

A photograph of a wooden playground structure with a slide, set on a wood chip surface. The structure has various decorations including a 'USA' sign, a watermelon, a crescent moon, and a star. The background shows more of the playground and trees under a blue sky.

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

City of Midland, Michigan
Comprehensive Annual Financial Report
with Supplementary Information
For the Fiscal Year Ended
June 30, 2014

Prepared by the Finance Department

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December 18, 2014

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, 2014 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 unqualified opinion is located at the front of the financial section of this report. An unqualified 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.

This financial report consists of management’s representations concerning the finances of the City of Midland. Therefore, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with accounting principles generally accepted in the United States (GAAP). Because the cost of internal controls should not outweigh the benefits, The

City of Midland’s comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management’s Discussion and Analysis letter (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditor’s report.

In addition, during the year an audit was performed in accordance with the requirements of the *Single Audit Act Amendments of 1996 (P.L. 104-456)*. 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 42,000.

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 two blended component units as special revenue funds within the governmental type funds: the Downtown Development Fund and the Center City Authority Fund.

Midland is recognized as a vibrant community that offers its residents many economic, cultural, recreation, and educational amenities. Here are some examples of recent recognition the City has received

- **100 Best Communities for Young People in America**
For the sixth consecutive year, Greater Midland was recognized by America's Promise as one of the 100 Best Communities for Young People in America.

- **America's Top 100 Safest Cities**
The City of Midland was ranked as the 61st safest City in America with over 25,000 people as ranked by NeighborhoodScouts.com
- **Five-Star Entrepreneurial Support**
Recognized by University of Michigan Dearborn's Center for Innovation Research for its best practices geared towards business development.
- **Best City in Michigan**
Midland was rated as the best City in Michigan by Movoto Real Estate Blog based on amenities, cost of living, crime, education, employment, and home value.
- **Best Place for Middle Class (Midland County)**
One of eight places in the US selected by CNNMoney with low unemployment, and good quality of life.

ECONOMIC CONDITION AND OUTLOOK

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. Its tax base is 41% residential and 59% commercial, industrial and utility. The three largest taxpayers, The Dow Chemical Company, Dow Corning Corporation, and Midland Cogeneration Venture (MCV) account for 32% of the City's total taxable value. The City continues to attract new commercial businesses with new restaurant, retail, and office developments at various stages of completion. However, the past few years has brought forth a wave of commercial tax appeals that has offset some of the gains of these new developments.

Residential property values have remained stable, increasing slightly each year since the big decline caused by the 2008 recession.

The City's jobless rate decreased significantly during the past year from 6.1% for FY 2013 to 5% for the current year, and compares favorably to the State's average rate of 7.9%, as well as with the national average of 6.3%.

LONG TERM FINANCIAL PLANNING

Like most Michigan municipalities, the City has dealt with significant financial challenges since the economic fallout of 2008. For the year ended June 30, 2014, the City's taxable value is still 7.9% below the 2008 level. Residential taxable value is 2.7% less but has grown each year over the past four years and will increase again next year.

Investment earnings on cash and cash equivalents was still very low at .2% compared to 5.25% in 2008. Through long term financial and resource planning, the City continues to look for creative and more affordable ways of service delivery. Since 2008 the City has eliminated 37 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 in order to try to make the cost of providing services more affordable.

Even still, in order to balance annual budgets the City's millage rate has increased over time as shown below (in mills):

<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
12.24	12.99	13.94	13.94	14.79	14.79	15.08

The millage rate for 2014/15 was reduced to 15.04 mills. During this time, all core services have been maintained, and all debt obligations and actuarial determined annual funding requirements for the City's two defined benefit pension plans, and one defined benefit post-employment health care plan have been funded at 100%. The City has maintained its credit ratings of AA with Standard and Poor's, and Aa2 with Moody's, and has maintained a General Fund fund balance goal of \$5.1 million.

The City is currently in the final stages of a community outreach process involving a survey and a series of public meetings to help establish budget priorities for the 2015/16 fiscal year and beyond. The City is also in the finishing stages of updating its long-range capital plan which will help serve as a planning tool for the City's infrastructure.

MAJOR INITIATIVES

For the next fiscal year ending June 30, 2015, City Council provided the following directives, for which the City Budget was created to support:

- *Maintain public services, with an emphasis on public safety, at the highest level possible under current economic and budget conditions.*
- *Do not increase the millage rate supporting general operations.*
- *The unreserved fund balance of the General Fund shall be maintained at \$5.1 million.*
- *The City will undertake efforts to establish the Midland Smartzone.*

- *The City of Midland will be an active partner with other local public and private entities in developing a community wide strategic plan.*

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 a final budget must be prepared and 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 the General Fund and all Special Revenue Funds as required by Michigan statute. In addition, Council also adopts budgets for the debt service fund, and all Enterprise and Internal Service Funds, although not required by the State of Michigan.

CERTIFICATE OF ACHIEVEMENT

For the 25th consecutive year, the Government Finance Officers Association (GFOA) of the United States and Canada awarded

a Certificate of Achievement for Excellence in Financial Reporting to the City of Midland for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, which satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. 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 staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, the preparation of this document and the accomplishments reported therein would not have been possible without the leadership and support of the Midland City Council.

Respectfully submitted,



Jon Lynch
City Manager



David A. Keenan
Assistant City Manager
for Fiscal Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

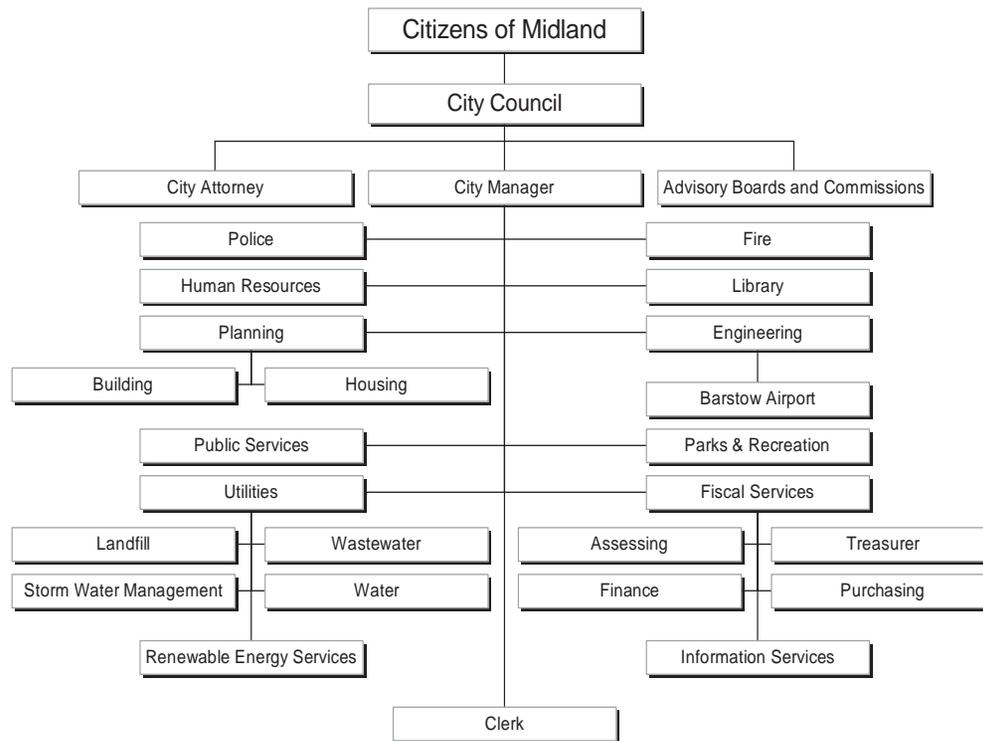
**City of Midland
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Midland, Michigan Organizational Chart



City of Midland, Michigan
List of Principal Officials
June 30, 2014

City Council

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

Administrative Staff

City Manager	Jon J. Lynch
City Attorney	James O. Branson, III
Assistant City Manager for Financial Services	David A. Keenan
Director of Human Resources and Labor Relations	Carol Stone
City Assessor	Reid A. Duford
City Clerk / Director of Community Affairs	Selina M. Tisdale
City Controller	Margaret A. Maday
City Engineer	Brian P. McManus
City Treasurer	Dana C. Strayer
Chief Building & Electrical Inspector	John E. Wegner
Fire Chief	Chris Coughlin
Information Services Manager	Tadd H. Underhill
Library Director	Melissa J. Barnard
Police Chief	Clifford Block
Public Services Director	Karen A. Murphy
Purchasing Agent	Michael L. Meyer
Utilities Director	Noel D. Bush



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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, 2014, 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, 2014 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.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and analysis 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 18, 2014 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Midland, Michigan's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

December 18, 2014
Saginaw, Michigan

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2014

This section of the City of Midland's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter, which was provided earlier in this report, and the financial statements which begin on page 3 -1 of this report.

FINANCIAL HIGHLIGHTS

- The City's combined total net position is \$250.0 million for the fiscal year ended June 30, 2014, compared to \$239.8 last fiscal year as restated.
- In the City's governmental activities, revenues generated \$54.8 million while expenses, including transfers totaled \$47.4 million.
- In the City's business-type activities, revenues, including transfers generated \$29.5 million while expenses totaled \$26.7 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$72.3 million, up \$.7 million from last fiscal year. Most of this increase was due to cost increases in operating and maintaining the City's water supply and wastewater collection systems.
- Total net position increased by \$10.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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 required

supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* presents all of the City's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the City of Midland are divided into two categories:

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, and charges for services 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.

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2014

Fund Financial Statements

The fund financial statements 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 funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship or differences between the fund and government-wide statements.

The City maintains 14 individual governmental funds. Separate information is presented for the General, Major Street, Community Development Block Grant, and Grace A. Dow Memorial Library Funds all of which are considered to be "major" funds. Data from the other 10 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- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows.
- Internal service funds are used to report activities that provide supplies and services to the City's other programs. Examples of internal service funds 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.

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2014

Notes to the Financial Statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal services funds are presented immediately following the required supplementary information.

THE CITY OF MIDLAND AS A WHOLE

The City's total combined net position for the fiscal year ended June 30, 2014 is \$250.0 million, made up of \$138.8 million in business-type activities, and \$111.2 million in governmental activities.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is \$42.5 million. Business-type activities unrestricted total is \$33.7 million, while governmental activities is \$ 8.8 million.

The following table shows comparisons of total assets, total liabilities, and total net position (in millions) in a condensed format as of June 30, 2014 and 2013.

The City's combined total net position increased by \$10.2 million during the current fiscal year. Governmental activities increased by \$7.4 million while business-type activities increased by \$2.8 million.

City of Midland Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 40.7	\$ 38.5	\$ 45.1	\$ 43.5	\$ 85.8	\$ 82.0
Capital assets	94.7	92.0	114.5	115.0	209.2	207.0
Total assets	135.4	130.5	159.6	158.5	295.0	289.0
Current liabilities	3.5	4.9	2.6	4.4	6.1	9.3
Non-current	20.7	21.8	18.2	18.1	38.9	39.9
Total liabilities	24.2	26.7	20.8	22.5	45.0	49.2
Net position:						
Net investment in capital assets	89.6	86.7	101.6	100.9	191.2	187.6
Restricted	12.8	14.3	3.5	3.4	16.3	17.7
Unrestricted	8.8	2.8	33.7	31.7	42.5	34.5
Total net position	\$ 111.2	\$ 103.8	\$ 138.8	\$ 136.0	\$ 250.0	\$ 239.8

Governmental Activities

The City's total governmental revenue is \$54.8 million, an increase of \$1.7 million from the prior year. This increase was due to a millage rate increase of .29 mills which generated additional property tax revenue.

Total expenses, including transfers, increased by \$.1 million, or about 2/10ths of one percent.

Business-type Activities

Net position for business-type activities increased by \$2.8 million during the year ended June 30, 2014, compared to a \$2.3 million increase last year.

Total revenue, including transfers, increased by \$1.0 million, mainly due to a large capital grant for senior housing and more developer donations for the Water Distribution and Wastewater Collection systems.

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2014

The following table shows the comparison of the change in net assets (in millions) in a condensed format as of June 30, 2014 and 2013.

	City of Midland Change in Net Position (in millions of dollars)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Program Revenue:						
Charges for services	\$ 3.6	\$ 3.3	\$ 25.6	\$ 25.5	\$ 29.2	\$ 28.8
Operating grants and contributions	6.9	5.4	-	-	6.9	5.4
Capital grants and contributions	2.3	4.3	1.5	0.7	3.8	5.0
General Revenue:						
Property taxes	37.6	35.9	-	-	37.6	35.9
Intergovernmental	3.3	3.2	-	-	3.3	3.2
Investment earnings	0.1	0.1	0.3	0.1	0.4	0.2
Other revenue	1.0	0.9	0.3	0.4	1.3	1.3
Total revenue	<u>54.8</u>	<u>53.1</u>	<u>27.7</u>	<u>26.7</u>	<u>82.5</u>	<u>79.8</u>
Program Expenses						
General government	4.1	4.4	-	-	4.1	4.4
Public safety	15.6	15.7	-	-	15.6	15.7
Public works	9.2	9.4	-	-	9.2	9.4
Sanitation	3.0	2.4	-	-	3.0	2.4
Community development	1.0	0.6	-	-	1.0	0.6
Parks and recreation	4.7	5.1	-	-	4.7	5.1
Library and community television	4.9	4.5	-	-	4.9	4.5
Airport	0.4	0.4	-	-	0.4	0.4
Transportation	1.8	1.9	-	-	1.8	1.9
Other	0.9	1.1	-	-	0.9	1.1
Water	-	-	10.4	10.0	10.4	10.0
Wastewater	-	-	6.1	5.9	6.1	5.9
Landfill	-	-	3.4	3.5	3.4	3.5
Civic Arena	-	-	1.4	1.3	1.4	1.3
Senior housing	-	-	3.9	3.8	3.9	3.8
Golf course	-	-	1.3	1.4	1.3	1.4
Parking system	-	-	0.2	0.2	0.2	0.2
Total expenses	<u>45.6</u>	<u>45.5</u>	<u>26.7</u>	<u>26.1</u>	<u>72.3</u>	<u>71.6</u>
Change in net position before transfers	9.2	7.6	1.0	0.6	10.2	8.2
Transfers	(1.8)	(1.8)	1.8	1.8	-	-
Change in net position	<u>7.4</u>	<u>5.8</u>	<u>2.8</u>	<u>2.4</u>	<u>10.2</u>	<u>8.2</u>
Net position - beginning	103.8	98.0	136.0	133.6	239.8	231.6
Net position - ending	<u>\$ 111.2</u>	<u>\$ 103.8</u>	<u>\$ 138.8</u>	<u>\$ 136.0</u>	<u>\$ 250.0</u>	<u>\$ 239.8</u>

THE CITY OF MIDLAND'S FUNDS

Analysis of the City of Midland's major funds begins on page 3-4, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the City's largest fund and one of four governmental funds that is considered a major fund. It pays for most of the City's governmental services. Its major components of revenue are property taxes and state shared revenue. The single largest government service provided is public safety, accounting for over 45% of General Fund expenditures. For the year ended June 30, 2014, General Fund financing sources exceeded its financing uses by \$2.2 million, increasing its ending fund balance to \$11.2 million. The Major Street Fund ending fund balance increased by \$978,886, mostly due to many construction projects that were funded during the fiscal year, but not completed until after the fiscal year. The Community Development Block Grant Fund operated at nearly a status quo with financial sources exceeding financial uses by only \$2,388. The final major fund, the Grace A. Dow Memorial Library Fund had financial uses in excess of financial sources of \$2.6 million. The Fund received a \$3 million capital grant last fiscal year and incurred most of the expenditures this fiscal year.

