	-	(42,535)	(42,535)	-
Fund balance - beginning of year	<u>42,535</u>	<u>42,535</u>	<u>42,535</u>	<u>-</u>
Fund balance - end of year	<u>\$ 42,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Downtown Development Authority Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 513,753	\$ 530,763	\$ 574,132	\$ 43,369
Other state grants	-	4,360	4,359	(1)
Local contributions	16,500	22,500	22,085	(415)
Interest income	800	1,300	2,348	1,048
Other revenue	5,000	5,000	1,746	(3,254)
Total revenues	<u>536,053</u>	<u>563,923</u>	<u>604,670</u>	<u>40,747</u>
<b>Expenditures</b>				
Community and economic development				
Personal services	219,157	216,157	173,905	(42,252)
Supplies	2,500	2,500	2,261	(239)
Other charges	348,824	436,132	402,903	(33,229)
Total expenditures	<u>570,481</u>	<u>654,789</u>	<u>579,069</u>	<u>(75,720)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,428)</u>	<u>(90,866)</u>	<u>25,601</u>	<u>116,467</u>
<b>Other financing sources (uses)</b>				
Transfers in	10,000	10,000	10,000	-
Transfers out	<u>(50,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(40,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balance	(74,428)	(125,866)	(9,399)	116,467
Fund balance - beginning of year	<u>368,685</u>	<u>368,685</u>	<u>368,685</u>	<u>-</u>
Fund balance - end of year	<u>\$ 294,257</u>	<u>\$ 242,819</u>	<u>\$ 359,286</u>	<u>\$ 116,467</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Midland Community Television Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Local contributions	\$ 1,000	\$ 1,000	\$ 750	\$ (250)
Charges for services	780,050	747,200	709,191	(38,009)
Interest income	<u>1,100</u>	<u>6,600</u>	<u>8,243</u>	<u>1,643</u>
Total revenues	<u>782,150</u>	<u>754,800</u>	<u>718,184</u>	<u>(36,616)</u>
<b>Expenditures</b>				
Library and community television				
Personal services	420,156	420,819	427,160	6,341
Supplies	12,600	12,600	5,948	(6,652)
Other charges	170,962	174,851	156,557	(18,294)
Reserve for contingencies	<u>20,000</u>	<u>14,000</u>	<u>-</u>	<u>(14,000)</u>
Total library and community television	623,718	622,270	589,665	(32,605)
Capital outlay	<u>38,000</u>	<u>8,000</u>	<u>7,290</u>	<u>(710)</u>
Total expenditures	<u>661,718</u>	<u>630,270</u>	<u>596,955</u>	<u>(33,315)</u>
Net change in fund balance	120,432	124,530	121,229	(3,301)
Fund balance - beginning of year	<u>1,319,945</u>	<u>1,319,945</u>	<u>1,319,945</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,440,377</u>	<u>\$ 1,444,475</u>	<u>\$ 1,441,174</u>	<u>\$ (3,301)</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Special Activities Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Other state grants	\$ 9,000	\$ 9,000	\$ 8,250	\$ (750)
Local contributions	23,275	30,698	15,198	(15,500)
Interest income	50	50	332	282
Other revenue	46,500	37,000	31,542	(5,458)
Total revenues	<u>78,825</u>	<u>76,748</u>	<u>55,322</u>	<u>(21,426)</u>
<b>Expenditures</b>				
General government				
Supplies	21,000	29,000	21,602	(7,398)
Other charges	52,500	38,000	28,719	(9,281)
Total expenditures	<u>73,500</u>	<u>67,000</u>	<u>50,321</u>	<u>(16,679)</u>
Excess of revenues over expenditures	<u>5,325</u>	<u>9,748</u>	<u>5,001</u>	<u>(4,747)</u>
<b>Other financing sources (uses)</b>				
Transfers in	5,000	-	-	-
Transfers out	(10,000)	(19,520)	(9,716)	9,804
Total other financing sources and uses	<u>(5,000)</u>	<u>(19,520)</u>	<u>(9,716)</u>	<u>9,804</u>
Net change in fund balance	325	(9,772)	(4,715)	5,057
Fund balance - beginning of year	62,186	62,186	62,186	-
Fund balance - end of year	<u>\$ 62,511</u>	<u>\$ 52,414</u>	<u>\$ 57,471</u>	<u>\$ 5,057</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Midland Housing Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				
Interest income	\$ 800	\$ 1,600	\$ 1,814	\$ 214
Other revenue	-	13,334	13,966	632
Total revenues	<u>800</u>	<u>14,934</u>	<u>15,780</u>	<u>846</u>
<b>Expenditures</b>				
Community and economic development				
Warranty maintenance	<u>9,600</u>	<u>10,190</u>	<u>2,062</u>	<u>(8,128)</u>
Excess (deficiency) of revenues over (under) expenditures	(8,800)	4,744	13,718	8,974
<b>Other financing sources</b>				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Net change in fund balance	(8,800)	4,744	28,718	23,974
Fund balance - beginning of year	<u>217,241</u>	<u>217,241</u>	<u>217,241</u>	<u>-</u>
Fund balance - end of year	<u>\$ 208,441</u>	<u>\$ 221,985</u>	<u>\$ 245,959</u>	<u>\$ 23,974</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 540,176	\$ 541,090	\$ 541,079	\$ (11)
Other state grants	95,341	95,341	95,341	-
Interest income	1,000	3,600	3,747	147
Total revenues	<u>636,517</u>	<u>640,031</u>	<u>640,167</u>	<u>136</u>
<b>Expenditures</b>				
Debt service				
Principal retirement	1,400,000	1,400,000	1,400,000	-
Interest and fiscal charges	166,237	166,737	166,825	88
Total expenditures	<u>1,566,237</u>	<u>1,566,737</u>	<u>1,566,825</u>	<u>88</u>
Deficiency of revenues under expenditures	<u>(929,720)</u>	<u>(926,706)</u>	<u>(926,658)</u>	<u>48</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,756,198	1,756,198	1,756,198	-
Transfers out	(825,459)	(825,429)	(825,429)	-
Total other financing sources and uses	<u>930,739</u>	<u>930,769</u>	<u>930,769</u>	<u>-</u>
Net change in fund balance	1,019	4,063	4,111	48
Fund balance - beginning of year	<u>69,496</u>	<u>69,496</u>	<u>69,496</u>	<u>-</u>
Fund balance - end of year	<u>\$ 70,515</u>	<u>\$ 73,559</u>	<u>\$ 73,607</u>	<u>\$ 48</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Proprietary Funds**  
**Fund Descriptions**  
**Year Ended June 30, 2018**

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**Enterprise Funds**

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Washington Woods Fund – This fund accounts for the operation and maintenance of one of the City’s senior housing rental properties.

Riverside Place Fund – This fund accounts for the operation and maintenance of one of the City’s senior housing rental properties.

Currie Municipal Golf Course Fund – This fund accounts for the operation and maintenance of the City’s golf course.

Parking Fund – This fund accounts for the operations of the City’s metered and leased parking spaces and downtown parking structure.

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 850,031	\$ 1,563,396	\$ 11,068	\$ 56,670	\$ 2,481,165
Investments	-	-	512,198	-	512,198
Receivables - net of allowances					
Customers	11,754	431	7,281	-	19,466
Accounts and contracts	-	-	-	19,201	19,201
Accrued interest	1,462	2,635	-	68	4,165
Inventories	-	-	33,795	-	33,795
Prepaid items	-	-	13,369	-	13,369
Total current assets	<u>863,247</u>	<u>1,566,462</u>	<u>577,711</u>	<u>75,939</u>	<u>3,083,359</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation	3,406,899	6,393,123	4,517,739	911,725	15,229,486
Capital assets not being depreciated	<u>3,070,474</u>	<u>538,000</u>	<u>288,354</u>	<u>536,223</u>	<u>4,433,051</u>
Total noncurrent assets	<u>6,477,373</u>	<u>6,931,123</u>	<u>4,806,093</u>	<u>1,447,948</u>	<u>19,662,537</u>
Total assets	<u>7,340,620</u>	<u>8,497,585</u>	<u>5,383,804</u>	<u>1,523,887</u>	<u>22,745,896</u>
<b>Deferred outflows of resources</b>					
Deferred amount relating to net pension liability - MERS	81,968	80,477	-	2,409	164,854
Deferred amount relating to net OPEB liability	<u>270</u>	<u>326</u>	<u>-</u>	<u>9</u>	<u>605</u>
Total deferred outflows of resources	<u>82,238</u>	<u>80,803</u>	<u>-</u>	<u>2,418</u>	<u>165,459</u>
Total assets and deferred outflows of resources	<u>7,422,858</u>	<u>8,578,388</u>	<u>5,383,804</u>	<u>1,526,305</u>	<u>22,911,355</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 6,980	\$ 18,365	\$ 59,100	\$ 102	\$ 84,547
Accrued and other liabilities	-	-	23,025	-	23,025
Deposits	24,850	24,400	53,755	-	103,005
Unearned revenue	-	-	64,502	-	64,502
Total current liabilities	<u>31,830</u>	<u>42,765</u>	<u>200,382</u>	<u>102</u>	<u>275,079</u>
Noncurrent liabilities					
Current portion of noncurrent liabilities	9,925	21,166	26,660	-	57,751
Long-term debt net of current portion	21,407	14,971	68,266	-	104,644
Net pension liability	976,608	999,314	-	29,246	2,005,168
Net OPEB liability	<u>439,787</u>	<u>530,464</u>	<u>-</u>	<u>13,602</u>	<u>983,853</u>
Total noncurrent liabilities	<u>1,447,727</u>	<u>1,565,915</u>	<u>94,926</u>	<u>42,848</u>	<u>3,151,416</u>
Total liabilities	<u>1,479,557</u>	<u>1,608,680</u>	<u>295,308</u>	<u>42,950</u>	<u>3,426,495</u>
<b>Deferred Inflows of Resources</b>					
Deferred amount relating to net pension liability - MERS	22,758	26,843	-	729	50,330
Deferred amount relating to net OPEB liability	<u>1,149</u>	<u>1,386</u>	<u>-</u>	<u>36</u>	<u>2,571</u>
Total deferred inflows of resources	<u>23,907</u>	<u>28,229</u>	<u>-</u>	<u>765</u>	<u>52,901</u>
Total liabilities and deferred inflows of resources	<u>1,503,464</u>	<u>1,636,909</u>	<u>295,308</u>	<u>43,715</u>	<u>3,479,396</u>
<b>Net position</b>					
Net investment in capital assets	6,477,373	6,931,123	4,711,167	1,447,948	19,567,611
Unrestricted (deficit)	<u>(557,979)</u>	<u>10,356</u>	<u>377,329</u>	<u>34,642</u>	<u>(135,652)</u>
Total net position	<u>\$ 5,919,394</u>	<u>\$ 6,941,479</u>	<u>\$ 5,088,496</u>	<u>\$ 1,482,590</u>	<u>\$ 19,431,959</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
<b>Operating revenue</b>					
Use and admission charges	\$ -	\$ -	\$ 907,902	\$ 102,249	\$ 1,010,151
Rental income	1,120,385	1,438,957	-	-	2,559,342
Sale of meals	222,577	517,648	-	-	740,225
Other revenue	146,178	145,786	70,900	8,349	371,213
Total operating revenue	<u>1,489,140</u>	<u>2,102,391</u>	<u>978,802</u>	<u>110,598</u>	<u>4,680,931</u>
<b>Operating expenses</b>					
Operations	1,701,864	1,915,618	1,028,872	47,097	4,693,451
Maintenance	-	-	-	117,982	117,982
Other expenses	300	-	-	2,090	2,390
Depreciation	235,387	283,500	189,502	36,880	745,269
Total operating expenses	<u>1,937,551</u>	<u>2,199,118</u>	<u>1,218,374</u>	<u>204,049</u>	<u>5,559,092</u>
Operating loss	<u>(448,411)</u>	<u>(96,727)</u>	<u>(239,572)</u>	<u>(93,451)</u>	<u>(878,161)</u>
<b>Nonoperating revenue (expense)</b>					
Interest income	5,927	10,366	35,315	65	51,673
Loss on disposition of assets	-	-	(7)	-	(7)
Other revenue	-	570	-	-	570
Interest expense	-	-	(3,680)	-	(3,680)
Total nonoperating revenues	<u>5,927</u>	<u>10,936</u>	<u>31,628</u>	<u>65</u>	<u>48,556</u>
Loss before contributions and transfers	(442,484)	(85,791)	(207,944)	(93,386)	(829,605)

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
Capital contributions	\$ -	\$ -	\$ 56,385	\$ -	\$ 56,385
Transfers in	40,748	-	250,000	72,000	362,748
Change in net position	(401,736)	(85,791)	98,441	(21,386)	(410,472)
Net position - beginning of year	6,780,931	7,581,875	4,990,055	1,518,197	20,871,058
Prior period adjustment	(459,801)	(554,605)	-	(14,221)	(1,028,627)
Net position - beginning of year (restated)	6,321,130	7,027,270	4,990,055	1,503,976	19,842,431
Net position - end of year	\$ 5,919,394	\$ 6,941,479	\$ 5,088,496	\$ 1,482,590	\$ 19,431,959

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 2,487,559	\$ 2,101,638	\$ 982,811	\$ 112,243	\$ 5,684,251
Payments to suppliers	(1,279,054)	(1,279,245)	(614,460)	(127,968)	(3,300,727)
Payments to employees	(626,693)	(698,196)	(539,725)	(40,979)	(1,905,593)
Net cash provided (used) by operating activities	<u>581,812</u>	<u>124,197</u>	<u>(171,374)</u>	<u>(56,704)</u>	<u>477,931</u>
<b>Cash flows from noncapital financing activities</b>					
Transfer from other funds	40,748	-	250,000	72,000	362,748
Nonoperating revenues	-	570	-	-	570
Net cash provided (used) by noncapital financing activities	<u>40,748</u>	<u>570</u>	<u>250,000</u>	<u>72,000</u>	<u>363,318</u>
<b>Cash flows from capital and related financing activities</b>					
Capital contributions	-	-	56,385	-	56,385
Purchases/construction of capital assets	(1,037,011)	(80,123)	(107,657)	-	(1,224,791)
Principal and interest paid on long-term debt	-	-	(29,456)	-	(29,456)
Net cash used by capital and related financing activities	<u>(1,037,011)</u>	<u>(80,123)</u>	<u>(80,728)</u>	<u>-</u>	<u>(1,197,862)</u>
<b>Cash flows from investing activities</b>					
Interest received	5,927	10,366	13,170	65	29,528
Net change in cash and cash equivalents	(408,524)	55,010	11,068	15,361	(327,085)
Cash and cash equivalents - beginning of year	1,258,555	1,508,386	-	41,309	2,808,250
Cash and cash equivalents - end of year	<u>\$ 850,031</u>	<u>\$ 1,563,396</u>	<u>\$ 11,068</u>	<u>\$ 56,670</u>	<u>\$ 2,481,165</u>
<b>Noncash investing activities - changes in fair value of investments</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,144</u>	<u>\$ -</u>	<u>\$ 22,144</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating loss	\$ (448,411)	\$ (96,727)	\$ (239,572)	\$ (93,451)	\$ (878,161)
Adjustments to reconcile operating loss to net cash from operating activities					
Depreciation expense	235,387	283,500	189,502	36,880	745,269
Noncash portion related to net pension liability - MERS	(87,858)	(103,627)	-	(2,816)	(194,301)
Noncash portion related to net OPEB liability	(20,014)	(24,141)	-	(619)	(44,774)
Changes in assets and liabilities					
Receivables (net)	998,419	(753)	4,009	1,645	1,003,320
Inventories	-	-	5,826	-	5,826
Prepaid items	-	-	19,866	-	19,866
Deferred outflows relating to net pension liability - MERS	31,070	36,647	-	996	68,713
Deferred outflows relating to net OPEB liability	(270)	(326)	-	(9)	(605)
Accounts payable	(139,602)	4,459	(141,585)	(95)	(276,823)
Accrued and other liabilities	(12,916)	(3,364)	7,612	-	(8,668)
Deposits	2,100	300	(18,425)	-	(16,025)
Unearned revenue	-	-	1,393	-	1,393
Deferred inflows relating to net pension liability - MERS	22,758	26,843	-	729	50,330
Deferred inflows relating to net OPEB liability	1,149	1,386	-	36	2,571
Net cash provided (used) by operating activities	<u>\$ 581,812</u>	<u>\$ 124,197</u>	<u>\$ (171,374)</u>	<u>\$ (56,704)</u>	<u>\$ 477,931</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Fiduciary Funds**  
**Fund Descriptions**  
**Year Ended June 30, 2018**

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**Trust Fund**

Trust Funds are used to account for assets held by the City in a trustee capacity.

Police and Fire Pension Fund – This fund accounts for the accumulation of resources for, and the payment of, pension benefits.

**Agency Funds**

Agency Funds are used to account for assets held by the City as an agent for individuals, organizations, or other governments.

Payroll Fund – This fund is used to account for all benefits charged and all deductions withheld during payroll processing until payments are remitted.

Midland Downtown Business Association Fund – The City acts as an agent for the financial management of this Association. This fund accounts for special assessments charged against property owners within the Shopping Area Redevelopment Authority district for promotion of the area.

DDA Façade Improvement Fund – This fund accounts for loans to businesses in the Downtown Development Authority business district. The funding for these loans was provided by a grant from the Rollin M. Gerstacker Foundation.

Tax Collection Fund – This fund is used to account for taxes collected on behalf of other governmental units.

Center City Façade Improvements Fund – This fund accounts for loans to commercial property owners and business owners in the Center City corridor for qualifying façade improvements. The funding for these loans was provided by a grant from the Midland Area Community Foundation.

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Fiduciary Funds - Pension and Other Employee Benefit Trust Funds**  
**Statement of Plan Net Position**  
**June 30, 2018**

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	<u>Police and Fire Pension</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,394,882
Investments	
Common stock	32,404,281
Preferred stock	688,773
Bonds	17,731,699
International funds	10,543,871
Alternative investments	3,462,458
Receivables	
Accrued interest and other	<u>76,123</u>
 Total assets	 <u>66,302,087</u>
 <b>Net position</b>	
Net position restricted for pensions	<u><u>\$ 66,302,087</u></u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Fiduciary Funds - Pension and Other Employee Benefit Trust Funds**  
**Statement of Changes in Plan Net Position**  
**For the Year Ended June 30, 2018**

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	<u>Police and Fire Pension</u>
<b>Additions</b>	
Contributions	
Employer	\$ 2,784,282
Plan members	<u>607,126</u>
Total contributions	<u>3,391,408</u>
Investment earnings	
Net gain on fair value of assets	5,082,408
Interest	311,714
Dividends	<u>907,722</u>
Total investment earnings	6,301,844
Less investment expense	<u>(446,740)</u>
Net investment earnings	5,855,104
Other expense	<u>(149,422)</u>
Total additions	9,097,090
<b>Deductions</b>	
Benefits paid, including refunds of member contributions	<u>5,192,199</u>
Change in net position	3,904,891
Net positions restricted for pensions - beginning of year	<u>62,397,196</u>
Net positions restricted for pensions - end of year	<u>\$ 66,302,087</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<b>Payroll Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,605,287	\$ 46,759,589	\$ 47,893,204	\$ 471,672
Prepays	89,104	101,433	89,104	101,433
Total assets	<u>\$ 1,694,391</u>	<u>\$ 46,861,022</u>	<u>\$ 47,982,308</u>	<u>\$ 573,105</u>
<b>Liabilities</b>				
Accrued payroll liabilities	<u>\$ 1,694,391</u>	<u>\$ 48,302,988</u>	<u>\$ 49,424,274</u>	<u>\$ 573,105</u>
<b>Midland Downtown Business Association Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 31,608	\$ 57,063	\$ 62,584	\$ 26,087
Accrued interest and other	29	205	186	48
Total assets	<u>\$ 31,637</u>	<u>\$ 57,268</u>	<u>\$ 62,770</u>	<u>\$ 26,135</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 41,813	\$ 41,813	\$ -
Due to other units of government	31,637	26,135	31,637	26,135
Total liabilities	<u>\$ 31,637</u>	<u>\$ 67,948</u>	<u>\$ 73,450</u>	<u>\$ 26,135</u>
<b>DDA Facade Improvement Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 6,193	\$ 4,641	\$ -	\$ 10,834
Receivables				
Accounts and contracts	25,519	-	4,594	20,925
Accrued interest and other	6	46	34	18
Total assets	<u>\$ 31,718</u>	<u>\$ 4,687</u>	<u>\$ 4,628</u>	<u>\$ 31,777</u>
<b>Liabilities</b>				
Due to foundations	<u>\$ 31,718</u>	<u>\$ 31,777</u>	<u>\$ 31,718</u>	<u>\$ 31,777</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<b>Tax Collection Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 410,664	\$ 96,892,544	\$ 97,031,635	\$ 271,573
Receivables				
Accounts and contracts	406,970	1,448,116	1,855,086	-
Total assets	<u>\$ 817,634</u>	<u>\$ 98,340,660</u>	<u>\$ 98,886,721</u>	<u>\$ 271,573</u>
<b>Liabilities</b>				
Due to other units of government	<u>\$ 817,634</u>	<u>\$ 97,551,982</u>	<u>\$ 98,098,043</u>	<u>\$ 271,573</u>
<b>Center City Façade Improvements Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 79,999	\$ 6,476	\$ 8,467	\$ 78,008
Receivables				
Accounts and contracts	24,000	6,000	9,000	21,000
Accrued interest and other	79	448	394	133
Total assets	<u>\$ 104,078</u>	<u>\$ 12,924</u>	<u>\$ 17,861</u>	<u>\$ 99,141</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 8,467	\$ 8,467	\$ -
Due to foundations	104,078	99,141	104,078	99,141
Total liabilities	<u>\$ 104,078</u>	<u>\$ 107,608</u>	<u>\$ 112,545</u>	<u>\$ 99,141</u>
<b>Total All Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,133,751	\$ 143,720,313	\$ 144,995,890	\$ 858,174
Accounts and contracts	456,489	1,454,116	1,868,680	41,925
Accrued interest and other	114	699	614	199
Prepays	89,104	101,433	89,104	101,433
Total assets	<u>\$ 2,679,458</u>	<u>\$ 145,276,561</u>	<u>\$ 146,954,288</u>	<u>\$ 1,001,731</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 50,280	\$ 50,280	\$ -
Accrued payroll liabilities	1,694,391	48,302,988	49,424,274	573,105
Due to foundations	135,796	130,918	135,796	130,918
Due to other units of government	849,271	97,578,117	98,129,680	297,708
Total liabilities	<u>\$ 2,679,458</u>	<u>\$ 146,062,303</u>	<u>\$ 147,740,030</u>	<u>\$ 1,001,731</u>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Fund Descriptions**  
**Year Ended June 30, 2018**

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**Internal Service Funds**

Internal Service Funds are used to account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Information Services Fund – This fund accounts for the operations of the City’s Information Services Department.

Store Revolving Fund – This fund accounts for the revenue and expenses associated with inventory items consumed by various departments and note specific to any one department.

Equipment Revolving Fund – This fund accounts for the rental charges of City-owned equipment to other City departments.

Municipal Service Center Fund – This fund accounts for the operations of the City’s Municipal Service Center building.

Renewable Energy Services Fund – This fund accounts for the activities related to the City’s gas-to-energy project.

Property and Liability Insurance Fund – This fund accounts for insurance expenses resulting from property and liability claims.

Health Insurance Fund – This fund accounts for revenues and expenses of the City’s self-insurance program for health insurance along with the contributions toward postemployment healthcare benefits.

Special Assessment Revolving Fund – This fund accounts for the funding of the City’s special assessment projects.

Municipal Service Annex Fund – This fund accounts for the operations of the City’s Municipal Service Annex building.