General Fund Budgetary Highlights

The General Fund adopted budget included using \$2 million of available fund balance over the City Council's target balance of \$5.1 million to prevent reductions in service delivery or an increase to the millage rate. Council amended the General Fund budget in May to reflect a slightly better position, decreasing fund balance by \$1.3 million.

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2014

At year-end, actual revenue was within 7/10^{ths} of one percent of budget, being slightly over by \$272,856. Actual expenditures were \$3.3 million less than budget. About \$1.6 million of the expenditure savings is delayed expenditures that will be encumbered into 2014-15, while the balance is due to additional savings realized during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2014, the City of Midland had \$209.2 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 \$207.1 million. Additional information about the City's capital assets is presented in Note 1 and Note 6 of the Notes to Financial Statements.

At June 30, 2014, the City of Midland's total bonded indebtedness was \$30.6 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 10 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 City of Midland continues to be a place of interest to commercial and residential developers. Despite the announcement of layoffs last year by two of the City's larger employers, the housing market continues to slowly recover with new housing developments underway. In addition to many new apartment and townhouse complexes, several new subdivisions are at varying levels of completion. National chains continue to expand their businesses in the Midland market, and a five-story, \$23 million mixed-used redevelopment is currently under construction in Downtown Midland.

The City will continue to budget conservatively, utilizing multi-year planning, and remain proactive in its efforts to prepare for future challenges, in order to continue to provide the services that the Midland Community expects.

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. Additional information can be obtained at the City's website, www.midland-mi.org.

City of Midland, Michigan
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 42,166,341	\$ 17,175,877	\$ 59,342,218
Investments	-	399,844	399,844
Receivables			
Taxes	6,141	-	6,141
Trust deeds	1,244,502	-	1,244,502
Customers	435,552	3,148,013	3,583,565
Special assessments	486,905	13,110	500,015
Accounts and contracts	816,371	48,881	865,252
Accrued interest	12,224	4,631	16,855
Due from other units of government	1,568,844	-	1,568,844
Internal balances	(8,157,092)	8,157,092	-
Inventories	819,953	612,077	1,432,030
Prepaid items	154,483	8,844	163,327
Restricted assets			
Cash and investments	-	3,455,307	3,455,307
Assets held for resale	225,000	-	225,000
Investment in joint venture	914,821	11,485,019	12,399,840
Capital assets not being depreciated	8,991,147	3,601,917	12,593,064
Capital assets, net of accumulated depreciation	<u>85,746,550</u>	<u>110,839,306</u>	<u>196,585,856</u>
Total assets	<u>135,431,742</u>	<u>158,949,918</u>	<u>294,381,660</u>
Deferred outflows of resources			
Deferred charge on defeasance	<u>-</u>	<u>596,259</u>	<u>596,259</u>
Total assets and deferred outflows of resources	<u>135,431,742</u>	<u>159,546,177</u>	<u>294,977,919</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 2,098,157	\$ 2,292,197	\$ 4,390,354
Accrued and other liabilities	1,188,197	57,641	1,245,838
Due to other units of government	3,315	-	3,315
Accrued interest	32,980	-	32,980
Deposits	83,989	160,138	244,127
Unearned revenue	111,798	22,600	134,398
Accrued interest	-	59,372	59,372
Guarantee deposits	-	67,975	67,975
Noncurrent liabilities			
Due within one year	3,011,115	1,741,596	4,752,711
Due in more than one year	17,656,516	16,423,465	34,079,981
Total liabilities	<u>24,186,067</u>	<u>20,824,984</u>	<u>45,011,051</u>
Net position			
Net investment in capital assets	89,585,040	101,563,419	191,148,459
Restricted (expendable) for:			
Major street	4,844,877	-	4,844,877
Local street	3,367,335	-	3,367,335
Center city authority	30,510	-	30,510
Grace A. Dow memorial library	258,256	-	258,256
Downtown development authority	830,471	-	830,471
Community development block grant	1,300,201	-	1,300,201
Midland housing	186,587	-	186,587
Special activities	111,048	-	111,048
Cemetery operations	1,935,329	-	1,935,329
Debt service	-	3,430,307	3,430,307
Emergency repair	-	25,000	25,000
Unrestricted	<u>8,796,021</u>	<u>33,702,467</u>	<u>42,498,488</u>
Total net position	<u>\$ 111,245,675</u>	<u>\$ 138,721,193</u>	<u>\$ 249,966,868</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Functions/Programs						
Primary government						
Governmental activities						
General government	\$ 4,053,402	\$ -	\$ -	\$ -	\$ (4,053,402)	\$ (4,053,402)
Public safety	15,596,565	118,052	206,299	706,000	(14,566,214)	(14,566,214)
Public works	9,188,965	1,041,080	3,951,394	1,350,000	(2,846,491)	(2,846,491)
Sanitation	3,017,452	33,345	-	-	(2,984,107)	(2,984,107)
Community and economic development	991,057	233,717	1,505,500	-	748,160	748,160
Parks and recreation	4,715,868	410,641	32,784	50,000	(4,222,443)	(4,222,443)
Library and community television	4,860,097	1,365,146	141,379	-	(3,353,572)	(3,353,572)
Airport	421,280	269,631	-	-	(151,649)	(151,649)
Transportation	1,836,649	144,588	1,070,300	198,230	(423,531)	(423,531)
Property tax appeals	317,798	-	-	-	(317,798)	(317,798)
Interest on long-term debt	586,291	-	-	-	(586,291)	(586,291)
Total governmental activities	<u>45,585,424</u>	<u>3,616,200</u>	<u>6,907,656</u>	<u>2,304,230</u>	<u>(32,757,338)</u>	<u>(32,757,338)</u>
Business-type activities						
Water	10,386,355	11,443,379	-	452,376	-	1,509,400
Wastewater	6,138,203	5,825,941	-	385,330	-	73,068
Sanitary Landfill	3,433,632	2,909,098	-	-	-	(524,534)
Civic Arena	1,361,963	1,089,590	-	141,350	-	(131,023)
Senior Housing	3,876,271	3,442,328	122	480,576	-	46,755
Currie Municipal Golf Course	1,332,856	827,043	-	-	-	(505,813)
Parking	199,738	94,111	-	-	-	(105,627)
Total business-type activities	<u>26,729,018</u>	<u>25,631,490</u>	<u>122</u>	<u>1,459,632</u>	<u>-</u>	<u>362,226</u>
Total primary government	<u>\$ 72,314,442</u>	<u>\$ 29,247,690</u>	<u>\$ 6,907,778</u>	<u>\$ 3,763,862</u>	<u>(32,757,338)</u>	<u>362,226</u>
General revenues						
Property taxes, levied for general purposes				29,114,778	-	29,114,778
Property taxes, levied for Center City Authority				9,127	-	9,127
Property taxes, levied for library				2,271,366	-	2,271,366
Property taxes, levied for Downtown Development Authority				495,358	-	495,358
Property taxes, levied for debt service				679,864	-	679,864
Property taxes, levied for pension savings				2,738,592	-	2,738,592
Other tax related revenue				2,289,586	-	2,289,586
State shared revenue, unrestricted				3,343,960	-	3,343,960
Unrestricted investment earnings				48,014	211,321	259,335
Gain on sale of capital assets				271,934	25,200	297,134
Miscellaneous				728,404	346,078	1,074,482
Transfers				(1,783,790)	1,783,790	-
Total general revenues and transfers				<u>40,207,193</u>	<u>2,366,389</u>	<u>42,573,582</u>
Change in net position				7,449,855	2,728,615	10,178,470
Net position - beginning of year				<u>103,795,820</u>	<u>135,992,578</u>	<u>239,788,398</u>
Net position - end of year				<u>\$ 111,245,675</u>	<u>\$ 138,721,193</u>	<u>\$ 249,966,868</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Major Street Fund	Community Development Block Grant Fund	Grace A. Dow Memorial Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 11,293,634	\$ 5,404,444	\$ -	\$ 363,383	\$ 8,576,730	\$ 25,638,191
Receivables - net of allowances for uncollectibles:						
Taxes	5,587	-	-	430	124	6,141
Trust deeds	47,222	-	1,197,280	-	-	1,244,502
Customers	-	-	-	-	249,769	249,769
Accounts and contracts	293,882	7,045	-	-	472,830	773,757
Accrued interest	4,607	1,332	-	344	2,239	8,522
Due from other units of government	572,574	492,883	65,770	-	437,617	1,568,844
Due from other funds	-	-	112,983	-	-	112,983
Inventories	64,935	-	-	-	38,948	103,883
Prepaid items	19,119	-	-	-	-	19,119
Assets held for resale	-	225,000	-	-	-	225,000
Total assets	\$ 12,301,560	\$ 6,130,704	\$ 1,376,033	\$ 364,157	\$ 9,778,257	\$ 29,950,711
Liabilities						
Accounts payable	\$ 392,499	\$ 218,117	\$ 75,832	\$ 103,679	\$ 647,931	\$ 1,438,058
Due to other funds	-	-	-	-	112,983	112,983
Due to other units of government	3,315	-	-	-	-	3,315
Deposits	51,337	-	-	2,222	30,430	83,989
Unearned revenue	111,798	-	-	-	-	111,798
Total liabilities	558,949	218,117	75,832	105,901	791,344	1,750,143
Deferred inflows of resources						
Grants	-	-	-	-	340,182	340,182
Customers	-	-	-	-	213,567	213,567
Trust deeds	-	-	1,197,280	-	-	1,197,280
State shared revenue	571,604	-	-	-	-	571,604
Total deferred inflows of resources	571,604	-	1,197,280	-	553,749	2,322,633
Total liabilities and deferred inflows of resources	1,130,553	218,117	1,273,112	105,901	1,345,093	4,072,776

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Balance Sheet
June 30, 2014

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Grace A. Dow Memorial Library Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances						
Non-spendable						
Inventories	\$ 64,935	\$ -	\$ -	\$ -	\$ 38,948	\$ 103,883
Prepaid items	19,119	-	-	-	-	19,119
Trust deeds	47,222	-	-	-	-	47,222
Assets held for resale	-	225,000	-	-	-	225,000
Restricted for						
Major street	-	4,619,877	-	-	-	4,619,877
Local street	-	-	-	-	3,367,335	3,367,335
City center authority	-	-	-	-	30,510	30,510
Grace A. Dow memorial library	-	-	-	258,256	-	258,256
Downtown development authority	-	-	-	-	830,471	830,471
Community development block grant	-	-	102,921	-	-	102,921
Midland Housing	-	-	-	-	147,639	147,639
Special activities	-	-	-	-	111,048	111,048
Permanent fund - cemetery activities	-	-	-	-	1,935,329	1,935,329
Committed						
Contingencies	1,500,000	-	-	-	-	1,500,000
Future year expenditures	2,570,246	1,067,710	-	-	737,863	4,375,819
Assigned	1,587,549	-	-	-	1,529,650	3,117,199
Unassigned (deficit)	5,381,936	-	-	-	(295,629)	5,086,307
Total fund balances	<u>11,171,007</u>	<u>5,912,587</u>	<u>102,921</u>	<u>258,256</u>	<u>8,433,164</u>	<u>25,877,935</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,301,560</u>	<u>\$ 6,130,704</u>	<u>\$ 1,376,033</u>	<u>\$ 364,157</u>	<u>\$ 9,778,257</u>	<u>\$ 29,950,711</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2014

Total fund balances for governmental funds	\$ 25,877,935
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.	69,721,011
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	8,936,147
Investment in joint ventures are not financial resources and therefore are not reported in the governmental funds.	914,821
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	2,322,633
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(116,434)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(11,812,657)
Compensated absences	(3,363,582)
Internal service funds are included as part of governmental activities.	<u>18,765,801</u>
Net position of governmental activities	<u>\$ 111,245,675</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	General Fund	Major Street Fund	Community Development Block Grant Fund	Grace A. Dow Memorial Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 31,853,370	\$ 2,289,586	\$ -	\$ 2,271,366	\$ 1,184,349	\$ 37,598,671
Licenses and permits	514,354	81,778	-	-	109,714	705,846
Federal grants	10,135	-	249,320	-	252,923	512,378
State revenue sharing	3,323,642	-	-	-	-	3,323,642
Other state grants	44,178	3,006,301	-	41,565	1,667,233	4,759,277
Local contributions	851,882	1,211,939	-	73,150	217,831	2,354,802
Charges for services	2,123,179	181,893	-	637,624	839,203	3,781,899
Use and admission charges	304,482	-	-	-	-	304,482
Interest income	30,311	5,940	-	3,085	11,105	50,441
Rental income	92,266	-	-	-	-	92,266
Other revenue	1,123,768	15,469	40,095	5,345	34,516	1,219,193
Total revenues	<u>40,271,567</u>	<u>6,792,906</u>	<u>289,415</u>	<u>3,032,135</u>	<u>4,316,874</u>	<u>54,702,897</u>
Expenditures						
Current						
General government	5,812,138	-	-	-	-	5,812,138
Public safety	15,914,798	-	-	-	28,110	15,942,908
Public works	2,393,562	1,760,451	-	-	1,706,299	5,860,312
Sanitation	3,116,963	-	-	-	-	3,116,963
Community and economic development	-	-	246,585	-	740,680	987,265
Parks and recreation	4,625,415	-	-	-	-	4,625,415
Library and community television	-	-	-	3,869,310	515,883	4,385,193
Airport	357,187	-	-	-	-	357,187
Transportation	-	-	-	-	1,776,592	1,776,592
Property tax appeals	317,798	-	-	-	-	317,798
Capital outlay	918,629	2,320,335	-	2,452,907	2,090,393	7,782,264
Debt service						
Principal retirement	-	-	-	-	1,085,000	1,085,000
Interest and fiscal charges	-	-	-	-	546,394	546,394
Total expenditures	<u>33,456,490</u>	<u>4,080,786</u>	<u>246,585</u>	<u>6,322,217</u>	<u>8,489,351</u>	<u>52,595,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,815,077</u>	<u>2,712,120</u>	<u>42,830</u>	<u>(3,290,082)</u>	<u>(4,172,477)</u>	<u>2,107,468</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Grace A. Dow Memorial Library Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses)						
Proceeds from sale of capital assets	\$ 50,114	\$ -	\$ -	\$ -	\$ 242,152	\$ 292,266
Transfers in	52,803	-	-	659,660	4,734,654	5,447,117
Transfers out	<u>(4,732,064)</u>	<u>(1,733,234)</u>	<u>(40,442)</u>	<u>-</u>	<u>(1,040,639)</u>	<u>(7,546,379)</u>
Total other financing sources (uses)	<u>(4,629,147)</u>	<u>(1,733,234)</u>	<u>(40,442)</u>	<u>659,660</u>	<u>3,936,167</u>	<u>(1,806,996)</u>
Net change in fund balance	2,185,930	978,886	2,388	(2,630,422)	(236,310)	300,472
Fund balance - beginning of year	<u>8,985,077</u>	<u>4,933,701</u>	<u>100,533</u>	<u>2,888,678</u>	<u>8,669,474</u>	<u>25,577,463</u>
Fund balance - end of year	<u>\$ 11,171,007</u>	<u>\$ 5,912,587</u>	<u>\$ 102,921</u>	<u>\$ 258,256</u>	<u>\$ 8,433,164</u>	<u>\$ 25,877,935</u>

See Accompanying Notes to 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, 2014