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Information Services Fund	Store Revolving Fund	Equipment Revolving Fund	Municipal Service Center Fund	Renewable Energy Services Fund	Property and Liability Insurance Fund	Health Insurance Fund	Special Assessment Revolving Fund	Municipal Service Annex Fund	Total
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$ 2,128,988	\$ 198,422	\$ 2,791,019	\$ 1,079,273	\$ 611,207	\$ 1,008,499	\$ 4,314,775	\$ 2,037,813	\$ 164,933	\$ 14,334,929
Receivables - net of allowances										
Customers	-	-	-	-	159,528	-	-	-	-	159,528
Special assessments, current	-	-	-	-	-	-	-	59,340	-	59,340
Accounts and contracts	726	-	31,274	-	-	101,392	-	-	-	133,392
Accrued interest	3,615	316	4,640	1,835	1,003	-	6,815	3,516	277	22,017
Inventories	-	326,054	309,907	-	-	-	-	-	-	635,961
Prepaid items	-	-	634,607	-	-	6,584	796,252	-	-	1,437,443
<b>Total current assets</b>	<b>2,133,329</b>	<b>524,792</b>	<b>3,771,447</b>	<b>1,081,108</b>	<b>771,738</b>	<b>1,116,475</b>	<b>5,117,842</b>	<b>2,100,669</b>	<b>165,210</b>	<b>16,782,610</b>
<b>Noncurrent assets</b>										
Special assessments receivable	-	-	-	-	-	-	-	252,150	-	252,150
Capital assets not being depreciated	-	-	-	55,000	-	-	-	-	-	55,000
Capital assets, net of accumulated depreciation	45,547	-	6,930,462	1,277,234	6,319,968	-	-	-	258,555	14,831,766
<b>Total noncurrent assets</b>	<b>45,547</b>	<b>-</b>	<b>6,930,462</b>	<b>1,332,234</b>	<b>6,319,968</b>	<b>-</b>	<b>-</b>	<b>252,150</b>	<b>258,555</b>	<b>15,138,916</b>
<b>Total assets</b>	<b>2,178,876</b>	<b>524,792</b>	<b>10,701,909</b>	<b>2,413,342</b>	<b>7,091,706</b>	<b>1,116,475</b>	<b>5,117,842</b>	<b>2,352,819</b>	<b>423,765</b>	<b>31,921,526</b>
<b>Deferred outflows of resources</b>										
Deferred amount relating to net pension liability - MERS	132,389	-	236,581	2,409	27,262	-	-	-	-	398,641
Deferred amount relating to net OPEB liability	420	-	991	8	86	-	-	-	-	1,505
<b>Total deferred outflows of resources</b>	<b>132,809</b>	<b>-</b>	<b>237,572</b>	<b>2,417</b>	<b>27,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400,146</b>
<b>Total assets and deferred outflows of resources</b>	<b>2,311,685</b>	<b>524,792</b>	<b>10,939,481</b>	<b>2,415,759</b>	<b>7,119,054</b>	<b>1,116,475</b>	<b>5,117,842</b>	<b>2,352,819</b>	<b>423,765</b>	<b>32,321,672</b>
<b>Liabilities</b>										
<b>Current liabilities</b>										
Accounts payable	7,000	27,975	6,313	455	53,085	76,068	390	-	104	171,390
Deposits	-	-	-	-	-	-	1,500	-	-	1,500
Due to other funds	-	-	-	-	21,472	-	-	-	-	21,472
Accrued interest	-	-	-	-	26,438	-	-	-	-	26,438
Estimated healthcare claims	-	-	-	-	-	-	324,879	-	-	324,879
<b>Total current liabilities</b>	<b>7,000</b>	<b>27,975</b>	<b>6,313</b>	<b>455</b>	<b>100,995</b>	<b>76,068</b>	<b>326,769</b>	<b>-</b>	<b>104</b>	<b>545,679</b>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Information Services Fund	Store Revolving Fund	Equipment Revolving Fund	Municipal Service Center Fund	Renewable Energy Services Fund	Property and Liability Insurance Fund	Health Insurance Fund	Special Assessment Revolving Fund	Municipal Service Annex Fund	Total
<b>Noncurrent liabilities</b>										
Current portion of noncurrent liabilities	\$ 43,430	\$ -	\$ 80,016	\$ -	\$ 280,000	\$ -	\$ -	\$ -	\$ -	\$ 403,446
Advances from other funds	-	-	-	-	266,189	-	-	-	-	266,189
Long-term debt net of current portion	97,532	-	35,786	-	3,950,000	-	-	-	-	4,083,318
Net pension liability	1,581,334	-	2,948,331	29,246	332,845	-	-	-	-	4,891,756
Net OPEB liability	684,617	-	1,614,064	13,602	140,551	-	-	-	-	2,452,834
<b>Total noncurrent liabilities</b>	<b>2,406,913</b>	<b>-</b>	<b>4,678,197</b>	<b>42,848</b>	<b>4,969,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,097,543</b>
<b>Total liabilities</b>	<b>2,413,913</b>	<b>27,975</b>	<b>4,684,510</b>	<b>43,303</b>	<b>5,070,580</b>	<b>76,068</b>	<b>326,769</b>	<b>-</b>	<b>104</b>	<b>12,643,222</b>
<b>Deferred inflows of resources</b>										
Deferred amount relating to net pension liability - MERS	37,201	-	80,093	730	8,461	-	-	-	-	126,485
Deferred amount relating to net OPEB liability	1,788	-	4,215	36	367	-	-	-	-	6,406
<b>Total deferred inflows of resources</b>	<b>38,989</b>	<b>-</b>	<b>84,308</b>	<b>766</b>	<b>8,828</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,891</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>2,452,902</b>	<b>27,975</b>	<b>4,768,818</b>	<b>44,069</b>	<b>5,079,408</b>	<b>76,068</b>	<b>326,769</b>	<b>-</b>	<b>104</b>	<b>12,776,113</b>
<b>Net position</b>										
Net investment in capital assets	45,547	-	6,930,462	1,332,234	2,089,968	-	-	-	258,555	10,656,766
Unrestricted (deficit)	(186,764)	496,817	(759,799)	1,039,456	(50,322)	1,040,407	4,791,073	2,352,819	165,106	8,888,793
<b>Total net position</b>	<b>\$ (141,217)</b>	<b>\$ 496,817</b>	<b>\$ 6,170,663</b>	<b>\$ 2,371,690</b>	<b>\$ 2,039,646</b>	<b>\$ 1,040,407</b>	<b>\$ 4,791,073</b>	<b>\$ 2,352,819</b>	<b>\$ 423,661</b>	<b>\$ 19,545,559</b>

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Change in Net Position**  
**For the Year Ended June 30, 2018**

	Information Services Fund	Store Revolving Fund	Equipment Revolving Fund	Municipal Service Center Fund	Renewable Energy Services Fund	Property and Liability Insurance Fund	Health Insurance Fund	Special Assessment Revolving Fund	Municipal Service Annex Fund	Total
<b>Operating revenue</b>										
Billings to other funds	\$ 977,911	\$ -	\$ -	\$ -	\$ 942,294	\$ 516,760	\$ 10,328,563	\$ -	\$ -	\$ 12,765,528
Rental income	-	-	4,404,140	396,131	-	-	-	-	31,909	4,832,180
Other revenue	-	716,616	462,859	3,134	-	882,938	389,287	35,946	-	2,490,780
<b>Total operating revenue</b>	<b>977,911</b>	<b>716,616</b>	<b>4,866,999</b>	<b>399,265</b>	<b>942,294</b>	<b>1,399,698</b>	<b>10,717,850</b>	<b>35,946</b>	<b>31,909</b>	<b>20,088,488</b>
<b>Operating expenses</b>										
Operations	1,089,736	690,954	2,979,810	261,791	748,300	1,873,976	10,549,826	-	19,393	18,213,786
Depreciation	32,663	-	1,388,801	111,886	673,454	-	-	-	6,226	2,213,030
<b>Total operating expenses</b>	<b>1,122,399</b>	<b>690,954</b>	<b>4,368,611</b>	<b>373,677</b>	<b>1,421,754</b>	<b>1,873,976</b>	<b>10,549,826</b>	<b>-</b>	<b>25,619</b>	<b>20,426,816</b>
<b>Operating income (loss)</b>	<b>(144,488)</b>	<b>25,662</b>	<b>498,388</b>	<b>25,588</b>	<b>(479,460)</b>	<b>(474,278)</b>	<b>168,024</b>	<b>35,946</b>	<b>6,290</b>	<b>(338,328)</b>
<b>Nonoperating revenue</b>										
State grant	-	-	1,890	-	-	-	-	-	-	1,890
Interest income	14,655	855	19,134	7,124	3,873	-	23,320	22,114	1,089	92,164
Gain (loss) on disposition of assets	(8,395)	-	91,830	570	-	-	-	-	-	84,005
<b>Total nonoperating revenues</b>	<b>6,260</b>	<b>855</b>	<b>112,854</b>	<b>7,694</b>	<b>3,873</b>	<b>-</b>	<b>23,320</b>	<b>22,114</b>	<b>1,089</b>	<b>178,059</b>
<b>Income (loss) before contributions and transfers</b>	<b>(138,228)</b>	<b>26,517</b>	<b>611,242</b>	<b>33,282</b>	<b>(475,587)</b>	<b>(474,278)</b>	<b>191,344</b>	<b>58,060</b>	<b>7,379</b>	<b>(160,269)</b>
Transfers in	-	-	-	-	60,000	-	-	-	-	60,000
Transfers out	-	-	(90,304)	-	-	-	-	(58,059)	-	(148,363)
<b>Change in net position</b>	<b>(138,228)</b>	<b>26,517</b>	<b>520,938</b>	<b>33,282</b>	<b>(415,587)</b>	<b>(474,278)</b>	<b>191,344</b>	<b>1</b>	<b>7,379</b>	<b>(248,632)</b>
Net position - beginning of year	712,784	470,300	7,337,242	2,352,629	2,602,180	1,514,685	4,599,729	2,352,818	416,282	22,358,649
Prior period adjustment	(715,773)	-	(1,687,517)	(14,221)	(146,947)	-	-	-	-	(2,564,458)
Net position - beginning of year (restated)	(2,989)	470,300	5,649,725	2,338,408	2,455,233	1,514,685	4,599,729	2,352,818	416,282	19,794,191
Net position - end of year	\$ (141,217)	\$ 496,817	\$ 6,170,663	\$ 2,371,690	\$ 2,039,646	\$ 1,040,407	\$ 4,791,073	\$ 2,352,819	\$ 423,661	\$ 19,545,559

**City of Midland, Michigan**  
**Other Supplementary Information**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	Information Services Fund	Store Revolving Fund	Equipment Revolving Fund	Municipal Service Center Fund	Renewable Energy Services Fund	Property and Liability Insurance Fund	Health Insurance Fund	Special Assessment Revolving Fund	Municipal Service Annex Fund	Total
<b>Cash flows from operating activities</b>										
Receipts from customers	\$ -	\$ 716,815	\$ 4,847,493	\$ 398,433	\$ -	\$ 782,732	\$ 974,879	\$ 96,139	\$ 31,756	\$ 7,848,247
Receipts from other funds	976,671	-	-	-	1,051,443	516,760	10,328,563	-	-	12,873,437
Payments to suppliers	(518,650)	(554,652)	(2,270,882)	(254,261)	(251,538)	(1,822,375)	(9,463,860)	(35,946)	(18,605)	(15,190,769)
Payments to employees	(678,525)	-	(1,535,734)	(13,009)	(748,300)	-	-	-	(800)	(2,976,368)
Net cash provided (used) by operating activities	(220,504)	162,163	1,040,877	131,163	51,605	(522,883)	1,839,582	60,193	12,351	2,554,547
<b>Cash flows from noncapital financing activities</b>										
Transfer from other funds	-	-	-	-	60,000	-	-	-	-	60,000
Transfers to other funds	-	-	(90,304)	-	-	-	-	(58,059)	-	(148,363)
Repayment of advances from other funds	-	-	-	-	(21,471)	-	-	-	-	(21,471)
Net cash provided (used) by noncapital financing activities	-	-	(90,304)	-	38,529	-	-	(58,059)	-	(109,834)
<b>Cash flows from capital and related financing activities</b>										
Purchases/construction of capital assets	(11,336)	-	(1,100,111)	(52,394)	(178,017)	-	-	-	-	(1,341,858)
Principal and interest paid on long-term debt	-	-	-	-	-	-	-	-	(4,994)	(4,994)
Proceeds from sale of capital assets	168	-	96,254	570	-	-	-	-	-	96,992
Net cash used by capital and related financing activities	(11,168)	-	(1,003,857)	(51,824)	(178,017)	-	-	-	(4,994)	(1,249,860)
<b>Cash flows from investing activities</b>										
Interest received	14,655	855	19,134	7,124	3,873	-	23,320	22,114	1,089	92,164
Net change in cash and cash equivalents	(217,017)	163,018	(34,150)	86,463	(84,010)	(522,883)	1,862,902	24,248	8,446	1,287,017
Cash and cash equivalents - beginning of year	2,346,005	35,404	2,825,169	992,810	695,217	1,531,382	2,451,873	2,013,565	156,487	13,047,912
Cash and cash equivalents - end of year	\$ 2,128,988	\$ 198,422	\$ 2,791,019	\$ 1,079,273	\$ 611,207	\$ 1,008,499	\$ 4,314,775	\$ 2,037,813	\$ 164,933	\$ 14,334,929
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>										
Operating income (loss)	\$ (144,488)	\$ 25,662	\$ 498,388	\$ 25,588	\$ (479,460)	\$ (474,278)	\$ 168,024	\$ 35,946	\$ 6,290	\$ (338,328)
Adjustments to reconcile operating income to net cash from operating activities										
Depreciation and amortization expense	32,663	-	1,388,801	111,886	673,454	-	-	-	6,226	2,213,030
Noncash portion related to net pension liability - MERS	(143,614)	-	(309,192)	(3,435)	(32,665)	-	-	-	-	(488,906)
Noncash portion related to net OPEB liability	(31,156)	-	(73,453)	-	(6,396)	-	-	-	-	(111,005)
Changes in assets and liabilities										
Receivables (net)	(1,240)	199	(19,506)	(832)	109,042	(100,206)	585,592	60,193	(153)	633,089
Inventories	-	128,442	(2,156)	-	-	-	-	-	-	126,286
Prepaid items	-	-	(634,607)	-	-	-	1,129,737	-	-	495,130
Deferred outflows relating to net pension liability - MERS	50,788	-	109,343	996	11,552	-	-	-	-	172,679
Deferred outflows relating to net OPEB liability	(420)	-	(991)	(8)	(86)	-	-	-	-	(1,505)
Accounts payable	(2,933)	7,860	(8,132)	(3,798)	38,916	51,601	390	-	(12)	83,892
Accrued and other liabilities	(19,093)	-	8,074	-	(271,687)	-	(42,661)	-	-	(325,367)
Deposits	-	-	-	-	-	-	(1,500)	-	-	(1,500)
Due to other funds	-	-	-	-	107	-	-	-	-	107
Unearned revenue	-	-	-	-	-	-	-	(35,946)	-	(35,946)
Deferred inflows relating to net pension liability - MERS	37,201	-	80,093	730	8,461	-	-	-	-	126,485
Deferred inflows relating to net OPEB liability	1,788	-	4,215	36	367	-	-	-	-	6,406
Net cash provided (used) by operating activities	\$ (220,504)	\$ 162,163	\$ 1,040,877	\$ 131,163	\$ 51,605	\$ (522,883)	\$ 1,839,582	\$ 60,193	\$ 12,351	\$ 2,554,547

## City of Midland, Michigan

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### Statistical Section

This is part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

**Sources** – Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

## City of Midland, Michigan

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### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**City of Midland, Michigan**  
**Net Position by Component**  
**Last Eight Fiscal Years**

	As of June 30,							
	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities:</b>								
Net investment in capital assets	\$ 87,613,288	\$ 88,511,573	\$ 86,664,194	\$ 89,585,040	\$ 93,387,248	\$ 102,825,938	\$ 105,476,160	\$ 111,872,266
Restricted	8,459,716	8,206,252 (1)	14,341,343	12,864,614	12,887,661	16,548,177	23,962,098	14,682,508
Unrestricted (deficit)	<u>(3,785,796)</u>	<u>1,210,553</u>	<u>2,790,283</u>	<u>(39,825,932) (2)</u>	<u>(39,810,693)</u>	<u>(43,957,581)</u>	<u>(41,138,285)</u>	<u>(62,334,206)</u>
Total net position	<u>92,287,208</u>	<u>97,928,378</u>	<u>103,795,820</u>	<u>62,623,722</u>	<u>66,464,216</u>	<u>75,416,534</u>	<u>88,299,973</u>	<u>64,220,568</u>
<b>Business-type activities:</b>								
Net investment in capital assets	100,609,436	100,402,758	100,885,163	101,563,419	103,416,149	106,991,242	110,277,347	112,740,412
Restricted	25,000	3,263,589 (1)	3,397,088	3,455,307	-	2,300,000	1,000,000	-
Unrestricted	<u>31,156,750</u>	<u>29,981,732</u>	<u>31,710,327</u>	<u>17,167,995 (2)</u>	<u>22,608,670</u>	<u>24,026,275</u>	<u>26,221,464</u>	<u>17,698,297</u>
Total net position	<u>131,791,186</u>	<u>133,648,079</u>	<u>135,992,578</u>	<u>122,186,721</u>	<u>126,024,819</u>	<u>133,317,517</u>	<u>137,498,811</u>	<u>130,438,709</u>
<b>Primary government in total:</b>								
Net investment in capital assets	188,222,724	188,914,331	187,549,357	191,148,459	196,803,397	209,817,180	215,753,507	224,612,678
Restricted	8,484,716	11,469,841 (1)	17,738,431	16,319,921	12,887,661	18,848,177	24,962,098	14,682,508
Unrestricted (deficit)	<u>27,370,954</u>	<u>31,192,285</u>	<u>34,500,610</u>	<u>(22,657,937) (2)</u>	<u>(17,202,023)</u>	<u>(19,931,306)</u>	<u>(14,916,821)</u>	<u>(44,635,909)</u>
Total net position	<u>\$ 224,078,394</u>	<u>\$ 231,576,457</u>	<u>\$ 239,788,398</u>	<u>\$ 184,810,443</u>	<u>\$ 192,489,035</u>	<u>\$ 208,734,051</u>	<u>\$ 225,798,784</u>	<u>\$ 194,659,277</u>

Source: City's Comprehensive Annual Financial Report

(1) 2012 was restated to incorporate 2013 prior period adjustment for a change in accounting principle, due to the implementation of GASB Standards 63 and 65.

(2) 2014 was restated to incorporate a prior-period adjustment for a change in accounting principle, due to the implementation of GASB Standard 68

**City of Midland, Michigan**  
**Changes in Governmental Net Position**  
**Last Eight Years**  
(Accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>								
General government	\$ 3,738,504	\$ 4,377,616	\$ 4,379,126	\$ 4,053,402	\$ 3,887,452	\$ 5,263,396	\$ 4,673,742	\$ 3,754,227
Public safety	15,305,454	14,954,815	15,679,391	15,596,565	16,623,855	19,183,327	19,216,981	15,615,959
Public works	8,258,151	8,853,319	9,416,912	9,188,965	8,409,654	10,776,785	10,248,793	10,551,422
Sanitation	2,475,323	2,492,955	2,398,083	3,017,452	3,245,915	3,261,473	3,559,725	3,723,037
Community and economic development	578,321	1,116,838	567,424	991,057	1,083,657	1,169,189	721,798	786,020
Parks and recreation	4,466,591	5,029,397	5,126,073	4,715,868	5,196,202	6,634,939	6,070,849	5,593,907
Library and community television	4,414,619	4,374,397	4,471,374	4,860,097	4,887,711	5,196,160	4,981,722	4,622,205
Airport	378,055	257,459	418,304	421,280	361,345	369,144	338,803	395,820
Transportation	1,738,124	1,772,164	1,901,342	1,836,649	1,961,687	2,144,140	2,194,919	2,167,574
Property tax appeals	315,612	752,824	573,260	317,798	315,967	634,724	344,557	191,074
Interest on long-term debt	668,251	633,430	589,971	586,291	506,836	441,174	287,828	247,880
Total governmental activities	<u>42,337,005</u>	<u>44,615,214</u>	<u>45,521,260</u>	<u>45,585,424</u>	<u>46,480,281</u>	<u>55,074,451</u>	<u>52,639,717</u>	<u>47,649,125</u>
<b>Program revenues</b>								
Charges for services								
Public safety	56,364	74,391	102,133	118,052	86,745	92,027	78,332	81,089
Public works	1,196,193	968,728	1,049,135	1,041,080	996,278	1,129,663	1,102,087	1,376,864
Sanitation	35,935	34,295	34,756	33,345	38,274	38,893	41,009	51,978
Community and economic development	3,725	4,875	5,100	233,717	4,475	32,345	18,772	22,310
Parks and recreation	347,276	390,375	421,685	410,641	412,815	441,471	455,477	445,940
Library and community television	1,337,765	1,368,016	1,359,160	1,365,146	1,395,346	1,390,818	1,289,034	1,207,060
Airport	248,531	322,813	258,776	269,631	210,738	197,867	197,618	214,555
Transportation	129,788	123,280	118,839	144,588	108,435	114,230	120,657	127,408
Total charges for services	<u>3,355,577</u>	<u>3,286,773</u>	<u>3,349,584</u>	<u>3,616,200</u>	<u>3,253,106</u>	<u>3,437,314</u>	<u>3,302,986</u>	<u>3,527,204</u>

**City of Midland, Michigan**  
**Changes in Governmental Net Position**  
**Last Eight Years**  
(Accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2011	2012	2013	2014	2015	2016	2017	2018
Operating grants and contributions	\$ 4,841,547	\$ 5,679,405	\$ 5,397,059	\$ 6,907,656	\$ 5,993,971	\$ 7,786,912	\$ 15,742,014	\$ 16,194,139
Capital grants and contributions	<u>727,076</u>	<u>1,986,926</u>	<u>4,309,370</u>	<u>2,304,230</u>	<u>1,630,546</u>	<u>10,411,312</u>	<u>8,140,836</u>	<u>3,379,941</u>
<b>Total program revenue</b>	<u>8,924,200</u>	<u>10,953,104</u>	<u>13,056,013</u>	<u>12,828,086</u>	<u>10,877,623</u>	<u>21,635,538</u>	<u>27,185,836</u>	<u>23,101,284</u>
<b>Net (expense) revenue</b>	<u>(33,412,805)</u>	<u>(33,662,110)</u>	<u>(32,465,247)</u>	<u>(32,757,338)</u>	<u>(35,602,658)</u>	<u>(33,438,913)</u>	<u>(25,453,881)</u>	<u>(24,547,841)</u>
General revenues:								
Property taxes	31,549,496	33,846,512	33,949,025	35,309,085	35,240,503	35,222,815	31,324,060	31,403,680
Other tax related revenue	2,117,699	2,108,016	2,012,014	2,289,586	2,197,581	4,411,948	4,311,906	3,792,616
Intergovernmental	2,918,791	3,187,163	3,262,543	3,343,960	3,399,564	3,396,505	3,579,913	3,670,447
Unrestricted investment earnings	72,980	59,313	44,690	48,014	42,812	87,527	146,017	345,483
Gain on sale of capital assets	12,416	303,677	-	271,934	258,664	407,713	-	-
Miscellaneous revenues	765,507	755,552	862,213	728,404	717,628	751,393	673,962	945,272
Transfers	<u>(1,038,466)</u>	<u>(841,992)</u>	<u>(1,797,796)</u>	<u>(1,783,790)</u>	<u>(2,413,600)</u>	<u>(1,886,637)</u>	<u>(1,698,538)</u>	<u>(1,478,177)</u>
<b>Total general revenues and transfers</b>	<u>36,398,423</u>	<u>39,418,241</u>	<u>38,332,689</u>	<u>40,207,193</u>	<u>39,443,152</u>	<u>42,391,264</u>	<u>38,337,320</u>	<u>38,679,321</u>
<b>Change in governmental net position</b>	<u>\$ 2,985,618</u>	<u>\$ 5,756,131</u>	<u>\$ 5,867,442</u>	<u>\$ 7,449,855</u>	<u>\$ 3,840,494</u>	<u>\$ 8,952,351</u>	<u>\$ 12,883,439</u>	<u>\$ 14,131,480</u>

Source: City's Comprehensive Annual Financial Report

**City of Midland, Michigan**  
**Changes in Business-type Net Position**  
**Last Eight Fiscal Years**  
(Accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenue								
Water customer fees	\$ 9,383,395	\$ 10,141,703	\$ 10,223,565	\$ 10,259,149	\$ 10,590,971	\$ 10,492,849	\$10,762,236	\$11,147,668
Wastewater customer fees	5,488,692	5,470,243	5,659,485	5,741,780	5,825,591	5,965,747	6,199,304	6,348,383
Landfill use and admission charges	3,867,944	3,289,167	3,322,110	2,903,936	2,924,072	3,680,791	4,227,394	3,139,840
Civic Arena use and admission charges	1,061,241	962,949	1,000,933	1,089,540	1,099,398	1,175,430	1,082,087	1,107,240
Other use and admission charges	990,554	1,074,941	845,084	915,279	894,559	963,241	952,867	1,010,151
Rentals	2,912,059	2,906,171	2,902,606	2,937,966	3,064,928	3,054,138	2,947,509	2,950,242
Fines and forfeits	166,900	169,804	169,476	176,468	188,185	177,295	192,065	180,619
Other revenue	2,073,180	1,103,365	1,133,074	1,156,174	2,407,044	1,683,832	1,644,587	1,484,367
Total operating revenue	<u>25,943,965</u>	<u>25,118,343</u>	<u>25,256,333</u>	<u>25,180,292</u>	<u>26,994,748</u>	<u>27,193,323</u>	<u>28,008,049</u>	<u>27,368,510</u>
Operating expenses								
Water	3,800,821	3,945,792	4,117,868	3,987,108	4,035,899	3,965,772	3,319,710	3,482,423
Wastewater	1,363,214	1,309,094	1,265,702	1,269,146	1,310,491	1,332,227	1,455,021	1,544,637
Landfill	2,514,219	2,577,617	2,735,828	2,777,228	2,850,976	2,771,233	2,801,933	3,313,808
Civic Arena	958,301	812,943	811,745	831,961	836,794	872,428	824,965	854,251
Other operating	4,342,252	4,640,670	4,530,073	4,578,775	4,609,079	5,052,771	4,562,245	4,693,451
Administration	2,308,525	2,351,223	2,322,441	2,421,548	2,452,806	2,643,855	2,264,873	2,414,227
Maintenance	4,712,824	4,436,506	4,910,689	5,517,411	5,365,141	5,017,184	5,586,719	6,172,175
Other expenses	74,613	67,688	92,809	74,727	462,608	678,706	100,823	(234,784)
Depreciation	3,967,213	4,356,092	4,655,137	4,619,802	4,678,458	4,890,750	4,953,097	5,128,071
Total operating expenses	<u>24,041,982</u>	<u>24,497,625</u>	<u>25,442,292</u>	<u>26,077,706</u>	<u>26,602,252</u>	<u>27,224,926</u>	<u>25,869,386</u>	<u>27,368,259</u>
<b>Operating income (loss)</b>	<u>1,901,983</u>	<u>620,718</u>	<u>(185,959)</u>	<u>(897,414)</u>	<u>392,496</u>	<u>(31,603)</u>	<u>2,138,663</u>	<u>251</u>