Net change in fund balances - Total governmental funds	\$	300,472
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		(4,706,535)
Capital outlay		7,567,154
Loss on disposal of capital assets		(20,332)
Investment in joint ventures are not financial resources and therefore are not shown in the fund - based statements		536,350
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
State shared revenue		20,318
Customers		213,567
Grants		334,678
Trust deeds		1,197,280
Expenses are recorded when incurred in the statement of activities.		
Accrued interest		(25,747)
Compensated absences		(115,049)
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		1,085,000
Amortization of premiums, discounts and similar items		(14,150)
Internal service funds are also included as governmental activities		1,076,849
Change in net position of governmental activities	\$	7,449,855

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2014

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Assets							
Current assets							
Cash and cash equivalents	\$ 5,931,751	\$ 1,838,129	\$ 6,180,230	\$ 1,100	\$ 3,224,667	\$ 17,175,877	\$ 16,528,150
Investments	-	-	-	-	399,844	399,844	-
Receivables - net of allowances for uncollectibles:							
Customers	1,755,723	997,931	331,340	43,246	19,773	3,148,013	185,783
Special assessments, current	4,348	8,762	-	-	-	13,110	65,940
Accounts and contracts	10,792	21,561	-	-	16,528	48,881	42,614
Accrued interest	1,497	792	1,607	-	735	4,631	3,702
Due from other funds	-	-	21,047	-	-	21,047	-
Inventories	543,018	-	-	29,171	39,888	612,077	716,070
Prepaid items	-	-	-	-	8,844	8,844	135,364
Restricted assets							
Cash and cash equivalents	-	1,179,372	-	-	-	1,179,372	-
Total current assets	<u>8,247,129</u>	<u>4,046,547</u>	<u>6,534,224</u>	<u>73,517</u>	<u>3,710,279</u>	<u>22,611,696</u>	<u>17,677,623</u>
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	92,975	-	2,182,960	-	-	2,275,935	-
Special assessments receivable	-	-	-	-	-	-	420,965
Advances to other funds	-	-	351,436	-	-	351,436	-
Capital assets not being depreciated	330,810	186,046	1,699,820	-	1,385,241	3,601,917	55,000
Capital assets, net of accumulated depreciation	37,528,977	39,828,237	9,664,701	7,639,738	16,177,653	110,839,306	16,025,539
Investment in joint venture	11,485,019	-	-	-	-	11,485,019	-
Total noncurrent assets	<u>49,437,781</u>	<u>40,014,283</u>	<u>13,898,917</u>	<u>7,639,738</u>	<u>17,562,894</u>	<u>128,553,613</u>	<u>16,501,504</u>
Total assets	<u>57,684,910</u>	<u>44,060,830</u>	<u>20,433,141</u>	<u>7,713,255</u>	<u>21,273,173</u>	<u>151,165,309</u>	<u>34,179,127</u>
Deferred outflows of resources							
Deferred charge on defeasance	-	288,174	-	308,085	-	596,259	-
Total assets and deferred outflows of resources	<u>57,684,910</u>	<u>44,349,004</u>	<u>20,433,141</u>	<u>8,021,340</u>	<u>21,273,173</u>	<u>151,761,568</u>	<u>34,179,127</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2014

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Liabilities							
Current liabilities							
Accounts payable	\$ 329,691	\$ 57,014	\$ 151,971	\$ 153,771	\$ 1,599,750	\$ 2,292,197	\$ 660,099
Accrued and other liabilities	-	-	-	19,531	38,110	57,641	-
Due to other funds	-	-	-	-	-	-	21,047
Deposits	48,568	-	-	451	111,119	160,138	-
Unearned revenue	10,860	162	-	-	11,578	22,600	-
Accrued interest	-	59,372	-	-	-	59,372	32,980
Guarantee deposits	67,975	-	-	-	-	67,975	-
Estimated healthcare claims	-	-	-	-	-	-	1,071,763
Total current liabilities	<u>457,094</u>	<u>116,548</u>	<u>151,971</u>	<u>173,753</u>	<u>1,760,557</u>	<u>2,659,923</u>	<u>1,785,889</u>
Noncurrent liabilities							
Current portion of noncurrent liabilities	156,451	1,240,284	63,159	233,052	48,650	1,741,596	325,479
Advances from other funds	-	-	-	-	-	-	351,436
Long-term debt net of current portion	238,969	8,000,545	104,327	4,226,339	63,285	12,633,465	5,165,913
Accrued landfill closure and postclosure care costs	-	-	3,790,000	-	-	3,790,000	-
Total noncurrent liabilities	<u>395,420</u>	<u>9,240,829</u>	<u>3,957,486</u>	<u>4,459,391</u>	<u>111,935</u>	<u>18,165,061</u>	<u>5,842,828</u>
Total liabilities	<u>852,514</u>	<u>9,357,377</u>	<u>4,109,457</u>	<u>4,633,144</u>	<u>1,872,492</u>	<u>20,824,984</u>	<u>7,628,717</u>
Net position							
Net investment in capital assets	37,859,787	31,268,394	11,364,521	3,507,823	17,562,894	101,563,419	10,800,539
Restricted for:							
Debt service	67,975	1,179,372	2,182,960	-	-	3,430,307	-
Emergency repair	25,000	-	-	-	-	25,000	-
Unrestricted (deficit)	<u>18,879,634</u>	<u>2,543,861</u>	<u>2,776,203</u>	<u>(119,627)</u>	<u>1,837,787</u>	<u>25,917,858</u>	<u>15,749,871</u>
Total net position	<u>\$ 56,832,396</u>	<u>\$ 34,991,627</u>	<u>\$ 16,323,684</u>	<u>\$ 3,388,196</u>	<u>\$ 19,400,681</u>	130,936,584	<u>\$ 26,550,410</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>7,784,609</u>	
Net position of business-type activities						<u>\$ 138,721,193</u>	

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Operating revenue							
Customer fees	\$ 10,259,149	\$ 5,741,780	\$ -	\$ -	\$ -	\$ 16,000,929	\$ -
Use and admission charges	-	-	2,903,936	1,089,540	915,279	4,908,755	-
Billings to other funds	-	-	-	-	-	-	11,122,823
Rental income	387,248	-	-	-	2,550,718	2,937,966	4,029,320
Fines and forfeits	85,561	85,745	5,162	-	-	176,468	-
Sale of meals - revenue	-	-	-	-	582,149	582,149	-
Other revenue	98,418	100,268	37,928	9,124	328,287	574,025	2,214,018
Total operating revenue	10,830,376	5,927,793	2,947,026	1,098,664	4,376,433	25,180,292	17,366,161
Operating expenses							
Operations	3,987,108	1,269,146	2,777,228	831,961	4,578,775	13,444,218	15,317,147
Administration	1,473,795	947,753	-	-	-	2,421,548	-
Maintenance	3,470,611	1,884,603	-	40,692	121,505	5,517,411	-
Other expenses	513	65,943	5,012	1,831	1,428	74,727	-
Depreciation and amortization	1,412,873	1,595,378	584,535	344,051	682,965	4,619,802	2,157,479
Total operating expenses	10,344,900	5,762,823	3,366,775	1,218,535	5,384,673	26,077,706	17,474,626
Operating income (loss)	485,476	164,970	(419,749)	(119,871)	(1,008,240)	(897,414)	(108,465)
Nonoperating revenue (expenses)							
Interest income	6,996	4,291	38,483	-	161,845	211,615	34,442
Contractual revenues	796,982	-	-	-	-	796,982	-
Gain (loss) on disposition of assets	(49,098)	-	25,200	-	(12,439)	(36,337)	171,792
Other revenue	-	-	-	-	122	122	-
Interest expense	-	(358,650)	-	(142,349)	-	(500,999)	-
Total nonoperating revenues (expenses)	754,880	(354,359)	63,683	(142,349)	149,528	471,383	206,234
Income (loss) before contributions and transfers	1,240,356	(189,389)	(356,066)	(262,220)	(858,712)	(426,031)	97,769

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	<u>Water</u>	<u>Wastewater</u>	<u>Sanitary Landfill</u>	<u>Civic Arena</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Capital contributions	\$ 452,376	\$ 385,330	\$ -	\$ 141,350	\$ 480,576	\$ 1,459,632	\$ 574,832
Transfers in	-	870,424	-	425,000	654,223	1,949,647	406,406
Transfers out	<u>(75,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(40,857)</u>	<u>(165,857)</u>	<u>(90,934)</u>
Change in net position	1,617,732	1,016,365	(356,066)	304,130	235,230	2,817,391	988,073
Net position - beginning of year	<u>55,214,664</u>	<u>33,975,262</u>	<u>16,679,750</u>	<u>3,084,066</u>	<u>19,165,451</u>	<u>128,119,193</u>	<u>25,562,337</u>
Net position - end of year	<u>\$ 56,832,396</u>	<u>\$ 34,991,627</u>	<u>\$ 16,323,684</u>	<u>\$ 3,388,196</u>	<u>\$ 19,400,681</u>		<u>\$ 26,550,410</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>(88,776)</u>	
Change in net position of business-type activities						<u>\$ 2,728,615</u>	

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2014

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities							
Receipts from customers	\$ 10,721,092	\$ 5,881,971	\$ 2,979,582	\$ 1,088,971	\$ 4,356,541	\$ 25,028,157	\$ 6,331,323
Receipts from other funds	-	-	-	-	-	-	11,120,514
Payments to suppliers	(5,768,513)	(2,459,583)	(1,428,851)	(934,611)	(2,415,146)	(13,006,704)	(13,183,873)
Payments to employees	(3,913,706)	(2,037,245)	(1,193,939)	(272,704)	(2,079,330)	(9,496,924)	(2,565,283)
Net cash provided (used) by operating activities	<u>1,038,873</u>	<u>1,385,143</u>	<u>356,792</u>	<u>(118,344)</u>	<u>(137,935)</u>	<u>2,524,529</u>	<u>1,702,681</u>
Cash flows from noncapital financing activities							
Transfer from other funds	-	870,424	-	425,000	654,223	1,949,647	406,406
Transfers to other funds	(75,000)	(50,000)	-	-	(40,857)	(165,857)	(90,934)
Advances from other funds	-	-	21,048	-	-	21,048	(21,048)
Nonoperating (expenses) revenues	-	-	-	-	122	122	692
Net cash provided (used) by noncapital financing activities	<u>(75,000)</u>	<u>820,424</u>	<u>21,048</u>	<u>425,000</u>	<u>613,488</u>	<u>1,804,960</u>	<u>295,116</u>
Cash flows from capital and related financing activities							
Capital contributions	452,376	385,330	-	141,350	480,576	1,459,632	574,832
Purchases/construction of capital assets	(1,995,329)	(1,086,233)	(843,465)	(104,265)	(85,890)	(4,115,182)	(2,017,556)
Principal and interest paid on long-term debt	-	(1,402,482)	-	(343,741)	-	(1,746,223)	-
Contractual revenues	796,982	-	-	-	-	796,982	-
Proceeds from sale of capital assets	-	-	25,200	-	-	25,200	181,469
Net cash provided (used) by capital and related financing activities	<u>(745,971)</u>	<u>(2,103,385)</u>	<u>(818,265)</u>	<u>(306,656)</u>	<u>394,686</u>	<u>(3,579,591)</u>	<u>(1,261,255)</u>
Cash flows from investing activities							
Interest received	6,996	4,291	38,483	-	11,962	61,732	34,442
Net change in cash and cash equivalents	224,898	106,473	(401,942)	-	882,201	811,630	770,984
Cash and cash equivalents - beginning of year	<u>5,706,853</u>	<u>1,731,656</u>	<u>6,582,172</u>	<u>1,100</u>	<u>2,342,466</u>	<u>16,364,247</u>	<u>15,757,166</u>
Cash and cash equivalents - end of year	<u>\$ 5,931,751</u>	<u>\$ 1,838,129</u>	<u>\$ 6,180,230</u>	<u>\$ 1,100</u>	<u>\$ 3,224,667</u>	<u>\$ 17,175,877</u>	<u>\$ 16,528,150</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2014

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Cash and equivalents reported on Statement of Net Position as follows							
Cash and cash equivalents	\$ 5,931,751	\$ 1,838,129	\$ 6,180,230	\$ 1,100	\$ 3,224,667	\$ 17,175,877	\$ 16,528,150
Cash and cash equivalents - restricted current	-	1,179,372	-	-	-	1,179,372	-
Cash and cash equivalents - restricted noncurrent	92,975	-	2,182,960	-	-	2,275,935	-
Net cash and equivalents	<u>\$ 6,024,726</u>	<u>\$ 3,017,501</u>	<u>\$ 8,363,190</u>	<u>\$ 1,100</u>	<u>\$ 3,224,667</u>	<u>\$ 20,631,184</u>	<u>\$ 16,528,150</u>
Noncash investing activities - changes in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,883</u>	<u>\$ 149,883</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ 485,476	\$ 164,970	\$ (419,749)	\$ (119,871)	\$ (1,008,240)	\$ (897,414)	\$ (108,465)
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	1,412,873	1,595,378	584,535	344,051	682,965	4,619,802	2,157,479
Loss on investment in joint venture	(650,790)	-	-	-	-	(650,790)	-
Changes in assets and liabilities							
Restricted cash	(1,870)	(28,219)	(28,130)	-	-	(58,219)	-
Receivables (net)	(109,284)	(45,822)	32,660	(9,693)	(19,892)	(152,031)	85,572
Due from other funds	-	-	(104)	-	-	(104)	-
Inventories	1,503	-	-	19,719	31,425	52,647	(42,971)
Prepaid items	-	-	-	-	(8,844)	(8,844)	425,568
Accounts payable	(168,878)	(309,320)	82,163	(353,964)	204,199	(545,800)	(754,059)
Accrued and other liabilities	24,177	7,994	4,417	1,401	(27,468)	10,521	(60,547)
Deposits	34,806	-	-	13	65,319	100,138	-
Due to other funds	-	-	-	-	-	-	104
Accrued landfill closure costs	-	-	101,000	-	-	101,000	-
Unearned revenue	10,860	162	-	-	(57,399)	(46,377)	-
Net cash provided (used) by operating activities	<u>\$ 1,038,873</u>	<u>\$ 1,385,143</u>	<u>\$ 356,792</u>	<u>\$ (118,344)</u>	<u>\$ (137,935)</u>	<u>\$ 2,524,529</u>	<u>\$ 1,702,681</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Fiduciary Funds
Statement of Net Position
June 30, 2014

	<u>Police and Fire Retirement Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 1,583,640	\$ 1,932,363
Investments		
Common stock	29,289,898	-
Preferred stock	1,754,765	-
Bonds	15,813,888	-
International funds	9,261,172	-
Alternative investments	3,120,404	-
Receivables - net of allowances for uncollectibles:		
Accounts and contracts	-	4,571
Accrued interest and other	81,747	15
Prepays	-	95,277
	<u>60,905,514</u>	<u>\$ 2,032,226</u>
Liabilities		
Accrued and other liabilities	-	\$ 1,791,041
Due to foundations	-	55,402
Due to other units of government	-	185,783
	<u>-</u>	<u>\$ 2,032,226</u>
Net position		
Net position restricted for pensions	<u>\$ 60,905,514</u>	

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Fiduciary Funds
Statement of Changes in Net Position
For the Year Ended June 30, 2014

	<u>Police and Fire Retirement Trust Fund</u>
Additions	
Contributions	
Employer	\$ 2,572,418
Plan members	<u>552,073</u>
Total contributions	<u>3,124,491</u>
Investment earnings	
Net gain on fair value of investments	7,993,142
Interest	358,897
Dividends	<u>683,545</u>
Total investment earnings	9,035,584
Less investment expense	<u>(404,826)</u>
Net investment earnings	8,630,758
Other revenue	<u>1,782</u>
Total additions	<u>11,757,031</u>
Deductions	
Benefits paid	<u>4,835,685</u>
Change in net position	6,921,346
Net position restricted for pensions - beginning of year	<u>53,984,168</u>
Net positions restricted for pensions - end of year	<u>\$ 60,905,514</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Notes to Financial Statements
June 30, 2014

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 Financial Statements
June 30, 2014

A summary of the financial information for the year ended June 30, 2014 follows:

Total assets and deferred outflows of resources	\$ 39,283,432
Total liabilities	14,590,642
Equity - City of Midland	11,485,019
Equity - City of Saginaw	13,207,771
Total revenues	5,809,214
Total expenses	4,410,015
Net income	1,399,199

At June 30, 2014, total outstanding bonded debt of the SMMWSC was \$12,695,000. The City was obligated for \$5,904,651 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.

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 changes in net position) 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 Financial Statements
June 30, 2014

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 government 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 government.

The City reports the following major governmental funds:

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

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

The 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.

The 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

The City reports the following major proprietary funds:

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

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.

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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.

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.

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 trust, 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:

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.

Additionally, The City reports the following internal service funds:

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

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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 government. 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.

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 government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, 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 \$128,200. The property tax receivable allowance at June 30, 2014 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.

The 2013 taxable valuation of the City totaled \$2,325,703,249 on which ad valorem taxes consisted of 12.58 mills for the City's operating purposes, 1.0 mills for Library services, 1.22 for pension savings, and .28 mills for debt levies. This resulted in \$28,935,324 for operating expenses, \$2,320,794 for the Library, \$2,835,758 for pension savings, and \$649,788 for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

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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 fair market 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.

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.

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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.

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.

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 for Financial Services 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, 2014 for the following purposes:

General Fund Encumbrances	\$ 1,587,549
Stormwater Management	470,344
Midland Community Television	1,059,306
	\$ 3,117,199

Unassigned – all other resources; 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.

City of Midland, Michigan
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Encumbrances

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

General	\$ 1,587,549
Major Street	1,858,845
Grace A. Dow Memorial Library	258,256
Nonmajor Governmental	1,617,880

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 these estimates.

Comparative data

Comparative data is not included in the City's financial statements.

Subsequent events

Management has evaluated subsequent events through December 18, 2014, which is the date the financial statements were available to be issued.

Adoption of new accounting standards

Statement 67, replaces the requirements of Statements 25 and 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements 25 and 50 remain applicable for pensions that are not administered through trust or equivalent arrangements. Statement 67 changed how public employee pension plans calculate and report their total pension liability. Statement 67 was effective for the year ended June 30, 2014

Statement 70, addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is "more likely than not" that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. Statement 70 was effective for the year ended June 30, 2014.

Upcoming adoption of new accounting standards

The Governmental Accounting Standards Board has issued *Statement 68 Accounting and Financial Reporting for Pensions*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 68 is effective for the year ending June 30, 2015.

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The Governmental Accounting Standards Board has also issued *Statement 69, Government Combinations and Disposals of Government Operations, and Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

Statement 71, improves accounting and financial reporting by addressing an issue in Statement 68, *Accounting and Financial Reporting of Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. Statement 71 should be applied simultaneously with the provisions of Statement 68.

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, 2013	\$ (540,503)
Current year building permit revenue	421,698
Related expenses:	
Direct costs	\$ 442,656
Estimated indirect costs	<u>26,559</u>
Total construction code expenses	<u>469,215</u>
Cumulative shortfall at June 30, 2014	<u><u>\$ (588,020)</u></u>

Budgetary information

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). 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

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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.

Deficit net position

The City has accumulated unassigned and unrestricted net position deficits in the Currie Municipal Golf Course Fund, Civic Arena Fund, and Dial-A-Ride Fund. Deficit elimination plans are on file with the Michigan Department of Treasury for the Curried Municipal Golf Course Fund and the Civic Arena Fund, and the Dial-A-Ride Fund deficit is a result of problems in the Federal Transit Administration's (FTA) accounting system which delayed reimbursement. Funding to cover the deficit was received from the FTA after the 60-day availability measure cutoff.

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.

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

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 \$49,280,364 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
Commercial Paper	\$ 10,821,490	0.314
Corporate Bonds	12,146,084	7.790
FHLM	419,442	2.689
FNMA	622,627	29.551
Municipal Obligation	1,668,659	2.504
U.S. Treasury Notes	2,833,150	2.907

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 year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Organization
Commercial Paper	\$ 10,821,490	A1	S & P
Corporate bonds	754,385	A	S & P
Corporate bonds	2,613,686	A-	S & P
Corporate bonds	772,606	A+	S & P
Corporate bonds		AA	S & P
Corporate bonds	179,981	AA-	S & P
Corporate bonds	361,512	AA+	S & P
Corporate bonds	583,682	AAA	S & P
Corporate bonds	41,760	B	S & P
Corporate bonds	82,185	B-	S & P
Corporate bonds	609,127	B+	S & P
Corporate bonds	370,085	BB+	S & P
Corporate bonds	2,855,497	BBB	S & P
Corporate bonds	589,903	BBB-	S & P
Corporate bonds	1,555,622	BBB+	S & P
Corporate bonds	776,014	N / A	N / A
FHLM	419,442	AA+	S & P
FNMA	622,627	N / A	N / A
Money market funds	951,859	N / A	N / A
Municipal obligation	362,725	AA	S & P
Municipal obligation	218,422	AA-	S & P
Municipal obligation	343,229	AA+	S & P
Municipal obligation	16,041	AAA	S & P
Municipal obligation	583,882	N / A	N / A
Mutual funds	2,675,677	N / A	N / A
Pooled funds	274,741	N / A	N / A

City of Midland, Michigan
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NOTE 4 - RECEIVABLES

The only receivables not expected to be collected within one year are as follows:

	Due After One Year
Primary government	
Special assessments	\$ <u>420,965</u>

The receivables are included in the Special Assessment Revolving Fund.

NOTE 5 - UNEARNED REVENUE

Governmental activities report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue are as follows:

Primary Government	
Grants	\$ 111,798
Utility overpayments	11,022
Other revenue	<u>11,578</u>
Total	<u>\$ 134,398</u>

NOTE 6 - CAPITAL ASSETS

Capital assets activity of the City for the year ended June 30, 2014 was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 5,408,374	\$ -	\$ 70,587	\$ 1,653	\$ 5,477,308
Construction in progress	<u>1,619,491</u>	<u>-</u>	<u>7,079,220</u>	<u>5,184,872</u>	<u>3,513,839</u>
Total capital assets not being depreciated	<u>7,027,865</u>	<u>-</u>	<u>7,149,807</u>	<u>5,186,525</u>	<u>8,991,147</u>
Capital assets being depreciated					
Major and local roads	69,550,734	-	1,829,804	-	71,380,538
Sidewalks	5,625,435	-	50,000	-	5,675,435
Buildings	30,274,738	-	2,610,295	4,711	32,880,322
Land improvements	25,696,794	-	293,483	-	25,990,277
Library circulation materials	4,571,808	-	-	-	4,571,808
Equipment	15,430,722	-	1,055,621	1,018,275	15,468,068
Vehicles	<u>15,411,518</u>	<u>-</u>	<u>1,780,573</u>	<u>1,078,895</u>	<u>16,113,196</u>
Total capital assets being depreciated	<u>166,561,749</u>	<u>-</u>	<u>7,619,776</u>	<u>2,101,881</u>	<u>172,079,644</u>
Less accumulated depreciation for					
Major and local roads	35,020,707	-	2,767,626	-	37,788,333
Sidewalks	3,105,362	-	216,445	-	3,321,807
Buildings	13,094,630	-	641,272	3,235	13,732,667
Land improvements	7,714,398	(46,236)	539,000	-	8,207,162
Library circulation materials	3,856,708	-	274,804	-	4,131,512
Equipment	9,093,439	51,737	1,116,054	1,015,005	9,246,225
Vehicles	<u>9,656,669</u>	<u>(5,501)</u>	<u>1,308,813</u>	<u>1,054,593</u>	<u>9,905,388</u>
Total accumulated depreciation	<u>81,541,913</u>	<u>-</u>	<u>6,864,014</u>	<u>2,072,833</u>	<u>86,333,094</u>
Net capital assets being depreciated	<u>85,019,836</u>	<u>-</u>	<u>755,762</u>	<u>29,048</u>	<u>85,746,550</u>
Governmental activities capital assets, net	<u>\$ 92,047,701</u>	<u>\$ -</u>	<u>\$ 7,905,569</u>	<u>\$ 5,215,573</u>	<u>\$ 94,737,697</u>

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	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	\$ 2,793,794	\$ (16,000)	\$ -	\$ -	\$ 2,777,794
Construction in progress	<u>1,112,310</u>	<u>-</u>	<u>2,649,676</u>	<u>2,937,863</u>	<u>824,123</u>
Total capital assets not being depreciated	<u>3,906,104</u>	<u>(16,000)</u>	<u>2,649,676</u>	<u>2,937,863</u>	<u>3,601,917</u>
Capital assets being depreciated					
Water and sewer lines	89,111,265	-	2,680,298	8,300	91,783,263
Building and building improvements	84,276,809	16,000	742,511	41,820	84,993,500
Land improvements	8,403,534	-	644,462	-	9,047,996
Landfill improvements	12,897,891	-	201,437	-	13,099,328
Equipment	9,054,362	-	134,621	865,146	8,323,837
Vehicles	<u>2,030,452</u>	<u>-</u>	<u>-</u>	<u>70,240</u>	<u>1,960,212</u>
Total capital assets being depreciated	<u>205,774,313</u>	<u>16,000</u>	<u>4,403,329</u>	<u>985,506</u>	<u>209,208,136</u>
Less accumulated depreciation for					
Water and sewer lines	36,301,773	-	1,747,926	2,650	38,047,049
Building and building improvements	40,543,641	-	1,795,778	15,617	42,323,802
Land improvements	2,084,158	-	162,078	-	2,246,236
Landfill improvements	8,787,818	-	228,336	-	9,016,154
Equipment	5,694,671	-	561,419	835,339	5,420,751
Vehicles	<u>1,260,813</u>	<u>-</u>	<u>124,265</u>	<u>70,240</u>	<u>1,314,838</u>
Total accumulated depreciation	<u>94,672,874</u>	<u>-</u>	<u>4,619,802</u>	<u>923,846</u>	<u>98,368,830</u>
Net capital assets being depreciated	<u>111,101,439</u>	<u>16,000</u>	<u>(216,473)</u>	<u>61,660</u>	<u>110,839,306</u>
Business-type capital assets, net	<u>\$ 115,007,543</u>	<u>\$ -</u>	<u>\$ 2,433,203</u>	<u>\$ 2,999,523</u>	<u>\$ 114,441,223</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 198,979
Public safety	426,231
Public works	4,882,548
Sanitation	214,200
Parks and recreation	465,175
Library	442,950
Airport	76,172
Transportation	141,820
Other functions	<u>15,939</u>

Total governmental activities

\$ 6,864,014

Business-type activities:

Civic Arena	\$ 344,051
Landfill	584,535
Senior Housing	461,710
Golf course	184,276
Parking system	36,980
Wastewater	1,595,377
Water	<u>1,412,873</u>

Total business-type activities

\$ 4,619,802

City of Midland, Michigan
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NOTE 7 - CONSTRUCTION COMMITMENTS

The City had active construction projects as of June 30, 2014. The projects included sidewalk, streets, landfill, renewable energy, 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	\$ 379,039	\$ 38,510
Street projects	2,810,496	1,489,352
Storm projects	118,671	94,562
Library projects	2,558,180	11,749
Wastewater projects	46,763	524,220
Water projects	<u>264,682</u>	<u>194,788</u>
Total	<u>\$ 6,177,831</u>	<u>\$ 2,353,181</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFER

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sanitary Landfill	Renewable Energy Services	\$ 21,047
Community Development Block Grant	Midland Housing	<u>112,983</u>
		<u>\$ 134,030</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	Renewable Energy Services	<u>\$ 351,436</u>

Payments of \$20,910 including interest at .5% are due annually for the advance between the Sanitary Landfill Fund and Renewable Energy Services Fund. Future principal payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 21,047
2016	21,153
2017	21,258
2018	21,365
2019	21,472
2020-2024	108,979
2025-2029	111,731
2030-2031	<u>45,478</u>
	<u>\$ 372,483</u>

City of Midland, Michigan
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The detail for interfund transfers is as follows:

	Transfers Out													Total
	General	Major Street Fund	CDBG	Local Street Fund	Special Activities	DDA Fund	Debt Service Fund	Riverside Place Fund	Currie Golf Course Fund	Wastewater Fund	Water Fund	Municipal Service Center Fund	Special Assessment Revolving Fund	
Transfers in:														
General Fund	\$ -	\$ -	\$ 2,719	\$ -	\$ 9,699	\$ -	\$ -	\$ -	\$ 22,385	\$ -	\$ -	\$ -	\$ 18,000	\$ 52,803
Library	659,660	-	-	-	-	-	-	-	-	-	-	-	-	659,660
Local Street Fund	-	1,650,000	-	-	-	-	-	-	-	-	-	-	-	1,650,000
Storm Water Management Fund	510,000	83,234	-	115,516	-	-	-	-	-	-	-	-	-	708,750
Dial-a-Ride Fund	554,688	-	-	-	-	-	-	-	-	-	-	-	-	554,688
Debt Service Fund	1,821,216	-	-	-	-	-	-	-	-	-	-	-	-	1,821,216
Civic Arena Fund	425,000	-	-	-	-	-	-	-	-	-	-	-	-	425,000
Washington Woods Fund	-	-	37,723	-	-	-	10,000	-	-	-	-	-	-	47,723
Currie Golf Course Fund	540,000	-	-	-	-	-	-	-	-	-	-	-	-	540,000
Parking Fund	21,500	-	-	-	45,000	-	-	-	-	-	-	-	-	66,500
Wastewater Fund	-	-	-	-	-	870,424	-	-	-	-	-	-	-	870,424
Stores Revolving Fund	-	-	-	-	-	-	-	-	-	-	72,934	-	-	72,934
Equipment Revolving Fund	-	-	-	-	-	-	-	8,472	-	-	-	-	-	8,472
Municipal Service Center Fund	200,000	-	-	-	-	-	-	-	-	-	-	-	-	200,000
Renewable Energy Fund	-	-	-	-	-	-	-	-	-	50,000	75,000	-	-	125,000
Total	\$ 4,732,064	\$ 1,733,234	\$ 40,442	\$ 115,516	\$ 9,699	\$ 45,000	\$ 870,424	\$ 10,000	\$ 30,857	\$ 50,000	\$ 75,000	\$ 72,934	\$ 18,000	\$ 7,803,170

The transfers from the General Fund to the Stormwater Management Fund, Library Fund, Dial-A-Ride Fund, Civic Arena Fund, Currie Municipal Golf Course Fund, and Parking Fund represent the use of unrestricted resources to finance these programs, in accordance with the budgetary authorizations. The transfer from the General Fund to the Municipal Service Center Fund is for parking lot replacement.

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 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 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 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.