**City of Midland, Michigan**  
**Changes in Business-type Net Position**  
**Last Eight Fiscal Years**  
(Accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2011	2012	2013	2014	2015	2016	2017	2018
Nonoperating revenue (expenses)								
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,708	\$ -	\$ -
State grant	-	-	-	-	-	3,118	-	160,217
Interest income (losses)	212,289	94,324	44,213	211,615	37,561	73,919	188,124	186,398
Contractual revenues	504,154	453,978	683,454	796,982	430,590	461,288	280,471	348,595
Gain(loss) on disposition of assets	(16,356)	(978)	62,766	(36,337)	(24,827)	(7,522)	23,750	61,715
Other revenue	-	7,335	304,625	122	-	10,106	-	570
Interest expense	(683,148)	(618,300)	(531,576)	(500,999)	(443,740)	(294,006)	(257,346)	(267,929)
Other expenses	-	-	-	-	-	-	-	-
Total non-operating revenues (expenses)	<u>16,939</u>	<u>(63,641)</u>	<u>563,482</u>	<u>471,383</u>	<u>(416)</u>	<u>265,611</u>	<u>234,999</u>	<u>489,566</u>
<b>Income (loss) - before contributions and transfers</b>	1,918,922	557,077	377,523	(426,031)	392,080	234,008	2,373,662	489,817
Capital contributions	813,196	858,000	386,559	1,459,632	526,929	5,662,030	425,874	652,035
Operating transfers in	1,160,466	1,440,432	1,949,796	1,949,647	2,523,600	1,993,609	1,806,730	1,538,177
Operating transfers out	<u>(122,000)</u>	<u>(598,440)</u>	<u>(152,000)</u>	<u>(165,857)</u>	<u>(110,000)</u>	<u>(106,972)</u>	<u>(108,192)</u>	<u>(60,000)</u>
Change in net position	3,770,584	2,257,069	2,561,878	2,817,391	3,332,609	7,782,675	4,498,074	2,620,029
Some amounts reported for business-type activities in the statement of activities are different because of net revenue (expense) of certain internal services is reported with business-type activities.	179,846	(324,263)	(217,379)	(88,776)	505,489	(489,977)	(316,780)	(488,852)
<b>Change in net position of business-type activities</b>	<u>\$ 3,950,430</u>	<u>\$ 1,932,806</u>	<u>\$ 2,344,499</u>	<u>\$ 2,728,615</u>	<u>\$ 3,838,098</u>	<u>\$ 7,292,698</u>	<u>\$ 4,181,294</u>	<u>\$ 2,131,177</u>
<b>Total primary government changes in net position</b>	<u>\$ 6,936,048</u>	<u>\$ 7,688,937</u>	<u>\$ 8,211,941</u>	<u>\$ 10,178,470</u>	<u>\$ 7,678,592</u>	<u>\$ 16,245,049</u>	<u>\$17,064,733</u>	<u>\$16,262,657</u>

Source: City's Comprehensive Annual Financial Report

**City of Midland, Michigan**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund:</b>										
Non-spendable	\$ -	\$ -	\$ 136,717	\$ 133,810	\$ 112,293	\$ 131,276	\$ 112,689	\$ 109,727	\$ 69,925	\$ 77,971
Reserved/restricted	503,605	608,739	-	-	-	-	-	-	-	-
Committed	-	-	1,202,239	3,316,281	3,475,477	4,070,246	4,715,292	5,132,253	8,581,454	9,021,076
Assigned	-	-	570,175	441,498	724,234	1,587,549	2,521,867	1,811,616	1,975,527	2,686,787
Unreserved/unassigned	<u>5,946,963</u>	<u>6,489,409</u>	<u>5,381,543</u>	<u>4,847,648</u>	<u>4,673,073</u>	<u>5,381,936</u>	<u>5,569,212</u>	<u>5,548,543</u>	<u>5,639,310</u>	<u>7,926,345</u>
Total general fund	6,450,568	7,098,148	7,290,674	8,739,237	8,985,077	11,171,007	12,919,060	12,602,139	16,266,216	19,712,179
<b>All other governmental funds:</b>										
Non-spendable	-	-	544,266	260,964	262,318	263,948	377,847	233,492	3,592	14,748
Reserved/restricted	2,364,469	3,455,381	1,991,078	8,321,213	14,079,025	11,403,386	11,126,587	15,048,316	17,969,914	20,619,285
Committed	-	-	4,980,494	787,232	745,674	1,805,573	913,441	453,891	1,566,371	-
Assigned	-	-	2,280,930	2,474,649	1,505,368	1,529,650	2,185,102	2,209,352	2,207,475	2,612,252
Unreserved/unassigned	<u>5,518,346</u>	<u>5,255,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(295,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total all governmental funds</b>	<u>\$ 14,333,383</u>	<u>\$ 15,809,079</u>	<u>\$ 17,087,442</u>	<u>\$ 20,583,295</u>	<u>\$ 25,577,462</u>	<u>\$ 25,877,935</u>	<u>\$ 27,522,037</u>	<u>\$ 30,547,190</u>	<u>\$ 38,013,568</u>	<u>\$ 42,958,464</u>

Notes:

- a. The City changed its accounting for trust deeds resulting in a restatement of the beginning fund balance for 2011.
- b. GASB #54 was adopted in fiscal year 2011 which changed fund balance classification to depict the relative strength of spending constraints. Previous years' fund balances were restated to reflect the implementation.
- c. The City adopted GASB 63 and 65 during fiscal year 2012-13. Beginning fund balances were restated to reflect the implementation. Information for 2012-13 is based on the restated beginning fund balances.

Source: City's Comprehensive Annual Financial Report

**City of Midland, Michigan**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(Modified accrual basis of accounting)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenue</b>										
Taxes	\$ 29,856,356	\$ 32,958,572	\$ 32,601,169	\$ 34,821,993	\$ 33,949,025	\$ 35,309,085	\$ 35,240,503	\$ 35,222,815	\$31,324,060	\$31,403,680
Other tax related revenue	993,504	1,085,826	1,066,026	1,132,535	2,012,014	2,289,586	2,197,581	4,411,948	4,311,906	3,792,616
Licenses and permits	691,818	589,383	826,957	697,201	687,480	705,846	615,087	780,344	760,582	826,676
Federal grants	589,931	720,821	639,710	768,916	583,218	512,378	1,790,873	1,506,675	812,980	762,963
Intergovernmental - other	7,626,527	6,999,278	7,172,217	9,285,967	8,980,832	8,082,919	8,440,204	9,796,443	17,491,895	19,085,743
Charges for services	4,039,431	3,955,473	3,903,492	3,895,197	3,738,361	3,781,899	3,934,671	3,959,152	3,918,037	4,115,727
Use and admission charges	203,733	202,759	256,399	266,000	282,393	304,482	289,388	320,406	340,977	359,536
Interest income	554,437	106,028	72,980	59,313	44,671	50,441	44,947	87,527	146,017	345,483
Contributions and other revenues	1,564,536	1,671,296	2,041,456	2,043,569	4,787,548	3,666,261	2,361,388	2,250,039	5,340,085	5,479,693
Total revenue	<u>46,120,273</u>	<u>48,289,436</u>	<u>48,580,406</u>	<u>52,970,691</u>	<u>55,065,542</u>	<u>54,702,897</u>	<u>54,914,642</u>	<u>58,335,349</u>	<u>64,446,539</u>	<u>66,172,117</u>
<b>Expenditures</b>										
Current:										
General government	6,529,289	6,221,120	6,045,687	6,213,044	6,139,588	5,812,138	6,140,897	6,340,081	6,576,541	6,196,314
Public safety	14,768,233	14,867,678	15,779,974	15,182,480	15,724,988	15,942,908	15,826,112	16,553,084	17,176,276	17,984,990
Public works	6,445,296	5,988,481	5,850,900	5,361,940	5,858,277	5,860,312	5,744,942	6,017,698	5,552,957	5,851,922
Sanitation	2,500,680	2,480,790	2,491,420	2,542,662	2,450,295	3,116,963	3,214,241	3,058,597	3,538,019	3,985,581
Community and economic development	1,075,003	1,077,207	579,551	1,116,817	566,585	987,265	1,072,069	1,146,158	714,613	799,143
Parks and recreation	4,115,310	3,971,848	4,262,675	4,773,512	4,888,990	4,625,415	4,832,184	5,313,123	5,669,618	5,717,471
Library and community television	4,358,371	4,270,662	4,161,210	4,132,462	4,079,055	4,465,518	4,185,644	4,257,415	4,497,794	4,599,276
Airport	295,589	285,333	326,472	429,792	362,084	357,187	313,461	288,406	272,336	311,268
Transportation	1,730,521	1,693,097	1,629,824	1,715,709	1,819,483	1,776,592	1,822,045	1,869,850	1,990,729	2,095,573
Property tax appeals	36,535,706	195,163	315,612	752,824	573,260	317,798	315,967	634,724	344,557	191,074
Other functions	236,363	1,216	-	-	-	-	-	-	-	-
Capital outlay	4,093,449	3,400,930	3,287,839	4,596,798	4,125,670	7,701,939	6,765,986	6,695,692	7,324,069	10,555,931
Debt service										
Principal retirement	930,000	930,000	965,000	1,000,000	1,040,000	1,085,000	1,130,000	1,175,000	1,365,000	1,400,000
Interest and fiscal charges	594,207	686,907	652,854	618,243	582,106	546,394	501,793	455,878	200,244	166,825
Bond issuance costs	106,177	-	-	-	-	-	-	62,413	-	-
Total expenditures	<u>84,314,194</u>	<u>46,070,432</u>	<u>46,349,018</u>	<u>48,436,283</u>	<u>48,210,381</u>	<u>52,595,429</u>	<u>51,865,341</u>	<u>53,868,119</u>	<u>55,222,753</u>	<u>59,855,368</u>
<b>Excess of revenue over (under) expenditures</b>	<u>(38,193,921)</u>	<u>2,219,004</u>	<u>2,231,388</u>	<u>4,534,408</u>	<u>6,855,161</u>	<u>2,107,468</u>	<u>3,049,301</u>	<u>4,467,230</u>	<u>9,223,786</u>	<u>6,316,749</u>