City of Midland, Michigan
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The transfers from the Water and Wastewater Funds to the Renewable Energy Fund were to provide operating assistance until the fund becomes self supportive in accordance with budgetary authorization. The transfers from the CDBG Fund to the General Fund and Washington Woods Fund are for grant funding as approved by HUD. The transfers from the Riverside Place Fund to the Washington Woods Fund, from the Special Assessment Revolving Loan Fund to the General Fund, and from the Special Activities Fund to the General Fund represent fund transfers in accordance with budgetary authorization. The transfers from Currie Municipal Golf Course Fund to the General Fund, from Wastewater Fund to Equipment Revolving Fund, and from Municipal Service Center Fund to Stores Revolving Fund are for the reallocation of assets and personnel.

NOTE 9 - LEASES

Operating leases

The City leases its police facility and landfill equipment under non-cancelable operating leases. Total costs for such leases were \$388,799 for the year ended June 30, 2014. 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 police facility lease, are as follows:

<u>Year ending June 30,</u>	
2015	\$ 321,343
2016	174,463
2017	180,727
2018	186,149
2019	191,733
2020 - 2014	<u>1,048,475</u>
	<u>\$ 2,102,890</u>

:

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NOTE 10 - 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
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2008 Judgment Funding Bonds	\$ 17,890,000	Sept. 2023	4.000 - 4.375%	\$1,130,000 - \$1,545,000	\$ 13,025,000	\$ -	\$ 1,085,000	\$ 11,940,000	\$ 1,130,000
2010 Renewable Energy*	6,000,000	October 2030	2.50%	\$255,000 - \$375,000	5,525,000	-	245,000	5,280,000	255,000
Bond discount - Renewable Energy					(141,493)	-	(14,150)	(127,343)	-
Total bonds payable					18,408,507	-	1,315,850	17,092,657	1,385,000
Compensated absences					3,421,472	1,690,382	1,536,880	3,574,974	1,626,115
Total governmental activities					<u>\$ 21,829,979</u>	<u>\$ 1,690,382</u>	<u>\$ 2,852,730</u>	<u>\$ 20,667,631</u>	<u>\$ 3,011,115</u>
Business-type activities									
Bonds and notes payable									
General obligation bonds									
2001 Sewer Construction - State Revolving Fund	\$ 5,130,000	May 2022	2.50%	\$260,000 - \$304,063	\$ 2,519,063	\$ -	\$ 255,000	\$ 2,264,063	\$ 260,000
2004 Civic Arena	6,500,000	May 2014	3.75%	\$175,000	175,000	-	175,000	-	-
2005 Sewer Refunding Bonds	9,480,000	May 2021	3.65 - 4.15%	\$860,000 - \$1,085,000	7,600,000	-	830,000	6,770,000	860,000
2012 Civic Arena Refunding Bonds	4,550,000	May 2030	.70 - 3.55%	\$260,000 - \$304,063	4,485,000	-	45,000	4,440,000	225,000
Total bonds payable					14,779,063	-	1,305,000	13,474,063	1,345,000
Compensated absences					921,847	438,697	459,546	900,998	396,596
Landfill closure and postclosure					3,689,000	101,000	-	3,790,000	-
Total business-type activities					<u>\$ 19,389,910</u>	<u>\$ 539,697</u>	<u>\$ 1,764,546</u>	<u>\$ 18,165,061</u>	<u>\$ 1,741,596</u>

*Recorded in internal service funds.

Compensated absences are normally liquidated by the fund in which the individual employees are budgeted.

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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.

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 August 9, 2004, the City Council approved the sale of \$6.5 million in limited tax general obligation bonds for the construction of a new civic arena. The final payment will be made in the year 2030. The total cost of the civic arena project was approximately \$10.3 million, with the balance of the funding coming primarily from area foundations. The project was completed in the fall of 2005. On June

13, 2012, General Obligation Unlimited Tax Bonds were issued to refund \$4,325,000 of the outstanding bond.

On September 13, 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.

On June 13, 2012, the City issues \$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 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, 2014, the City's general obligation debt statutory and legal debt limit amounted to \$255,859,200 and the indebtedness subject to the limitation aggregated \$30,566,720.

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

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 1,385,000	\$ 625,722	\$ 1,345,000	\$ 445,120
2016	1,435,000	574,084	1,390,000	403,147
2017	1,485,000	520,522	1,440,000	358,874
2018	1,540,000	463,510	1,485,000	311,742
2019	1,600,000	404,247	1,530,000	261,822
2020 - 2024	7,330,000	1,027,180	4,374,063	627,050
2025 - 2029	1,705,000	182,298	1,565,000	219,968
2030 - 2033	740,000	12,921	345,000	12,248
	<u>\$ 17,220,000</u>	<u>\$ 3,810,484</u>	<u>\$ 13,474,063</u>	<u>\$ 2,639,971</u>

Deferred Amount of Debt Refunding

The City issued bonds in 2012 to advance refund and retire previously issued term 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
Less deferred charge on defeasance	\$ (656,683)	\$ -	\$ (60,424)	\$ (596,259)

Defeased Debt

In prior years, the City has defeased a bond issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of the refunding was placed in a special escrow account 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, 2014, \$4,165,000 of bonds outstanding are considered defeased.

NOTE 11 - 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 balance sheet date. The \$3,790,000 reported as landfill closure and post closure care liability at June 30, 2014 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), 82 percent of the estimated capacity of cell 15, and 20 percent of the estimated capacity of cell 16.

The City will recognize the remaining estimated cost of closure and post closure care of \$962,047 as the remaining capacity of cells 15 and 16 are filled.

City of Midland, Michigan
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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 2017 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, 2014, cash and cash equivalents in the amount of \$2,182,960 were held for these purposes, and reported as restricted assets on the balance sheet. 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 12 - RESTRICTED ASSETS

Cash and cash equivalents are restricted within the Water and Wastewater Funds for future debt service obligations in the amounts of \$92,975 and \$1,179,372, 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 \$2,182,960 of restricted assets that are for closure and postclosure costs. The Water Fund also has \$25,000 of restricted assets for emergency repair.

NOTE 13 - 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. At December 31, 2013, the date of the most recent actuarial valuation, membership consisted of 132 retirees and beneficiaries currently receiving benefits, 3 inactive and non-retired members, and 88 current active employees. The plan does not issue a separate financial report.

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 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

City of Midland, Michigan
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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.

As of December 31, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 5,920,251
Reserve for employer contributions	6,860,484
Reserve for retired benefit payment	46,516,151

Three year trend information:

Year Ended December 31,	Annual Pension Cost APC	Percentage of APC Contribution	Net Pension Obligation
2011	\$ 2,263,124	100%	None
2012	2,581,577	100%	None
2013	2,572,418	100%	None

Net pension liability – The City's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2013 using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	4%	
Salary increases	4% to 9.2%	including inflation
Investment rate of return	7%	net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table projected 10 years. The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period of 2002-2017, with an additional table added in the 2011 valuation for members hired after July 1, 2011.

City of Midland, Michigan
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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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-term Projected Rate of Return
U.S. large cap equity	30.00%	6.50%
U.S. mid cap	8.00%	7.10%
U.S. small cap	8.00%	7.70%
International/EM equity	19.00%	6.40%
Cored fixed income	35.00%	0.60%

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 4.29 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. Based on these assumptions, the pension plan's fiduciary net position and future contributions was projected to be sufficient to finance the benefit payments through 2052. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2052, and the municipal bond rate was applied to all benefit payments after that date.

Changes in net pension liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Opening balances	\$ 74,686,393	\$ 53,984,169	\$ 20,702,224
Changes for the year			
Service cost	1,797,535	-	1,797,535
Interest	5,121,712	-	5,121,712
Employer contributions	-	2,572,418	(2,572,418)
Employee contributions	-	552,073	(552,073)
Net investment income	-	8,630,757	(8,630,757)
Benefit payments, including refunds of employee contributions	(4,835,686)	(4,835,686)	-
Other	-	1,783	(1,783)
Net changes	2,083,561	6,921,345	(4,837,784)
Closing balances	\$ 76,769,954	\$ 60,905,514	\$ 15,864,440

The City's annual money-weighted rate of return, net of investment expenses is 16.19%. The plan's net position as a percent of total pension liability is 79.34%

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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 6.60 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	\$ 85,896,310	\$ 76,769,954	\$ 69,134,397
Plan fiduciary net position	60,905,514	60,905,514	60,905,514
Net pension liability	<u>\$ 24,990,796</u>	<u>\$ 15,864,440</u>	<u>\$ 8,228,883</u>

Municipal Employee's Retirement System of Michigan – Defined Benefit Retirement Plan

Plan description – The City of Midland 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>.

Funding policy – The obligation to contribute to and maintain the system for these employees was established primarily by negotiation with the City's collective bargaining units and requires a contribution from employees ranging from 0 percent to 5 percent of gross wages. The City's funding policy provides for monthly employee and employer

contributions at actuarially determined rates.

Annual pension costs – For year ended December 31, 2013, the City's annual pension cost of \$5,211,852 or the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2013, using the entry actual age actuarial funding method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5 percent per year, compounded annually; 3) additional projected salary increases of 0 percent to 4.5 percent per year, attributable to seniority/merit, and 4) the assumption that benefits will increase after retirement by 2.5 percent annually, non-compounded. Both 1) and 2) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 25 years.

Three year trend information:

Year Ended December 31,	Annual Pension Cost APC	Percentage of APC Contribution	Net Pension Obligation
2011	\$ 4,071,168	100%	None
2012	5,085,348	100%	None
2013	5,211,852	100%	None

City of Midland, Michigan
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Schedule of Funding Progress

Actuarial Valuation Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2011	\$ 80,472,212	\$ 122,875,414	\$ 42,403,202	65%	\$ 9,897,469	428.4%
12/31/2012	80,096,999	126,095,128	45,998,129	64%	9,227,199	498.5%
12/31/2013	80,921,968	130,626,274	49,704,306	62%	8,741,747	568.6%

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

The City of Midland 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 5 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 \$23,720,428. The current year contribution was calculated based on covered payroll of \$4,820,892, resulting in an employer contribution of \$241,047. Employee contributions were \$0.

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 City’s total payroll during the current year was \$23,720,428. The current year contribution was calculated based on covered payroll of \$4,820,892, resulting in an employer contribution of \$252,998 and employee contributions of \$252,998.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The City of Midland 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. 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.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2014

The City funds the retiree health insurance on a “pay as you go” basis. The net cost to the City of providing postemployment health care coverage follows:

<u>Year</u>	<u>Number of Retirees</u>	<u>Amount</u>
2012	372	\$ 4,715,365
2013	358	4,617,438
2014	379	4,829,226

For the fiscal year, the City of Midland transferred \$171,857 to Municipal Employee’s Retirement System of Michigan (MERS) Retiree Health Funding Vehicle. MERS acts as a fiduciary, investing and managing funds for the future payment of postemployment healthcare coverage for the City of Midland.

The covered wages for the retiree health post employment for the fiscal year were \$12,751,993.

Health Care Savings Program

The City of Midland 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. 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 \$23,720,428. The current year contribution was calculated based on covered payroll of \$4,820,892, resulting in an employer contribution of \$96,418.

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 \$502,378, resulting in an employer contribution of \$10,048 and employee contributions of \$10,048.

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 HAS will not be available effective July 1, 2013.

The current year contribution was calculated based on a covered payroll of \$256,952 resulting in an employer contribution of \$5,139 and employee contributions of \$0.

Other Postemployment Benefits

Plan description. The City of Midland’s Retiree Healthcare Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the City. 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 established a retirement health savings trust to account for the Plan.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2014

Funding policy. 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, 2014, the City contributed \$5,103,471 to the plan which was the Annual Required Contribution (ARC). Beginning with the fiscal year ending June 30, 2009, the City was required to begin recognizing expenses for OPEB costs in the government-wide and proprietary fund financial statements based on an actuarially determined annual required contribution (ARC).

Annual OPEB Cost and Net OPEB Obligation. The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarially accrued liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ (5,103,471)
Contributions made to OPEB Trust	<u>5,103,471</u>
Change in net OPEB obligation	-
Net OPEB liability, beginning of year	<u>-</u>
Net OPEB liability, end of year	<u>\$ -</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 is as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 5,103,471	100%	\$ -

Funded status and funding progress. As of June 30, 2012 the date of the most recent actuarial valuation, the Plan was 37.8% funded. The actuarial accrued liability for benefits was \$76,021,289, and the actuarial value of assets was \$28,750,211, resulting in an unfunded actuarial accrued liability (UAAL) of \$47,271,678.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to the point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the

City of Midland, Michigan
Notes to Financial Statements
June 30, 2014

actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions includes: (a) a rate of return on investments of 8.0%; (b) projected salary increases of 4.5% attributable to inflation; (c) additional projected salary increases ranging from .3% to 8.4%, depending on age, attributable to seniority/merit; and (d) projected healthcare benefit increases of 4.5% to 9%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 28 years. The plan is open.

NOTE 15 - 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 government expects such amounts, if any, to be immaterial.

NOTE 16 - 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
1998 Saginaw-Midland - Water Revenue Refinancing Bonds	34.00%	4.20%
2002 Saginaw-Midland - Water Revenue Refinancing Bond	34.00%	4.20%
2006 Saginaw-Midland - Water Revenue Bonds	34.00%	4.20%
2009 Saginaw-Midland - Water Revenue Bonds	34.00%	4.20%

Total payments received under these agreements during the fiscal year were \$448,865, consisting of principal and interest of \$400,508 and \$48,357, 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.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2014

NOTE 17 - 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, 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, 2014 was \$134,489. The total cumulative payments from the City through June 30, 2014 were \$3,820,126.

NOTE 18 - 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 for the past two fiscal years is as follows:

	2014	2013
Unpaid claims - Beginning of year	\$ 958,743	\$ 997,077
Incurred claims, including claims incurred but not reported	8,678,159	8,057,389
Claims paid	(8,565,139)	(8,095,723)
Unpaid claims - End of year	\$ 1,071,763	\$ 958,743

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 30,521,858	\$ 30,719,290	\$ 30,716,351	\$ (2,939)
Other taxes	37,000	37,000	39,860	2,860
Penalties and interest	89,000	126,800	165,062	38,262
Administration fee	906,000	932,257	932,097	(160)
Licenses and permits	367,620	448,115	514,354	66,239
Federal grants	4,550	85,436	10,135	(75,301)
State revenue sharing	3,160,000	3,318,000	3,323,642	5,642
State grants	33,829	43,916	44,178	262
Local contributions	100,000	856,000	851,882	(4,118)
Charges for services	2,092,915	2,091,732	2,123,179	31,447
Use and admission charges	242,850	268,137	304,482	36,345
Interest income	50,000	25,000	30,311	5,311
Rental income	92,265	75,488	92,266	16,778
Other revenue	1,016,079	1,038,975	1,123,768	84,793
Sale of fixed assets	-	-	50,114	50,114
	<u>38,713,966</u>	<u>40,066,146</u>	<u>40,321,681</u>	<u>255,535</u>
Total revenues				

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Expenditures				
General government	\$ 6,408,454	\$ 6,201,098	\$ 5,812,138	\$ (388,960)
Public safety	16,467,862	16,192,260	15,914,798	(277,462)
Public works	2,927,484	2,595,785	2,393,562	(202,223)
Sanitation	2,834,883	3,143,626	3,116,963	(26,663)
Parks and recreation	4,938,354	5,138,619	4,625,415	(513,204)
Airport	375,052	383,758	357,187	(26,571)
Property tax appeals	429,000	429,000	317,798	(111,202)
Reserve for contingencies	400,000	196,344	-	(196,344)
Capital outlay	788,200	2,134,708	918,629	(1,216,079)
	<u>35,569,289</u>	<u>36,415,198</u>	<u>33,456,490</u>	<u>(2,958,708)</u>
Total expenditures				
Excess of revenues over expenditures	<u>3,144,677</u>	<u>3,650,948</u>	<u>6,865,191</u>	<u>3,214,243</u>
Other financing sources (uses)				
Transfer in	32,763	35,482	52,803	17,321
Transfers out	<u>(5,152,917)</u>	<u>(5,030,601)</u>	<u>(4,732,064)</u>	<u>298,537</u>
Total other financing sources (uses)	<u>(5,120,154)</u>	<u>(4,995,119)</u>	<u>(4,679,261)</u>	<u>315,858</u>
Net change in fund balance	(1,975,477)	(1,344,171)	2,185,930	3,530,101
Fund balance - beginning of year	<u>8,985,077</u>	<u>8,985,077</u>	<u>8,985,077</u>	<u>-</u>
Fund balance - end of year	<u>\$ 7,009,600</u>	<u>\$ 7,640,906</u>	<u>\$ 11,171,007</u>	<u>\$ 3,530,101</u>

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes	\$ 2,090,000	\$ 2,015,000	\$ 2,289,586	\$ 274,586
Licenses and permits	88,000	96,000	81,778	(14,222)
Other State grants	2,698,000	2,813,000	3,006,301	193,301
Local contributions	50,000	1,300,000	1,211,939	(88,061)
Charges for services	181,318	181,318	181,893	575
Interest income	4,000	4,000	5,940	1,940
Other revenue	12,000	12,000	15,469	3,469
Total revenues	<u>5,123,318</u>	<u>6,421,318</u>	<u>6,792,906</u>	<u>371,588</u>
Expenditures				
Public works				
Engineering	200,458	228,848	206,547	(22,301)
Right of way inspections	17,056	17,056	12,754	(4,302)
Roadway maintenance	193,193	191,518	172,974	(18,544)
Guardrail maintenance	7,497	4,161	636	(3,525)
Sweeping and flushing	150,562	139,385	124,550	(14,835)
Shoulder maintenance	15,644	15,203	4,336	(10,867)
Roadside drainage	91,250	95,571	103,419	7,848
Curb and gutter maintenance	67,518	70,398	38,739	(31,659)
Roadside cleanup	20,322	16,064	11,037	(5,027)
Capital outlay	1,894,000	4,306,047	2,320,335	(1,985,712)
Snow and ice control	519,569	549,169	546,754	(2,415)
Stormwater activities credit	(104,246)	(109,733)	(83,234)	26,499
Trunkline maintenance	181,318	181,318	124,737	(56,581)
Other charges	5,000	1,800	1,075	(725)
Reserve for contingencies	20,000	-	-	-
Traffic services	499,893	499,593	496,127	(3,466)
Total public works	<u>3,779,034</u>	<u>6,206,398</u>	<u>4,080,786</u>	<u>(2,125,612)</u>
Excess of revenues over expenditures	<u>1,344,284</u>	<u>214,920</u>	<u>2,712,120</u>	<u>2,497,200</u>

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Other financing sources (uses)				
Transfers out	\$ (1,754,246)	\$ (1,759,733)	\$ (1,733,234)	\$ 26,499
Net change in fund balance	(409,962)	(1,544,813)	978,886	2,523,699
Fund balance - beginning of year	4,933,701	4,933,701	4,933,701	-
Fund balance - end of year	<u>\$ 4,523,739</u>	<u>\$ 3,388,888</u>	<u>\$ 5,912,587</u>	<u>\$ 2,523,699</u>

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Community Development Block Grant Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal grants	\$ 462,833	\$ 528,493	\$ 249,320	\$ (279,173)
Other revenue	<u>40,000</u>	<u>90,319</u>	<u>40,095</u>	<u>(50,224)</u>
Total revenues	<u>502,833</u>	<u>618,812</u>	<u>289,415</u>	<u>(329,397)</u>
Expenditures				
Community and economic development				
Administration	43,000	48,000	46,783	(1,217)
Residential home rehabs	65,318	65,318	54,249	(11,069)
Public facilities improvements	106,382	136,382	17,000	(119,382)
Public services project	43,569	45,572	42,871	(2,701)
Affordable housing	25,000	10,000	-	(10,000)
Removal of architectural barriers	82,716	82,716	85,682	2,966
Reserve for contingencies	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total expenditures	<u>375,985</u>	<u>397,988</u>	<u>246,585</u>	<u>(151,403)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>126,848</u>	<u>220,824</u>	<u>42,830</u>	<u>(177,994)</u>
Other financing sources (uses)				
Transfers out	<u>(28,480)</u>	<u>(118,085)</u>	<u>(40,442)</u>	<u>77,643</u>
Net change in fund balance	98,368	102,739	2,388	(100,351)
Fund balance - beginning of year	<u>100,533</u>	<u>100,533</u>	<u>100,533</u>	<u>-</u>
Fund balance - end of year	<u>\$ 198,901</u>	<u>\$ 203,272</u>	<u>\$ 102,921</u>	<u>\$ (100,351)</u>

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Grace A. Dow Memorial Library Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,213,205	\$ 2,271,625	\$ 2,271,366	\$ (259)
Other State grants	40,000	41,800	41,565	(235)
Local contributions	46,600	81,390	73,150	(8,240)
Charges for services	639,010	643,751	637,624	(6,127)
Interest income	800	2,000	3,085	1,085
Other revenue	4,300	5,200	5,345	145
Total revenues	<u>2,943,915</u>	<u>3,045,766</u>	<u>3,032,135</u>	<u>(13,631)</u>
Expenditures				
Library and community television				
Personal services	2,638,706	2,650,593	2,545,094	(105,499)
Supplies	491,360	522,901	708,927	186,026
Other changes	703,846	704,993	615,289	(89,704)
Capital outlay	<u>-</u>	<u>2,902,228</u>	<u>2,452,907</u>	<u>(449,321)</u>
Total expenditures	<u>3,833,912</u>	<u>6,780,715</u>	<u>6,322,217</u>	<u>(458,498)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(889,997)</u>	<u>(3,734,949)</u>	<u>(3,290,082)</u>	<u>444,867</u>
Other financing sources (uses)				
Transfers in	<u>889,997</u>	<u>846,271</u>	<u>659,660</u>	<u>(186,611)</u>
Net change in fund balance	-	(2,888,678)	(2,630,422)	258,256
Fund balance - beginning of year	<u>2,888,678</u>	<u>2,888,678</u>	<u>2,888,678</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,888,678</u>	<u>\$ -</u>	<u>\$ 258,256</u>	<u>\$ 258,256</u>

City of Midland, Michigan
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Police and Fire Retirement System
For the Year Ended June 30, 2014

Total pension liability	
Service cost	\$ 1,797,535
Interest on the total pension liability	5,121,712
Benefit payments and refunds	<u>(4,835,686)</u>
Net change in total pension liability	2,083,561
Total pension liability - beginning of year	<u>74,686,393</u>
Total pension liability - end of year (a)	<u><u>\$ 76,769,954</u></u>
Plan fiduciary net position	
Employer contributions	\$ 2,572,418
Employee contributions	552,073
Pension plan net investment income	8,630,757
Benefit payments and refunds	(4,835,686)
Other	<u>1,783</u>
Net change in plan fiduciary net position	6,921,345
Plan fiduciary net position - beginning of year	<u>53,984,169</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 60,905,514</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 15,864,440</u></u>
Plan fiduciary net position as a percentage of total pension liability	79.34%
Covered employee payroll	\$ 6,904,434
Net pension liability as a percentage of covered employee payroll	229.77%

City of Midland, Michigan
Required Supplementary Information
Schedule of Net Pension Liability
Police and Fire Retirement System

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 76,769,954	\$ 60,905,514	\$ 15,864,440	79.34%	\$ 6,904,434	229.77%

Note: Information from 2005 - 2013 is not available. Additional years will be presented on this schedule on a prospective basis.

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

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%

Note: Information from 2005 - 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. Additional information as of December 31, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	25 years, closed
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0% to 9.2%
Includes inflation at	4.0%

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

Fiscal Year Ended June 30,	Annual Return % *
2014	16.19%

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

Note: Information from 2005 - 2013 is not available. Additional years will be presented on this schedule on a prospective basis.

City of Midland, Michigan
Required Supplementary Information
Schedule of Funding Progress
Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (Percent) (a / b)
6/30/08	\$ 17,313,617	\$ 89,750,314	\$ 72,436,697	19.3%
6/30/10	21,010,920	81,681,092	60,670,172	25.7%
6/30/12	28,750,211	76,021,289	47,271,078	37.8%

Note: Valuation is performed every other year, so the next valuation report will be June 30, 2014.

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

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 6,518,128	\$ 6,518,128	100%
2011	6,629,537	6,629,537	100%
2012	5,747,843	5,747,843	100%
2013	5,800,533	5,800,533	100%
2014	5,103,471	5,103,471	100%

The information presented above was determined as part of the actuarial valuations at the date indicated. Additional information as of June 30, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	26 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5%
Includes inflation at	4.5%
Additional salary increases attributable to seniority/merit	0.3% to 8.4%

City of Midland, Michigan
Note to Required Supplementary Information
Year Ended June 30, 2014

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 Funds. 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 approve 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, 2014

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.

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.

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.

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 trust, 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, 2014

	Special Revenue Funds							Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Local Street	Center City Authority Fund	Stormwater Management	Dial-A-Ride	Downtown Development Authority	Midland Community Television	Special Activities	Midland Housing	Debt Service		Cemetery
Assets											
Cash and cash equivalents	\$ 3,936,742	\$ 30,501	\$ 473,610	\$ -	\$ 841,260	\$ 1,185,254	\$ 119,696	\$ 55,803	\$ -	\$ 1,933,864	\$ 8,576,730
Receivables - net of allowances for uncollectibles:											
Taxes	-	-	-	-	-	-	-	-	124	-	124
Customers	-	-	-	-	-	-	-	249,769	-	-	249,769
Accounts and contracts	-	-	1,683	-	244	186,604	19,757	263,567	-	975	472,830
Accrued interest and other	930	9	126	-	264	296	13	28	83	490	2,239
Due from other units of government	130,488	-	-	307,129	-	-	-	-	-	-	437,617
Inventories	-	-	-	-	-	-	-	38,948	-	-	38,948
Total assets	<u>\$ 4,068,160</u>	<u>\$ 30,510</u>	<u>\$ 475,419</u>	<u>\$ 307,129</u>	<u>\$ 841,768</u>	<u>\$ 1,372,154</u>	<u>\$ 139,466</u>	<u>\$ 608,115</u>	<u>\$ 207</u>	<u>\$ 1,935,329</u>	<u>\$ 9,778,257</u>
Liabilities											
Accounts payable	\$ 275,018	\$ -	\$ 75	\$ 262,576	\$ 11,297	\$ 792	\$ 2,988	\$ 94,978	\$ 207	\$ -	\$ 647,931
Due to other funds	-	-	-	-	-	-	-	112,983	-	-	112,983
Deposits	-	-	5,000	-	-	-	25,430	-	-	-	30,430
Total liabilities	<u>275,018</u>	<u>-</u>	<u>5,075</u>	<u>262,576</u>	<u>11,297</u>	<u>792</u>	<u>28,418</u>	<u>207,961</u>	<u>207</u>	<u>-</u>	<u>791,344</u>
Deferred inflows of resources											
Grants	-	-	-	340,182	-	-	-	-	-	-	340,182
Customers	-	-	-	-	-	-	-	213,567	-	-	213,567
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,567</u>	<u>-</u>	<u>-</u>	<u>553,749</u>
Total liabilities and deferred inflows of resources	<u>275,018</u>	<u>-</u>	<u>5,075</u>	<u>602,758</u>	<u>11,297</u>	<u>792</u>	<u>28,418</u>	<u>421,528</u>	<u>207</u>	<u>-</u>	<u>1,345,093</u>
Fund balances											
Non-spendable											
Inventories	-	-	-	-	-	-	-	38,948	-	-	38,948
Restricted for											
Local street	3,367,335	-	-	-	-	-	-	-	-	-	3,367,335
Center city authority	-	30,510	-	-	-	-	-	-	-	-	30,510
Downtown development authority	-	-	-	-	830,471	-	-	-	-	-	830,471
Midland housing	-	-	-	-	-	-	-	147,639	-	-	147,639
Special activities	-	-	-	-	-	-	111,048	-	-	-	111,048
Cemetery operations	-	-	-	-	-	-	-	-	-	1,935,329	1,935,329
Committed											
Future year expenditures	425,807	-	-	-	-	312,056	-	-	-	-	737,863
Assigned	-	-	470,344	-	-	1,059,306	-	-	-	-	1,529,650
Unassigned (deficit)	-	-	-	(295,629)	-	-	-	-	-	-	(295,629)
Total fund balances	<u>3,793,142</u>	<u>30,510</u>	<u>470,344</u>	<u>(295,629)</u>	<u>830,471</u>	<u>1,371,362</u>	<u>111,048</u>	<u>186,587</u>	<u>-</u>	<u>1,935,329</u>	<u>8,433,164</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,068,160</u>	<u>\$ 30,510</u>	<u>\$ 475,419</u>	<u>\$ 307,129</u>	<u>\$ 841,768</u>	<u>\$ 1,372,154</u>	<u>\$ 139,466</u>	<u>\$ 608,115</u>	<u>\$ 207</u>	<u>\$ 1,935,329</u>	<u>\$ 9,778,257</u>

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, 2014

	Special Revenue Funds							Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Local Street	Center City Authority Fund	Stormwater Management	Dial-A-Ride	Downtown Development Authority	Midland Community Television	Special Activities	Midland Housing	Debt Service		Cemetery
Revenues											
Taxes	\$ -	\$ 9,127	\$ -	\$ -	\$ 495,358	\$ -	\$ -	\$ -	\$ 679,864	\$ -	\$ 1,184,349
Licenses and permits	83,130	-	26,584	-	-	-	-	-	-	-	109,714
Federal grants	-	-	-	252,923	-	-	-	-	-	-	252,923
Other state grants	945,093	-	-	713,436	-	-	8,704	-	-	-	1,667,233
Local contributions	100,000	35,000	-	-	14,000	26,664	23,900	-	-	18,267	217,831
Charges for services	-	-	-	111,681	-	727,522	-	-	-	-	839,203
Interest income	4,692	35	520	-	981	1,389	71	232	738	2,447	11,105
Other revenue	2,894	403	20	400	9,597	72	21,097	33	-	-	34,516
Total revenues	1,135,809	44,565	27,124	1,078,440	519,936	755,647	53,772	265	680,602	20,714	4,316,874
Expenditures											
Current											
Public safety	-	-	-	-	-	-	28,110	-	-	-	28,110
Public works	1,201,437	27,070	477,792	-	-	-	-	-	-	-	1,706,299
Community and economic development	-	-	-	-	476,272	-	29,837	234,571	-	-	740,680
Library and community television	-	-	-	-	-	515,883	-	-	-	-	515,883
Transportation	-	-	-	1,776,592	-	-	-	-	-	-	1,776,592
Capital outlay	1,769,070	-	91,685	204,638	-	25,000	-	-	-	-	2,090,393
Debt service											
Principal retirement	-	-	-	-	-	-	-	-	1,085,000	-	1,085,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	546,394	-	546,394
Total expenditures	2,970,507	27,070	569,477	1,981,230	476,272	540,883	57,947	234,571	1,631,394	-	8,489,351
Excess (deficiency) of revenues over (under) expenditures	(1,834,698)	17,495	(542,353)	(902,790)	43,664	214,764	(4,175)	(234,306)	(950,792)	20,714	(4,172,477)
Other financing sources (uses)											
Sale of capital assets	-	-	-	7,474	-	176	-	234,502	-	-	242,152
Transfers in	1,650,000	-	708,750	554,688	-	-	-	-	1,821,216	-	4,734,654
Transfers out	(115,516)	-	-	-	(45,000)	-	(9,699)	-	(870,424)	-	(1,040,639)
Total other financing sources and uses	1,534,484	-	708,750	562,162	(45,000)	176	(9,699)	234,502	950,792	-	3,936,167
Net change in fund balance	(300,214)	17,495	166,397	(340,628)	(1,336)	214,940	(13,874)	196	-	20,714	(236,310)
Fund balance - beginning of year	4,093,356	13,015	303,947	44,999	831,807	1,156,422	124,922	186,391	-	1,914,615	8,669,474
Fund balance - end of year	\$ 3,793,142	\$ 30,510	\$ 470,344	\$ (295,629)	\$ 830,471	\$ 1,371,362	\$ 111,048	\$ 186,587	\$ -	\$ 1,935,329	\$ 8,433,164