**City of Midland, Michigan**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
*(Modified accrual basis of accounting)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Proceeds from sale of capital assets	\$ 231,991	\$ 373,270	\$ 12,416	\$ 303,677	\$ -	\$ 292,266	\$ 275,233	\$ 418,550	\$ 24,076	\$ 17,961
Issuance of debt	17,890,000	-	-	-	-	-	-	7,725,000	-	-
Bond discount	(212,243)	-	-	-	-	-	-	(7,662,587)	-	-
Operating transfers in	6,250,006	6,112,146	5,475,599	5,365,648	5,775,177	5,447,117	5,950,157	6,821,336	8,009,720	7,484,854
Operating transfers out	(7,240,941)	(7,228,724)	(6,441,040)	(6,707,880)	(7,636,171)	(7,546,379)	(7,630,589)	(8,744,376)	(9,791,204)	(8,874,668)
Total other financing sources (uses)	<u>16,918,813</u>	<u>(743,308)</u>	<u>(953,025)</u>	<u>(1,038,555)</u>	<u>(1,860,994)</u>	<u>(1,806,996)</u>	<u>(1,405,199)</u>	<u>(1,442,077)</u>	<u>(1,757,408)</u>	<u>(1,371,853)</u>
<b>Net change in fund balances</b>	<u>(21,275,108)</u>	<u>1,475,696</u>	<u>1,278,363</u>	<u>3,495,853</u>	<u>4,994,167</u>	<u>300,472</u>	<u>1,644,102</u>	<u>3,025,153</u>	<u>7,466,378</u>	<u>4,944,896</u>
Fund balances - beginning of year	35,878,424	14,333,383	15,809,079	17,087,442	20,583,295	25,577,463	25,877,935	27,522,037	30,547,190	38,013,568
Prior period adjustment	(269,933)	-	-	-	-	-	-	-	-	-
Fund balances - beginning of year restated	<u>35,608,491</u>	<u>14,333,383</u>	<u>15,809,079</u>	<u>17,087,442</u>	<u>20,583,295</u>	<u>25,577,463</u>	<u>25,877,935</u>	<u>27,522,037</u>	<u>30,547,190</u>	<u>38,013,568</u>
Fund Balances - end of year	<u>\$ 14,333,383</u>	<u>\$ 15,809,079</u>	<u>\$ 17,087,442</u>	<u>\$ 20,583,295</u>	<u>\$ 25,577,462</u>	<u>\$ 25,877,935</u>	<u>\$ 27,522,037</u>	<u>\$ 30,547,190</u>	<u>\$38,013,568</u>	<u>\$42,958,464</u>
Debt service as a percentage of noncapital expenditures	1.91%	3.82%	3.85%	3.70%	3.70%	3.62%	3.73%	3.39%	3.24%	3.11%

Notes:

- a. The City changed into accounting for trust deeds resulting in a restatement of the beginning fund balance for 2006-07
- b. GASB #54 was adopted in fiscal year 2011 which changed fund balance classification to depict the relative strength of spending constraints. Previous years' fund balances were not restated to reflect the implementation.
- c. The City adopted GASB 63 and 65 during fiscal year 2012-13. Beginning fund balances were restated to reflect the implementation. Information from prior years has not been restated on this schedule.

Source: City's Comprehensive Annual Financial Report

## City of Midland, Michigan

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### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

**City of Midland, Michigan**  
**Taxable Value and Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

Taxable Value by Property Type:

Real property:

Tax Year	Residential	Commercial	Industrial	Personal Property	IFT	Total Taxable	Tax Rate (mills)	Total Assessed Value	Taxable Value as a % of Assessed
2008	\$ 971,965,400	\$ 277,831,600	\$ 428,969,200	\$ 413,179,000	\$ 153,897,600	\$ 2,245,842,800	12.99	\$ 2,310,292,800	97.21%
2009	979,020,097	297,391,800	437,612,915	443,958,900	186,616,300	2,344,600,012	13.94	2,390,601,500	98.08%
2010	951,562,970	316,006,033	611,162,938	424,376,400	215,828,097	2,518,936,438	13.94	2,563,694,950	98.25%
2011	952,144,178	327,111,317	638,919,909	444,685,633	210,469,800	2,573,330,837	14.79	2,619,321,633	98.24%
2012	958,884,435	330,886,336	257,136,486	654,870,458	201,655,272	2,403,432,987	14.79	2,441,872,370	98.43%
2013	959,609,754	333,110,965	274,004,530	758,978,000	193,860,700	2,519,563,949	15.08	2,558,592,000	98.47%
2014	969,556,079	349,087,802	279,241,087	734,932,000	182,995,100	2,515,812,068	15.04	2,561,941,100	98.20%
2015	979,134,599	373,540,395	277,562,138	728,568,800	181,073,100	2,539,879,032	15.00	2,588,238,100	98.13%
2016	986,448,372	394,200,841	241,364,884	486,355,000	116,558,800	2,224,927,897	15.00	2,278,525,829	97.65%
2017	993,851,626	402,148,186	240,503,879	437,558,340	98,127,863	2,172,189,894	15.14	2,250,258,916	96.53%

Note: Under Michigan law, the revenue base is taxable value

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Source: City Assessing Department

**City of Midland, Michigan**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

Millage Rates - Direct City Taxes				Overlapping Taxes														
Tax Year	General Operating	Debt	Total Direct Taxes*	Midland			Delta		State Education	Bay/Arenac Intermediate School District	Midland Intermediate School District	School: Homestead	School: Non-homestead	School: Commercial Property	School: Homestead Bullock Creek	School: Non-homestead Bullock Creek	School: Commercial Property Bullock	
	(1)			County	Bay County	College	Education	District		District	Midland	Midland	Midland	Creek	Creek	Bullock		
2008	12.7000	0.2900	12.9900	8.7055	10.8138	2.0427	6.0000	(3)	4.9233	1.1756	4.2942	20.0000	10.2942	(2)	7.0000	25.0000	13.0000	(2)
2009	13.6700	0.2700	13.9400	8.8355	10.8138	2.0427	6.0000	(3)	4.9233	2.6756	2.7890	18.5000	8.7890	(2)	7.0000	25.0000	13.0000	(2)
2010	13.6700	0.2700	13.9400	8.8355	10.7138	2.0427	6.0000	(3)	4.9233	2.6756	2.7091	18.5000	8.7091	(2)	7.0000	25.0000	13.0000	(2)
2011	14.5000	0.2900	14.7900	8.8355	10.8138	2.0427	6.0000	(3)	4.9233	2.6756	2.0909	18.5000	8.0909	(2)	7.0000	25.0000	13.0000	(2)
2012	14.5000	0.2900	14.7900	8.8355	11.4638	2.0427	6.0000	(3)	4.9233	2.6756	1.9499	18.0000	7.9499	(2)	7.0000	25.0000	13.0000	(2)
2013	14.8000	0.2800	15.0800	9.1355	11.4638	2.0427	6.0000	(3)	4.9233	2.6756	1.7914	18.0000	6.7914	(2)	7.0000	25.0000	13.0000	(2)
2014	14.7600	0.2800	15.0400	8.8880	11.4638	2.0427	6.0000	(3)	4.9233	2.6756	1.7400	18.0000	8.7400	(2)	7.0000	25.0000	13.0000	(2)
2015	14.7400	0.2600	15.0000	9.9605	11.4638	2.0427	6.0000	(3)	4.9233	2.6756	4.7266	20.9500	10.7266	(2)	7.0000	25.0000	13.0000	(2)
2016	14.7409	0.2591	15.0000	9.9855	11.6138	2.0427	6.0000	(3)	4.9233	2.6756	4.5614	20.8800	10.5614	(2)	7.0000	25.0000	13.0000	(2)
2017	14.8781	0.2604	15.1385	10.2355	11.2138	2.0427	6.0000	(3)	4.9233	2.6756	4.4300	20.7200	10.4300	(2)	7.0000	25.0000	13.0000	(2)

\* includes voter approved debt millage

Note: Tax rates are applied upon each \$1,000 of taxable value

- (1) City Charter authorizes 18 mills, but the State of Michigan Constitution (Headlee Amendment) restricts the maximum millage that may be levied by the City without a vote of our residents to 17.87 mills for General Operating.
- (2) Public Act 37 of 2007 amended MCL 380.1211 to exempt Commercial Personal Property from up to 12 mills of local school district operating millage.
- (3) Public Act 38 of 2007 amended MCL 211.903, to exempt all property classified as Industrial Personal Property from payment of the State Education Tax (SET).  
Public Act 37 of 2007 amended MCL 380.1211 to exempt Industrial Personal Property from up to 18 mills of school operating millage.

Source: City Assessing Department

**City of Midland, Michigan**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

Tax Year	Overlapping Taxes				Total Tax Rate																	
	School: Homestead		School: Non-homestead	School: Commercial Property	Non-homestead Commercial			Non-homestead Industrial			Non-homestead Bullock Creek		Non-homestead Commercial Bullock		Non-homestead Homestead Bay City		Non-homestead Commercial Bay City		Non-homestead Industrial Bay City			
	Bay City	Bay City	Bay City	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Bay City	Bay City	Bay City	Bay City	Bay City	Bay City		
2008	2.3500	20.3500	8.3500	(2)	35.2080	50.9138	41.2080	(2)	29.2080	(3)	37.9138	55.9138	43.9138	(2)	31.9138	(3)	39.1198	57.1198	45.1198	(2)	33.1198	(3)
2009	2.3500	20.3500	8.3500	(2)	36.2828	51.9938	42.2828	(2)	30.2828	(3)	40.4938	58.4938	46.4938	(2)	34.4938	(3)	40.0698	58.0698	46.0698	(2)	34.0698	(3)
2010	2.8000	20.8000	8.8000	(2)	36.2029	51.9938	42.2029	(2)	30.2029	(3)	40.4938	58.4938	46.4938	(2)	34.4938	(3)	40.4198	58.4198	46.4198	(2)	34.4198	(3)
2011	2.9900	20.9900	8.9900	(2)	36.4347	52.8438	42.4347	(2)	30.4347	(3)	41.3438	59.3438	47.3438	(2)	35.3438	(3)	41.5598	59.5598	47.5598	(2)	35.5598	(3)
2012	2.9900	20.9900	8.9900	(2)	36.2937	52.3438	42.2937	(2)	30.2937	(3)	41.3438	59.3438	47.3438	(2)	35.3438	(3)	42.2098	60.2098	48.2098	(2)	36.2098	(3)
2013	2.9900	20.9900	8.9900	(2)	36.7252	52.9338	41.7252	(2)	30.7252	(3)	41.9338	59.9338	47.9338	(2)	35.9338	(3)	42.4998	60.4998	48.4998	(2)	36.4998	(3)
2014	2.9900	20.9900	8.9900	(2)	36.3863	52.6463	43.3863	(2)	30.3863	(3)	41.6463	59.6463	47.6463	(2)	35.6463	(3)	42.4598	60.4598	48.4598	(2)	36.4598	(3)
2015	2.9900	20.9900	8.9900	(2)	40.4054	56.6288	46.4054	(2)	34.4054	(3)	42.6788	60.6788	48.6788	(2)	36.6788	(3)	42.4198	60.4198	48.4198	(2)	36.4198	(3)
2016	2.9900	20.9900	8.9900	(2)	40.2652	56.5838	46.2652	(2)	34.2652	(3)	42.7038	60.7038	48.7038	(2)	36.7038	(3)	42.5698	60.5698	48.5698	(2)	36.5698	(3)
2017	2.9900	20.9900	8.9900	(2)	40.5223	56.8123	46.5223	(2)	34.5223	(3)	43.0923	61.0923	49.0923	(2)	37.0923	(3)	42.3083	60.3083	48.3083	(2)	36.3083	(3)

\* includes voter approved debt millage

Note: Tax rates are applied upon each \$1,000 of taxable value

- (1) City Charter authorizes 18 mills, but the State of Michigan Constitution (Headlee Amendment) restricts the maximum millage that may be levied by the City without a vote of our residents to 17.87 mills for General Operating.
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Public Act 37 of 2007 amended MCL 380.1211 to exempt Industrial Personal Property from up to 18 mills of school operating millage.

Source: City Assessing Department

**City of Midland, Michigan**  
**Principal Property Tax Payers**

Taxpayer	2018 Taxable Value	Percentage of total	2009 Taxable Value	Percentage of total	2009 rank
1 Dow Chemical/Dow Agrosiences/Dow Cornin	\$ 289,204,037	13.92%	\$ 385,198,889	17.94%	1
2 Midland Cogeneration Venture	205,325,900	9.88%	237,391,900	11.20%	2
3 Consumers Energy Company	31,294,833	1.51%	18,709,840	5.63%	3
4 Midland Downtown Partners LLC	19,138,800	0.92%	-	-	-
5 US Bank National Association	13,535,121	0.65%	-	-	-
6 Midland Country Club	9,748,300	0.47%	-	-	-
7 Trinseo LLC	9,328,300	0.45%	-	-	-
8 H Hotel	9,172,160	0.44%	-	-	-
9 Hotel Holdings LLC	7,950,490	0.38%	-	-	-
10 Tarbert Properties LLC	7,937,251	0.38%	-	-	-
<b>Total</b>	<b>\$ 602,635,192</b>	<b>29.00%</b>	<b>\$ 641,300,629</b>	<b>34.77%</b>	

The individual values are for real and personal property owned by the designated taxpayer, but not including industrial facilities taxable amounts.