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 72,000	\$ 70,000	\$ 83,130	\$ 13,130
Other State grants	721,000	756,000	945,093	189,093
Local contributions	50,000	450,000	100,000	(350,000)
Interest income	2,000	2,500	4,692	2,192
Other revenue	-	200	2,894	2,694
Total revenues	<u>845,000</u>	<u>1,278,700</u>	<u>1,135,809</u>	<u>(142,891)</u>
Expenditures				
Public works				
Engineering	98,156	96,920	97,121	201
Right of way inspections	17,056	17,056	12,967	(4,089)
Roadway maintenance	218,531	218,406	182,280	(36,126)
Guardrail maintenance	3,979	3,979	116	(3,863)
Sweeping and flushing	210,206	214,345	203,443	(10,902)
Shoulder maintenance	7,605	7,600	2,188	(5,412)
Roadside drainage	136,935	140,197	125,523	(14,674)
Curb and gutter maintenance	155,524	155,413	151,168	(4,245)
Roadside cleanup	11,820	11,809	9,111	(2,698)
Dust control	19,199	14,956	5,475	(9,481)
Snow and ice control	461,304	414,317	400,759	(13,558)
Stormwater activities credit	(136,935)	(140,197)	(115,516)	24,681
Traffic services	106,402	104,062	126,802	22,740
Reserve for contingencies	20,000	10,000	-	(10,000)
Total expenditures	<u>1,329,782</u>	<u>1,268,863</u>	<u>1,201,437</u>	<u>(67,426)</u>
Capital outlay	<u>1,356,000</u>	<u>3,420,494</u>	<u>1,769,070</u>	<u>(1,651,424)</u>
Total public works	<u>2,685,782</u>	<u>4,689,357</u>	<u>2,970,507</u>	<u>(1,718,850)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,840,782)</u>	<u>(3,410,657)</u>	<u>(1,834,698)</u>	<u>1,575,959</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ -
Transfers out	<u>(136,935)</u>	<u>(140,197)</u>	<u>(115,516)</u>	<u>24,681</u>
Total other financing sources (uses)	<u>1,513,065</u>	<u>1,509,803</u>	<u>1,534,484</u>	<u>24,681</u>
Net change in fund balance	(327,717)	(1,900,854)	(300,214)	1,600,640
Fund balance - beginning of year	<u>4,093,356</u>	<u>4,093,356</u>	<u>4,093,356</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 3,765,639</u></u>	<u><u>\$ 2,192,502</u></u>	<u><u>\$ 3,793,142</u></u>	<u><u>\$ 1,600,640</u></u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Center City Authority Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,000	\$ 5,000	\$ 9,127	\$ 4,127
Local contributions	-	36,000	35,000	(1,000)
Interest income	5	14	35	21
Other revenue	-	285	403	118
Total revenues	<u>5,005</u>	<u>41,299</u>	<u>44,565</u>	<u>3,266</u>
Expenditures				
Public works				
Administration	-	231	230	(1)
Supplies	-	49,000	21,584	(27,416)
Other	<u>13,000</u>	<u>4,769</u>	<u>5,256</u>	<u>487</u>
Total expenditures	<u>13,000</u>	<u>54,000</u>	<u>27,070</u>	<u>(26,930)</u>
Net change in fund balance	(7,995)	(12,701)	17,495	30,196
Fund balance - beginning of year	<u>13,015</u>	<u>13,015</u>	<u>13,015</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,020</u>	<u>\$ 314</u>	<u>\$ 30,510</u>	<u>\$ 30,196</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Stormwater Management Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 23,000	\$ 24,550	\$ 26,584	\$ 2,034
Interest income	450	437	520	83
Other revenue	500	250	20	(230)
Total revenues	<u>23,950</u>	<u>25,237</u>	<u>27,124</u>	<u>1,887</u>
Expenditures				
Public works				
Administration	19,377	19,377	19,377	-
Open drain maintenance	38,016	35,134	39,396	4,262
Storm sewer maintenance	204,793	207,550	170,361	(37,189)
Inspection expenses	33,006	33,961	26,670	(7,291)
Storm sewer repair	40,873	41,306	20,281	(21,025)
Purchased services	244,181	252,930	201,707	(51,223)
Reserve for contingencies	20,000	-	-	-
Total public works	<u>600,246</u>	<u>590,258</u>	<u>477,792</u>	<u>(112,466)</u>
Capital outlay	<u>93,000</u>	<u>309,319</u>	<u>91,685</u>	<u>(217,634)</u>
Total expenditures	<u>693,246</u>	<u>899,577</u>	<u>569,477</u>	<u>(330,100)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(669,296)</u>	<u>(874,340)</u>	<u>(542,353)</u>	<u>331,987</u>
Other financing sources (uses)				
Transfers in	<u>751,181</u>	<u>759,930</u>	<u>708,750</u>	<u>(51,180)</u>
Net change in fund balance	81,885	(114,410)	166,397	280,807
Fund balance - beginning of year	<u>303,947</u>	<u>303,947</u>	<u>303,947</u>	<u>-</u>
Fund balance - end of year	<u>\$ 385,832</u>	<u>\$ 189,537</u>	<u>\$ 470,344</u>	<u>\$ 280,807</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Dial-A-Ride Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Federal grants	\$ 447,492	\$ 615,439	\$ 252,923	\$ (362,516)
Other State grants	693,664	722,691	713,436	(9,255)
Charges for services	118,000	126,900	111,681	(15,219)
Other revenue	-	400	400	-
Total revenues	<u>1,259,156</u>	<u>1,465,430</u>	<u>1,078,440</u>	<u>(386,990)</u>
Expenditures				
Transportation				
Operations	1,385,468	1,390,348	1,369,299	(21,049)
Administration	169,222	168,771	165,529	(3,242)
Dispatching	249,875	257,117	241,764	(15,353)
Reserve for contingencies	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total transportation	<u>1,814,565</u>	<u>1,826,236</u>	<u>1,776,592</u>	<u>(49,644)</u>
Capital outlay	<u>198,452</u>	<u>359,958</u>	<u>204,638</u>	<u>(155,320)</u>
Total expenditures	<u>2,013,017</u>	<u>2,186,194</u>	<u>1,981,230</u>	<u>(204,964)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(753,861)</u>	<u>(720,764)</u>	<u>(902,790)</u>	<u>(182,026)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	7,474	7,474	-
Transfers in	<u>753,861</u>	<u>668,291</u>	<u>554,688</u>	<u>(113,603)</u>
Total other financing sources and uses	<u>753,861</u>	<u>675,765</u>	<u>562,162</u>	<u>(113,603)</u>
Net change in fund balance	-	(44,999)	(340,628)	(295,629)
Fund balance - beginning of year	<u>44,999</u>	<u>44,999</u>	<u>44,999</u>	<u>-</u>
Fund balance - end of year	<u>\$ 44,999</u>	<u>\$ -</u>	<u>\$ (295,629)</u>	<u>\$ (295,629)</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Downtown Development Authority Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes	\$ 487,843	\$ 487,843	\$ 495,358	\$ 7,515
Local contributions	14,000	14,000	14,000	-
Interest income	1,000	850	981	131
Other revenue	4,000	10,000	9,597	(403)
Total revenues	<u>506,843</u>	<u>512,693</u>	<u>519,936</u>	<u>7,243</u>
Expenditures				
Community and economic development				
Personal services	185,061	189,735	171,960	(17,775)
Supplies	2,000	1,900	1,548	(352)
Other changes	320,727	361,175	302,764	(58,411)
Total expenditures	<u>507,788</u>	<u>552,810</u>	<u>476,272</u>	<u>(76,538)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(945)</u>	<u>(40,117)</u>	<u>43,664</u>	<u>83,781</u>
Other financing sources (uses)				
Transfers out	(45,000)	(45,000)	(45,000)	-
Net change in fund balance	(45,945)	(85,117)	(1,336)	83,781
Fund balance - beginning of year	<u>831,807</u>	<u>831,807</u>	<u>831,807</u>	<u>-</u>
Fund balance - end of year	<u>\$ 785,862</u>	<u>\$ 746,690</u>	<u>\$ 830,471</u>	<u>\$ 83,781</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Midland Community Television Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local contributions	\$ 28,000	\$ 27,639	\$ 26,664	\$ (975)
Charges for services	700,400	699,800	727,522	27,722
Interest income	1,000	1,100	1,389	289
Other revenue	-	-	72	72
Total revenues	<u>729,400</u>	<u>728,539</u>	<u>755,647</u>	<u>27,108</u>
Expenditures				
Library and community television				
Personal services	375,049	375,648	363,660	(11,988)
Supplies	24,300	45,226	28,087	(17,139)
Other changes	132,891	132,345	124,136	(8,209)
Reserve for contingencies	20,000	20,000	-	(20,000)
Total library and community television	<u>552,240</u>	<u>573,219</u>	<u>515,883</u>	<u>(57,336)</u>
Capital outlay	<u>88,000</u>	<u>67,074</u>	<u>25,000</u>	<u>(42,074)</u>
Total expenditures	<u>640,240</u>	<u>640,293</u>	<u>540,883</u>	<u>(99,410)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89,160</u>	<u>88,246</u>	<u>214,764</u>	<u>126,518</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	<u>-</u>	<u>37</u>	<u>176</u>	<u>139</u>
Net change in fund balance	89,160	88,283	214,940	126,657
Fund balance - beginning of year	<u>1,156,422</u>	<u>1,156,422</u>	<u>1,156,422</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,245,582</u>	<u>\$ 1,244,705</u>	<u>\$ 1,371,362</u>	<u>\$ 126,657</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Special Activities Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Other State grants	\$ 9,000	\$ 8,700	\$ 8,704	\$ 4
Local contributions	138,000	21,850	23,900	2,050
Interest income	50	50	71	21
Other revenue	25,000	21,570	21,097	(473)
Total revenues	<u>172,050</u>	<u>52,170</u>	<u>53,772</u>	<u>1,602</u>
Expenditures				
General government				
Supplies	104,500	31,000	29,837	(1,163)
Other changes	33,535	30,100	28,110	(1,990)
Total expenditures	<u>138,035</u>	<u>61,100</u>	<u>57,947</u>	<u>(3,153)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,015</u>	<u>(8,930)</u>	<u>(4,175)</u>	<u>4,755</u>
Other financing sources (uses)				
Transfers out	(14,763)	(16,863)	(9,699)	7,164
Net change in fund balance	19,252	(25,793)	(13,874)	11,919
Fund balance - beginning of year	<u>124,922</u>	<u>124,922</u>	<u>124,922</u>	<u>-</u>
Fund balance - end of year	<u>\$ 144,174</u>	<u>\$ 99,129</u>	<u>\$ 111,048</u>	<u>\$ 11,919</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Midland Housing Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Interest income	\$ 250	\$ 175	\$ 232	\$ 57
Other revenue	-	-	33	33
Total revenues	<u>250</u>	<u>175</u>	<u>265</u>	<u>90</u>
Expenditures				
Community and economic development				
Costs of assets sold	253,400	245,000	234,502	(10,498)
Warranty maintenance	<u>11,400</u>	<u>-</u>	<u>69</u>	<u>69</u>
Total expenditures	<u>264,800</u>	<u>245,000</u>	<u>234,571</u>	<u>(10,429)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(264,550)</u>	<u>(244,825)</u>	<u>(234,306)</u>	<u>10,519</u>
Other financing sources (uses)				
Sale of capital assets	253,400	245,000	234,502	(10,498)
Transfers in	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>263,400</u>	<u>245,000</u>	<u>234,502</u>	<u>(10,498)</u>
Net change in fund balance	(1,150)	175	196	21
Fund balance - beginning of year	<u>186,391</u>	<u>186,391</u>	<u>186,391</u>	<u>-</u>
Fund balance - end of year	<u>\$ 185,241</u>	<u>\$ 186,566</u>	<u>\$ 186,587</u>	<u>\$ 21</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 679,639	\$ 679,928	\$ 679,864	\$ (64)
Interest income	-	231	738	507
Total revenues	<u>679,639</u>	<u>680,159</u>	<u>680,602</u>	<u>443</u>
Expenditures				
Debt service				
Principal retirement	1,085,000	1,085,000	1,085,000	-
Interest and fiscal charges	<u>544,274</u>	<u>544,274</u>	<u>546,394</u>	<u>2,120</u>
Total expenditures	<u>1,629,274</u>	<u>1,629,274</u>	<u>1,631,394</u>	<u>2,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(949,635)</u>	<u>(949,115)</u>	<u>(950,792)</u>	<u>(1,677)</u>
Other financing sources (uses)				
Transfers in	1,820,059	1,819,539	1,821,216	1,677
Transfers out	<u>(870,424)</u>	<u>(870,424)</u>	<u>(870,424)</u>	<u>-</u>
Total other financing sources (uses)	<u>949,635</u>	<u>949,115</u>	<u>950,792</u>	<u>1,677</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Fund Descriptions
Year Ended June 30, 2014

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.