Source: City's Assessing Department

**City of Midland, Michigan**  
**Property Tax Levies and Collections**

Fiscal Year Ended June 30	Taxes Levied for Fiscal Year (Original Levy)	Adjustments *	Total Adjusted Levy	Collected within the Fiscal Year of the Levy	Percentage of Original Levy Collected	Collections in Subsequent Years	Total Collections to Date	Percentage of Total Collections to Adjusted Tax Levy
2009	\$ 27,669,516	\$ (5,655)	\$ 27,663,861	\$ 27,660,042	99.97%	\$ 3,143	\$27,663,185	100.00%
2010	30,629,774	(6,167)	30,623,607	30,623,319	99.98%	(824)	30,622,495	100.00%
2011	32,973,831	(498)	32,973,333	30,314,659	91.94%	2,656,718	32,971,377	99.99%
2012	35,569,456	(2,844,831)	32,724,625	32,715,296	91.98%	(11,356)	32,703,940	99.94%
2013	32,972,444	(89,110)	32,883,334	32,761,640	99.36%	112,900	32,874,540	99.97%
2014	33,821,073	(67,171)	33,753,902	33,743,484	99.77%	1,441	33,744,925	99.97%
2015	33,813,675	(24,802)	33,788,873	33,737,447	99.77%	44,347	33,781,794	99.98%
2016	34,264,769	(229,172)	34,035,597	34,027,775	99.31%	-	34,027,775	99.98%
2017	30,664,023	(403,604)	30,260,419	30,252,846	98.66%	-	30,252,846	99.97%
2018	30,363,382	(35,822)	30,327,560	30,302,342	99.80%	-	30,302,342	99.92%

\* Adjustments represent changes to the levy that occur subsequent to the fiscal year; any adjustments made during the fiscal year are reflected in the original levy column.

Source: City Treasurer's Office

## City of Midland, Michigan

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### **Debt Capacity**

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

**City of Midland, Michigan**  
**Ratios of Outstanding Debt**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
General obligation bonds	\$ 16,662,808	\$ 15,754,036	\$ 20,771,216	\$ 19,559,396	\$ 18,408,507	\$ 17,092,657	\$ 15,721,807	\$ 14,980,000	\$ 13,350,000	\$ 11,680,000
Capital leases	782,160	614,097	409,524	209,187	-	-	-	-	-	-
Total governmental activities	<u>17,444,968</u>	<u>16,368,133</u>	<u>21,180,740</u>	<u>19,768,583</u>	<u>18,408,507</u>	<u>17,092,657</u>	<u>15,721,807</u>	<u>14,980,000</u>	<u>13,350,000</u>	<u>11,680,000</u>
<b>Business-type activities</b>										
General obligation bonds	18,364,750	17,379,872	16,344,992	15,245,399	14,779,063	13,474,063	12,184,064	10,754,064	9,264,064	7,814,063
Revenue bonds	1,155,000	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	120,703	113,395
Total business-type activities	<u>19,519,750</u>	<u>17,379,872</u>	<u>16,344,992</u>	<u>15,245,399</u>	<u>14,779,063</u>	<u>13,474,063</u>	<u>12,184,064</u>	<u>10,754,064</u>	<u>9,384,767</u>	<u>7,927,458</u>
Total debt of the government	<u>\$ 36,964,718</u>	<u>\$ 33,748,005</u>	<u>\$ 37,525,732</u>	<u>\$ 35,013,982</u>	<u>\$ 33,187,570</u>	<u>\$ 30,566,720</u>	<u>\$ 27,905,871</u>	<u>\$ 25,734,064</u>	<u>\$ 22,734,767</u>	<u>\$ 19,607,458</u>
Total population (1)	40,917	40,807	41,863	41,863	42,020	42,202	42,181	42,200	42,096	41,950
Total debt per capita	\$ 903	\$ 827	\$ 896	\$ 836	\$ 790	\$ 724	\$ 662	\$ 610	\$ 540	\$ 467
Total per capita personal income (2)	\$ 26,818	\$ 29,946	\$ 30,803	\$ 30,574	\$ 32,185	\$ 31,540	\$ 31,627	\$ 30,715	\$ 31,343	\$ 32,039
Total debt per capita personal income	\$ 1,410	\$ 1,153	\$ 1,243	\$ 1,145	\$ 1,031	\$ 969	\$ 882	\$ 838	\$ 725	\$ 612
Total taxable value	\$2,091,945,200	\$2,157,983,712	\$2,303,108,341	\$2,362,861,037	\$2,201,777,715	\$2,325,703,249	\$2,332,816,968	\$2,358,805,932	\$2,108,369,097	\$2,078,340,133
Ratio of total debt to taxable value	1.77%	1.56%	1.63%	1.48%	1.51%	1.31%	1.20%	1.09%	1.08%	0.94%

(1) Estimates provided by City Planning Department

(2) US Bureau of Census

Source: City Annual Financial Statements: Population Data reported from demographics data

**City of Midland, Michigan**  
**Ratios of General Bonded Debt Outstanding**

Fiscal Year	General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Business Type Debt	Net General Bonded and Business Type Debt	Debt Per Capita	Per Capita Personal Income	% of Personal Income
2009	\$ 16,662,808	\$ 2,091,945,200	0.797%	40,917 (1)	\$ 19,519,750	\$ 32,008,561	\$ 782	\$ 26,818 (2)	2.92%
2010	15,754,036	2,157,983,712	0.730%	40,807 (1)	17,379,872	29,999,944	735.17	29,946 (2)	2.45%
2011	20,771,216	2,303,108,341	0.902%	41,863 (1)	16,344,992	33,883,116	809.38	30,803 (2)	2.63%
2012	19,559,396	2,362,861,037	0.828%	41,863 (1)	15,245,399	31,490,293	752.22	30,574 (2)	2.46%
2013	18,408,507	2,201,777,715	0.836%	42,020 (1)	14,779,063	29,815,482	709.55	32,185 (2)	2.20%
2014	17,092,657	2,325,703,249	0.735%	42,202 (1)	13,474,063	27,111,413	642.42	31,540 (2)	2.04%
2015	15,721,807	2,332,816,968	0.674%	42,181 (1)	12,184,064	24,391,315	578.25	31,627 (2)	1.83%
2016	14,980,000	2,358,805,932	0.635%	42,200 (1)	10,754,064	22,148,810	524.85	30,715 (2)	1.71%
2017	13,350,000	2,108,369,097	0.633%	42,096 (2)	9,264,064	19,012,116	451.64	31,343 (2)	1.44%
2018	11,680,000	2,078,340,133	0.562%	41,950 (2)	7,814,063	15,892,115	378.83	32,039 (2)	1.18%

(1) Estimates provided by City Planning Department

(2) U.S. Bureau of the Census

Source: City's financial records

**City of Midland, Michigan**  
**Direct and Overlapping Debt**

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt*
Direct debt - City of Midland	\$ 11,680,000	100.00%	\$ 11,680,000
Overlapping debt:			
Bay City School District	47,840,000	0.25%	119,600
Bullock Creek School District	13,035,000	0.44%	57,354
Midland School District	50,710,000	80.77%	40,958,467
Bay County	4,062,478	0.15%	6,094
Midland County	29,829,175	59.04%	17,611,145
Bay-Arenac Intermediate School District	<u>2,100,000</u>	0.13%	<u>2,730</u>
Total overlapping debt	<u>147,576,653</u>		<u>58,755,390</u>
Total	<u>\$ 159,256,653</u>		<u>\$ 70,435,390</u>

\* Overlapping debt is calculated as the issuer's proportionate share of the debt of other local governmental units that overlap it (the issuer is located either wholly or partly within the geographic limits of the other units) or underlie it (the other units are located within the geographic limits of the issuer). The debit is generally apportioned based upon relative assessed property values.

--- Source <http://emma.msrb.org/educationcenter/Glossary.aspx>

**City of Midland, Michigan**  
**Legal Debt Margin**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 231,029,280	\$ 239,060,150	\$ 256,369,495	\$ 261,932,163	\$ 244,187,237	\$ 255,859,200	\$ 256,194,110	\$ 258,823,810	\$ 227,852,583	\$ 225,025,892
Total net debt applicable to limit	<u>35,027,558</u>	<u>33,133,908</u>	<u>37,116,208</u>	<u>34,804,795</u>	<u>33,187,570</u>	<u>30,566,720</u>	<u>27,905,871</u>	<u>25,734,064</u>	<u>22,614,064</u>	<u>19,494,063</u>
Legal debt margin	<u>\$ 196,001,722</u>	<u>\$ 205,926,242</u>	<u>\$ 219,253,287</u>	<u>\$ 227,127,368</u>	<u>\$ 210,999,667</u>	<u>\$ 225,292,480</u>	<u>\$ 228,288,239</u>	<u>\$ 233,089,746</u>	<u>\$ 205,238,519</u>	<u>\$ 205,531,829</u>
Total net debt applicable to the limit as a percentage of debt limit	15.16%	13.86%	14.48%	13.29%	13.59%	11.95%	10.89%	9.94%	9.92%	8.66%

**Legal Debt Margin Calculation for Fiscal Year 2018**

Debt limit:	
2017 state equalized valuation	\$ 2,250,258,916
Debt limit (10% of state equalized valuation) (1)	x <u>10.00%</u>
 Total debt limit	 <u>225,025,892</u>
Debt applicable to debt limit:	
Total bonded debt	19,494,063
Less: deductions allowed by law:	<u>-</u>
 Total amount of debt applicable to debt limit	 <u>19,494,063</u>
 Legal debt margin	 <u>\$ 205,531,829</u>

Limitations on borrowing

(1) Act 279, Public Acts of Michigan, 1909, as amended, and provisions of the City Charter state that net bonded indebtedness of the City shall not exceed 10 percent of the City's Assessed valuation.

Bonds which are not required to be included in this computation of net indebtedness, according to said Act 279, are:

- A. Special Assessment Bonds
- B. Mortgage Bonds
- C. Motor Vehicle Highway Fund Bonds
- D. Revenue Bonds
- E. Bonds issued, or contracts or assessment obligation, incurred to comply with an order of the Water Resources Commission or a court of competent jurisdiction
- F. Other obligations incurred for water supply, sewage, drainage or refuse disposal projects necessary to protect the public health by abating pollution.

**City of Midland, Michigan**  
**Pledged-Revenue Coverage**

Water Revenue Bonds							
Fiscal Year	Gross Revenues	Operating Expenses	Net Revenues	Debt service			Coverage
				Principal	Interest	Total	
2009	10,975,338	8,078,020	2,897,318	1,155,000	121,275	1,276,275	2.27
2010	11,216,050	8,017,287	3,198,763	-	-	-	0.00
2011	11,499,995	8,180,881	3,319,114	-	-	-	0.00
2012	11,535,436	9,457,224	2,078,212	-	-	-	0.00
2013	11,723,866	9,915,667	1,808,199	-	-	-	0.00
2014	12,037,632	10,344,900	1,692,732	-	-	-	0.00
2015	11,824,433	10,386,152	1,438,281	-	-	-	0.00
2016	11,986,070	10,045,632	1,940,438	-	-	-	0.00
2017	12,018,253	9,774,005	2,244,248	-	-	-	0.00
2018	12,718,643	10,287,038	2,431,605	-	-	-	0.00

## City of Midland, Michigan

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### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**City of Midland, Michigan**  
**Demographic and Economic Statistics**

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Fiscal year	Population	Personal Income (in thousands)	Per Capita Personal Income (2)	Median Age (2)	Unemployment rate (4)
2009	40,917 (1)	(3)	26,818	36.2	8.5
2010	40,807 (1)	25,723	(2) 29,946	36.5	7.5
2011	41,863 (1)	26,776	(2) 30,803	36.8	6.6
2012	41,863 (1)	26,446	(2) 30,574	36.5	5.7
2013	42,020 (1)	27,811	(2) 32,185	37.6	6.1
2014	42,202 (1)	27,575	(2) 31,540	37.4	5.0
2015	42,181 (1)	28,316	(2) 31,627	37.3	4.2
2016	42,200 (1)	29,749	(2) 30,715	37.4	3.4
2017	42,096 (2)	30,531	(2) 31,343	38.9	3.3
2018	41,950 (2)	29,732	(2) 32,039	38.6	3.4

(1) Estimates provided by City Planning Department

(2) U.S. Bureau of the Census

(3) Information not available

(4) Michigan Department of Labor and Economic Growth

**City of Midland, Michigan**  
**Principal Employers**

Taxpayer	2018 Employees (2)(3)	Percentage of Total	2009 Employees	Percentage of Total	2009 Rank
1 Dow Chemical Company	6,083	28.76%	5,800	28.56%	1
2 MidMichigan Health	2,066	9.77%	3,200	15.76%	2
3 Midland Public Schools	973	4.60%	1,700	8.37%	3
4 Chemical Bank	591	2.79%	420	2.07%	8
5 City of Midland	443	2.09%	490	2.41%	6
6 Northwood University	438	2.07%	(1)	(1)	(1)
7 Greater Midland	400	1.89%	(1)	(1)	(1)
8 Three Rivers	380	1.80%	325	1.60%	10
9 Meijer	350	1.66%	600	2.95%	5
10 Midland County	315	1.49%	330	1.63%	9

(1) Information not available

(2) Source: Midland Tomorrow, 2016

(3) Full-time equivalents

**City of Midland, Michigan**  
**Full-time Government Employees**  
**Last Ten Fiscal Years**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
City Manager	4	4	3	4	2	2	2	2	2	2
City Clerk	4	4	4	4	4	4	4	4	4	4
City Treasurer	6	4	4	4	4	4	4	4	4	4
Assessing	5	5	4	4	4	4	4	4	4	4
City Attorney	3	3	3	3	3	3	3	3	2	2
Finance	8	8	8	8	8	8	8	8	9	8
Human Resources/Risk Management	4	4	4	4	4	4	4	4	4	4
Purchasing	1	1	1	1	1	1	1	1	-	-
Public safety:										
Police	51	51	50	50	50	50	50	50	50	50
Fire	46	46	46	46	46	46	46	46	46	46
Building inspection	7	6	6	6	6	6	6	6	6	6
Planning	6	4	4	4	4	4	4	4	4	4
Public works:										
Engineering	15	14	12	12	12	12	12	12	12	12
Public Works	38	34	33	31	30	30	29	27	29	29
Sanitation	5	5	5	5	5	5	7	7	5	5
Parks and recreation	34	29	25	26	26	26	24	26	25	25
Grace A. Dow Library	21	20	19	19	18	18	18	18	18	18
Downtown Development Authority	1	1	-	-	-	1	1	1	1	1
Dial-A-Ride	6	6	6	5	5	5	5	6	6	6
Civic Arena	-	2	2	2	2	2	2	2	2	2
Landfill	9	9	9	9	9	10	10	10	10	11
Senior Housing										
Washington Woods	7	6	6	6	6	6	6	6	6	6
Riverside Place	6	6	6	6	6	6	6	6	5	5
Currie Municipal Golf Course	3	4	7	7	7	7	-	-	-	-
Wastewater	22	20	20	20	20	20	20	20	20	20
Water	36	35	34	34	33	33	33	32	32	32
Midland Community Television	3	3	3	3	3	3	3	3	3	3
Equipment Revolving	15	15	15	15	15	13	13	13	13	13
Municipal Service Center	1	1	1	1	1	1	-	-	-	-
Information Services - Operations	6	6	6	6	5	5	5	5	5	5
Geographic Information Systems	2	2	1	1	-	-	-	-	-	-
<b>Total</b>	<b>375</b>	<b>358</b>	<b>347</b>	<b>346</b>	<b>339</b>	<b>339</b>	<b>330</b>	<b>330</b>	<b>327</b>	<b>327</b>

Source: City of Midland Annual Budget

## City of Midland, Michigan

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### Operating Information

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**City of Midland, Michigan**  
**Operating Indicators**  
**Last Ten Fiscal Years**

Function/ Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Building permits issued	2,601	3,023	3,789	3,594	3,020	2,727	2,504	3,055	3,151	3,540
Building inspections conducted (1)	4,989	7,211	5,959	3,377	3,502	3,404	4,174	3,303	2,616	3,229
Public safety										
Police										
Physical arrests	999	1,069	1,425	1,182	1,018	1,524	1,240	1,236	1,127	924
Traffic violations	6,224	4,679	4,009	4,294	4,549	3,989	3,988	3,905	3,805	2,516
Investigations/complaints	14,523	13,883	13,833	13,840	13,683	13,915	13,436	14,294	14,087	12,968
Fire										
Fire runs	68	109	82	97	118	70	80	86	64	87
Rescue/medical	3,080	3,018	2,999	3,018	3,127	3,141	3,147	3,192	3,474	3,354
Hazardous	389	322	458	339	317	391	333	292	421	386
All other calls	977	1,002	1,165	1,299	1,359	1,361	1,376	1,320	1,441	1,478
Public works										
Street maintenance (millions of dollars)	\$ 2.54	\$ 1.73	\$ 1.93	\$ 1.56	\$ 1.65	\$ 2.20	\$ 1.94	\$ 1.91	\$ 2.21	\$ 2.42
Sidewalk maintenance (thousands of dollars)	\$ 405.91	\$ 364.99	\$ 218.50	\$ 121.47	\$ 117.48	\$ 148.40	\$ 143.06	\$ 268.88	\$ 169.70	\$ 117.91
Refuse collected (compacted cubic yards)	54,956	52,364	49,482	46,343	42,420	54,157	57,006	48,589	57,528	56,303
Brush and heavy item (cubic yards)	61,456	51,306	52,073	54,039	43,591	58,300	54,527	56,722	52,475	61,081
Fall leaf collection (cubic yards)(2)	16,524	17,970	15,421	17,616	16,956	16,050	16,728	15,598	18,650	15,025
Parks and recreation										
Softball teams supported	282	263	260	236	201	204	195	196	202	190
Picnic reservations (sheltered and open area)	595	603	621	626	543	550	546	613	684	605
Library										
Volumes in collection	271,152	262,065	257,203	256,631	253,104	249,169	248,849	242,440	238,196	241,313
Circulation (books borrowed)	856,376	860,380	846,487	814,529	789,851	745,669	721,496	710,047	669,424	591,957
Airport (take-offs and landings)	9,336	9,083	9,424	9,578	8,061	7,851	7,465	7,850	10,571	10,685
Landfill										
Vehicle traffic	33,839	31,235	31,947	28,817	28,201	28,863	29,349	32,294	34,987	36,732
Tons per day	628	483	699	556	615	526	489	742	917	477
Senior housing apartment complexes										
Washington Woods										
Occupancy	99.5%	99.0%	96.0%	94.0%	98.0%	96.0%	95.9%	91.0%	83.0%	83%
Percent turnover	15%	15%	24%	29%	28%	28%	22%	11%	22%	19%
Average age of residents	80	83	81	80	80	79	78	78	78	79%
Riverside Place										
Occupancy	100%	100%	100%	100%	100%	100%	99%	99%	98%	98%
Percent turnover	23%	21%	25%	24%	26%	26%	33%	33%	23%	15%
Average age of residents	86	87	87	87	86	85	86	86	85	86%

**City of Midland, Michigan**  
**Operating Indicators**  
**Last Ten Fiscal Years**

Function/ Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public transportation (passengers served)	147,093	129,491	126,846	129,674	113,893	107,181	103,306	103,610	112,274	110,848
Sewer										
Average daily sewage treatment (MGD)	8.40	6.58	7.23	6.14	7.41	6.72	6.27	7.98	8.19	7.65
Annual sewage treatment (MG)	3,066.66	2,393.76	2,640.53	2,419.16	2,703.48	2,450.27	2,287.28	2,921.85	2,990.56	2,790.31
Water										
Finished water pumped (MG)										
Domestic	3,381.69	3,375.07	3,445.52	3,479.23	3,348.42	3,261.59	3,100.10	3,246.75	3,286.57	3,352.63
Industrial	3,584.78	3,561.20	3,695.13	4,172.44	3,790.94	3,752.69	3,894.11	4,057.97	4,161.28	4,193.66
Total	6,966.47	6,936.27	7,140.65	7,651.67	7,139.36	7,014.28	6,994.21	7,304.72	7,447.85	7,546.29

NA - Information not available

MG - Million gallons

MGD - Million gallons/day

(1) 2011 and prior accounted for by individual inspection; 2012 and later accounted for by project

(2) 2015 in prior years, the quantity of leaves collected were multiplied by a compaction rate of 4. This computation has been revised and prior years have been restated.

Sources: City records, city departments, department annual reports, and city website - [www.midland-mi.org](http://www.midland-mi.org)

**City of Midland, Michigan**  
**Capital Asset Statistics**  
**Last Ten Fiscal Years**

Function/ Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	13	13	14	15	15	15	15	14	14
Detective vehicles	4	4	4	4	4	4	5	5	5	5
SWAT van	1	1	1	1	1	1	1	1	1	1
Administrative and warrant officer vehicle	3	4	2	3	3	3	3	3	3	3
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire response vehicles	6	6	6	6	6	6	6	6	6	6
Emergency response vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
Major streets (miles)	77	77	82	82	82	82	82	86	86	87
Local streets (miles)	156	156	151	151	152	152	153	150	150	149
State highways (miles)	16	16	16	16	16	16	16	16	16	16
Sidewalks (miles)	354	355	355	356	357	357	357	358	359	359
Traffic signals (city owned)	72	72	74	74	76	76	77	77	71	72
Refuse collection trucks	13	13	13	15	14	14	14	13	16	15
Parks and recreation										
Acreage	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Regional park and recreation areas	8	8	8	8	8	8	8	8	8	8
Community parks	7	7	7	7	7	7	7	7	7	7
Block and district parks	55	55	55	55	55	55	55	55	55	55
Golf courses										
9-hole municipal par-3	1	1	1	1	1	1	1	1	1	1
18-hole municipal	2	2	2	2	2	2	2	2	2	2
Golf course clubhouse	2	2	2	2	2	2	2	2	2	2
Ice arena (a)	1	1	1	1	1	1	1	1	1	1
Swimming pool	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Spray ground facilities (h)	2	2	2	2	2	2	2	2	2	2
Library branches	1	1	1	1	1	1	1	1	1	1
Airport										
Runways	2	2	2	2	2	2	2	2	2	2
Terminal building (b)	1	1	1	1	1	1	1	1	1	1
City-owned hangars (leased)	14	14	14	14	14	14	14	14	15	15

**City of Midland, Michigan**  
**Capital Asset Statistics**  
**Last Ten Fiscal Years**

Function/ Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public transportation-Dial-A-Ride buses	14	14	14	14	14	14	14	14	14	14
Landfill										
Current airspace (compacted cubic yards) (c)(f)(g)	2,304,084	2,347,971	2,205,036	2,041,275	1,859,132	1,736,958	1,613,185	1,424,672	1,231,816	1,062,155
Total future airspace (compacted cubic yards) (d)	6,637,322	8,323,460	8,180,525	8,016,764	7,834,621	7,712,447	7,588,674	7,400,161	7,207,305	7,037,644
Senior housing apartment complexes										
Washington Woods (units)	214	214	214	214	214	214	214	214	214	214
Riverside Place (units)	150	150	150	150	150	150	150	150	150	150
Sewer										
Sanitary sewers (miles)	196	197	197	197	197	197	197	199	199	199
Storm sewers (miles)	174	174	174	174	175	175	175	176	176	176
Treatment capacity (million gallons/day)	18	18	18	18	18	18	18	18	18	18
Water (e)										
Water mains (miles)	359	360	384	385	398	400	402	405	399	402
Fire hydrants	3,193	3,205	3,240	3,254	3,273	3,309	3,336	3,402	3,412	3,445
Storage capacity (million gallons)	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Treatment plant capacity (million gallons/day)										
Potable water	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8
Industrial grade water	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Total	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

NA - Information not available

(a) A new 3-sheet arena on Fast Ice Drive opened in September 2005 replacing the old 2-sheet arena on East Collins. In 2014 one sheet of ice arena was converted to turf.

(b) In FY05/06 a new 2,100 sq ft terminal building opened replacing a 1,200 sq ft terminal built in 1950.

(c) Current airspace = remaining airspace in currently constructed cells.

(d) Total future airspace = remaining airspace in currently constructed cells as well as cells to be constructed in the future.

(e) Raw water is pumped from Lake Huron by the Saginaw-Midland Municipal Water Supply Corporation, a facility owned jointly by the two cities.

The raw water is then pumped to the two communities for treatment at their individual treatment plants.

(f) FY07/08 Cell 16 added, roughly 1.8 million yards of additional airspace

(g) 2010 airspace remaining value is higher than 2009 for two reasons:

1. 2010 had an actual survey completed, while 2009 was a calculated estimate.
2. A minor modification to Cell 16 design increased the available airspace by 56,947 compacted cubic yards.

(h) 2015 Thru Park renovation included the addition of a Splash Pad

Sources: City records, city departments, department annual reports, and city website - [www.midland-mi.org](http://www.midland-mi.org)