Real Estate Rental Fund – This fund accounts for the operation and maintenance of the City’s miscellaneous 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, 2014

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods	Riverside Place	Currie Municipal Golf Course	Parking	
Assets					
Current assets					
Cash and cash equivalents	\$ 1,568,215	\$ 1,338,468	\$ 317,984	\$ -	\$ 3,224,667
Investments	-	-	399,844	-	399,844
Receivables - net of allowances for uncollectibles:					
Customers	2,722	1	17,050	-	19,773
Accounts and contracts	-	-	-	16,528	16,528
Accrued interest	399	336	-	-	735
Inventories	-	-	39,888	-	39,888
Prepaid items	-	-	8,844	-	8,844
Total current assets	<u>1,571,336</u>	<u>1,338,805</u>	<u>783,610</u>	<u>16,528</u>	<u>3,710,279</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation	3,286,393	7,151,418	4,680,599	1,059,243	16,177,653
Capital assets not being depreciated	13,765	538,000	297,253	536,223	1,385,241
Total noncurrent assets	<u>3,300,158</u>	<u>7,689,418</u>	<u>4,977,852</u>	<u>1,595,466</u>	<u>17,562,894</u>
Total assets	<u>4,871,494</u>	<u>9,028,223</u>	<u>5,761,462</u>	<u>1,611,994</u>	<u>21,273,173</u>
Liabilities					
Current liabilities					
Accounts payable	9,444	49,773	1,536,616	3,917	1,599,750
Accrued and other liabilities	-	-	38,110	-	38,110
Deposits	27,225	24,125	59,769	-	111,119
Unearned revenue	-	-	11,578	-	11,578
Total current liabilities	<u>36,669</u>	<u>73,898</u>	<u>1,646,073</u>	<u>3,917</u>	<u>1,760,557</u>
Noncurrent liabilities					
Current portion of noncurrent liabilities	22,462	26,188	-	-	48,650
Long-term debt net of current portion	34,403	28,882	-	-	63,285
Total noncurrent liabilities	<u>56,865</u>	<u>55,070</u>	<u>-</u>	<u>-</u>	<u>111,935</u>
Total liabilities	<u>93,534</u>	<u>128,968</u>	<u>1,646,073</u>	<u>3,917</u>	<u>1,872,492</u>
Net position					
Net investment in capital assets	3,300,158	7,689,418	4,977,852	1,595,466	17,562,894
Unrestricted (deficit)	1,477,802	1,209,837	(862,463)	12,611	1,837,787
Total net position	<u>\$ 4,777,960</u>	<u>\$ 8,899,255</u>	<u>\$ 4,115,389</u>	<u>\$ 1,608,077</u>	<u>\$ 19,400,681</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, 2014

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods	Riverside Place	Currie Municipal Golf Course	Parking	
Operating revenue					
Use and admission charges	\$ -	\$ -	\$ 821,168	\$ 94,111	\$ 915,279
Rental income	1,241,197	1,309,521	-	-	2,550,718
Sale of meals - revenue	210,809	371,340	-	-	582,149
Other revenue	161,771	150,331	5,753	10,432	328,287
	<u>1,613,777</u>	<u>1,831,192</u>	<u>826,921</u>	<u>104,543</u>	<u>4,376,433</u>
Total operating revenue					
Operating expenses					
Operations	1,600,700	1,791,558	1,147,014	39,503	4,578,775
Maintenance	-	-	-	121,505	121,505
Other expenses	-	-	-	1,428	1,428
Depreciation	189,013	272,696	184,276	36,980	682,965
	<u>1,789,713</u>	<u>2,064,254</u>	<u>1,331,290</u>	<u>199,416</u>	<u>5,384,673</u>
Total operating expenses					
Operating loss	<u>(175,936)</u>	<u>(233,062)</u>	<u>(504,369)</u>	<u>(94,873)</u>	<u>(1,008,240)</u>
Nonoperating revenue (expenses)					
Interest income	1,776	1,573	158,496	-	161,845
Loss on disposition of assets	(12,439)	-	-	-	(12,439)
Other revenue	-	122	-	-	122
	<u>(10,663)</u>	<u>1,695</u>	<u>158,496</u>	<u>-</u>	<u>149,528</u>
Total nonoperating revenues (expenses)					
Loss before contributions and transfers	<u>(186,599)</u>	<u>(231,367)</u>	<u>(345,873)</u>	<u>(94,873)</u>	<u>(858,712)</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, 2014

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods	Riverside Place	Currie Municipal Golf Course	Parking	
Capital contributions	\$ 300,000	\$ 180,576	\$ -	\$ -	\$ 480,576
Transfers in	47,723	-	540,000	66,500	654,223
Transfers out	-	(10,000)	(30,857)	-	(40,857)
Change in net position	161,124	(60,791)	163,270	(28,373)	235,230
Net position - beginning of year	<u>4,616,836</u>	<u>8,960,046</u>	<u>3,952,119</u>	<u>1,636,450</u>	<u>19,165,451</u>
Net position - end of year	<u>\$ 4,777,960</u>	<u>\$ 8,899,255</u>	<u>\$ 4,115,389</u>	<u>\$ 1,608,077</u>	<u>\$ 19,400,681</u>

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2014

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods	Riverside Place	Currie Municipal Golf Course	Parking	
Cash flows from operating activities					
Receipts from customers	\$ 1,613,328	\$ 1,830,986	\$ 809,871	\$ 102,356	\$ 4,356,541
Payments to suppliers	(906,300)	(1,078,380)	(307,742)	(122,724)	(2,415,146)
Payments to employees	(705,716)	(682,144)	(645,338)	(46,132)	(2,079,330)
Net cash provided (used) by operating activities	<u>1,312</u>	<u>70,462</u>	<u>(143,209)</u>	<u>(66,500)</u>	<u>(137,935)</u>
Cash flows from noncapital financing activities					
Transfer from other funds	47,723	-	540,000	66,500	654,223
Transfers to other funds	-	(10,000)	(30,857)	-	(40,857)
Nonoperating (expenses) revenues	-	122	-	-	122
Net cash provided (used) by noncapital financing activities	<u>47,723</u>	<u>(9,878)</u>	<u>509,143</u>	<u>66,500</u>	<u>613,488</u>
Cash flows from capital and related financing activities					
Capital contributions	300,000	180,576	-	-	480,576
Purchases/construction of capital assets	(8,474)	(11,755)	(65,661)	-	(85,890)
Net cash used by capital and related financing activities	<u>291,526</u>	<u>168,821</u>	<u>(65,661)</u>	<u>-</u>	<u>394,686</u>
Cash flows from investing activities					
Interest received	1,776	1,573	8,613	-	11,962
Net change in cash and cash equivalents	342,337	230,978	308,886	-	882,201
Cash and cash equivalents - beginning of year	<u>1,225,878</u>	<u>1,107,490</u>	<u>9,098</u>	<u>-</u>	<u>2,342,466</u>
Cash and cash equivalents - end of year	<u>\$ 1,568,215</u>	<u>\$ 1,338,468</u>	<u>\$ 317,984</u>	<u>\$ -</u>	<u>\$ 3,224,667</u>
Noncash investing activities - changes in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,883</u>	<u>\$ -</u>	<u>\$ 149,883</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating loss	\$ (175,936)	\$ (233,062)	\$ (504,369)	\$ (94,873)	\$ (1,008,240)
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation expense	189,013	272,696	184,276	36,980	682,965
Changes in assets and liabilities					
Receivables (net)	(449)	(206)	(17,050)	(2,187)	(19,892)
Inventories	-	-	31,425	-	31,425
Prepaid items	-	-	(8,844)	-	(8,844)
Accounts payable	(7,730)	20,177	198,172	(6,420)	204,199
Accrued and other liabilities	(9,436)	11,157	(29,189)	-	(27,468)
Deposits	5,850	(300)	59,769	-	65,319
Unearned revenue	-	-	(57,399)	-	(57,399)
Net cash provided (used) by operating activities	<u>\$ 1,312</u>	<u>\$ 70,462</u>	<u>\$ (143,209)</u>	<u>\$ (66,500)</u>	<u>\$ (137,935)</u>

City of Midland, Michigan
Other Supplementary Information
Fiduciary Funds
Fund Descriptions
Year Ended June 30, 2014

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.

City of Midland, Michigan
Other Supplementary Information
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds
Statement of Plan Net Position
June 30, 2014

	Police and Fire Pension
Assets	
Cash and cash equivalents	\$ 1,583,640
Investments	
Common stock	29,289,898
Preferred stock	1,754,765
Bonds	15,813,888
International funds	9,261,172
Alternative investments	3,120,404
Receivables	
Accrued interest	81,747
 Total assets	 60,905,514
 Net position	
Net position restricted for pensions	\$ 60,905,514

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, 2014

	<u>Police and Fire Pension</u>
Additions	
Contributions	
Employer	\$ 2,572,418
Plan members	<u>552,073</u>
Total contributions	<u>3,124,491</u>
Investment earnings	
Net gain (loss) in fair value of assets	7,993,142
Interest	358,897
Dividends	<u>683,545</u>
Total investment earnings	9,035,584
Less investment expense	<u>(404,826)</u>
Net investment earnings	8,630,758
Other revenue	<u>1,782</u>
Total contributions and additions	11,757,031
Deductions	
Benefits paid	<u>4,835,685</u>
Change in net position	6,921,346
Net positions restricted from pensions - beginning of year	<u>53,984,168</u>
Net positions restricted for pensions - end of year	<u>\$ 60,905,514</u>

City of Midland, Michigan
Other Supplementary Information
Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Payroll Fund				
Assets				
Cash and cash equivalents	\$ 1,494,129	\$ 42,614,245	\$ 42,412,610	\$ 1,695,764
Prepays	<u>116,856</u>	<u>95,277</u>	<u>116,856</u>	<u>95,277</u>
Total assets	<u>\$ 1,610,985</u>	<u>\$ 42,709,522</u>	<u>\$ 42,529,466</u>	<u>\$ 1,791,041</u>
Liabilities				
Accrued payroll liabilities	<u>\$ 1,610,985</u>	<u>\$ 46,199,089</u>	<u>\$ 46,019,033</u>	<u>\$ 1,791,041</u>
Midland Downtown Business Association				
Assets				
Cash and cash equivalents	\$ 5,186	\$ 70,814	\$ 68,036	\$ 7,964
Receivables				
Accrued interest and other	<u>1</u>	<u>11</u>	<u>9</u>	<u>3</u>
Total assets	<u>\$ 5,187</u>	<u>\$ 70,825</u>	<u>\$ 68,045</u>	<u>\$ 7,967</u>
Liabilities				
Accounts payable	\$ -	\$ 53,427	\$ 53,427	\$ -
Due to other units of government	<u>5,187</u>	<u>7,966</u>	<u>5,186</u>	<u>7,967</u>
Total liabilities	<u>\$ 5,187</u>	<u>\$ 61,393</u>	<u>\$ 58,613</u>	<u>\$ 7,967</u>
DDA Facade Improvement Fund				
Assets				
Cash and cash equivalents	\$ 61,163	\$ 10,562	\$ 20,906	\$ 50,819
Receivables				
Accounts and contracts	16,429	4,570	16,428	4,571
Accrued interest and other	<u>7</u>	<u>46</u>	<u>41</u>	<u>12</u>
Total assets	<u>\$ 77,599</u>	<u>\$ 15,178</u>	<u>\$ 37,375</u>	<u>\$ 55,402</u>

City of Midland, Michigan
Other Supplementary Information
Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Liabilities				
Accounts payable	\$ -	\$ 20,906	\$ 20,906	\$ -
Due to foundations	77,599	55,402	77,599	55,402
Total liabilities	<u>\$ 77,599</u>	<u>\$ 76,308</u>	<u>\$ 98,505</u>	<u>\$ 55,402</u>
Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ 33,587	\$ 92,926,740	\$ 92,782,511	\$ 177,816
Receivables				
Accounts and contracts	-	94,770,022	94,770,022	-
Total assets	<u>\$ 33,587</u>	<u>\$ 187,696,762</u>	<u>\$ 187,552,533</u>	<u>\$ 177,816</u>
Liabilities				
Due to other units of government	\$ 33,587	\$ 211,702,029	\$ 211,557,800	\$ 177,816
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 1,594,065	\$ 135,622,361	\$ 135,284,063	\$ 1,932,363
Accounts and contracts	16,429	94,774,592	94,786,450	4,571
Accrued interest and other	8	57	50	15
Prepays	116,856	95,277	116,856	95,277
Total assets	<u>\$ 1,727,358</u>	<u>\$ 230,492,287</u>	<u>\$ 230,187,419</u>	<u>\$ 2,032,226</u>
Liabilities				
Accounts payable	\$ -	\$ 74,333	\$ 74,333	\$ -
Accrued payroll liabilities	1,610,985	46,199,089	46,019,033	1,791,041
Due to foundations	77,599	55,402	77,599	55,402
Due to other units of government	38,774	211,709,995	211,562,986	185,783
Total liabilities	<u>\$ 1,727,358</u>	<u>\$ 258,038,819</u>	<u>\$ 257,733,951</u>	<u>\$ 2,032,226</u>

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Fund Descriptions
Year Ended June 30, 2014

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 – The Information Services Operations 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, 2014

	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
Assets										
Current assets										
Cash and cash equivalents	\$ 2,147,929	\$ 217,774	\$ 2,628,434	\$ 1,669,547	\$ 672,877	\$ 1,449,468	\$ 5,734,463	\$ 1,949,989	\$ 57,669	\$ 16,528,150
Receivables - net of allowances for uncollectibles:										
Customers	-	-	-	-	185,783	-	-	-	-	185,783
Special assessments, current	-	-	-	-	-	-	-	65,940	-	65,940
Accounts and contracts	790	-	40,729	-	-	1,095	-	-	-	42,614
Accrued interest	541	-	695	407	155	-	1,391	499	14	3,702
Inventories	-	340,640	375,430	-	-	-	-	-	-	716,070
Prepaid items	-	-	-	-	-	-	135,364	-	-	135,364
Total current assets	<u>2,149,260</u>	<u>558,414</u>	<u>3,045,288</u>	<u>1,669,954</u>	<u>858,815</u>	<u>1,450,563</u>	<u>5,871,218</u>	<u>2,016,428</u>	<u>57,683</u>	<u>17,677,623</u>
Noncurrent assets										
Special assessments receivable	-	-	-	-	-	-	-	420,965	-	420,965
Capital assets not being depreciated	-	-	-	55,000	-	-	-	-	-	55,000
Capital assets, net of accumulated depreciation	<u>267,650</u>	<u>-</u>	<u>5,937,981</u>	<u>860,023</u>	<u>8,681,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,341</u>	<u>16,025,539</u>
Total noncurrent assets	<u>267,650</u>	<u>-</u>	<u>5,937,981</u>	<u>915,023</u>	<u>8,681,544</u>	<u>-</u>	<u>-</u>	<u>420,965</u>	<u>278,341</u>	<u>16,501,504</u>
Total assets	<u>2,416,910</u>	<u>558,414</u>	<u>8,983,269</u>	<u>2,584,977</u>	<u>9,540,359</u>	<u>1,450,563</u>	<u>5,871,218</u>	<u>2,437,393</u>	<u>336,024</u>	<u>34,179,127</u>
Liabilities										
Current liabilities										
Accounts payable	14,481	121,199	38,555	282,023	8,588	19,573	175,594	-	86	660,099
Due to other funds	-	-	-	-	21,047	-	-	-	-	21,047
Accrued interest	-	-	-	-	32,980	-	-	-	-	32,980
Estimated healthcare claims	-	-	-	-	-	-	1,071,763	-	-	1,071,763
Total current liabilities	<u>14,481</u>	<u>121,199</u>	<u>38,555</u>	<u>282,023</u>	<u>62,615</u>	<u>19,573</u>	<u>1,247,357</u>	<u>-</u>	<u>86</u>	<u>1,785,889</u>
Noncurrent liabilities										
Current portion of noncurrent liabilities	32,632	-	37,847	-	255,000	-	-	-	-	325,479
Advances from other funds	-	-	-	-	351,436	-	-	-	-	351,436
Long-term debt net of current portion	<u>97,147</u>	<u>-</u>	<u>43,766</u>	<u>-</u>	<u>5,025,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,165,913</u>
Total noncurrent liabilities	<u>129,779</u>	<u>-</u>	<u>81,613</u>	<u>-</u>	<u>5,631,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,842,828</u>
Total liabilities	<u>144,260</u>	<u>121,199</u>	<u>120,168</u>	<u>282,023</u>	<u>5,694,051</u>	<u>19,573</u>	<u>1,247,357</u>	<u>-</u>	<u>86</u>	<u>7,628,717</u>
Net position										
Net investment in capital assets	267,650	-	5,937,981	915,023	3,401,544	-	-	-	278,341	10,800,539
Unrestricted	<u>2,005,000</u>	<u>437,215</u>	<u>2,925,120</u>	<u>1,387,931</u>	<u>444,764</u>	<u>1,430,990</u>	<u>4,623,861</u>	<u>2,437,393</u>	<u>57,597</u>	<u>15,749,871</u>
Total net position	<u>\$ 2,272,650</u>	<u>\$ 437,215</u>	<u>\$ 8,863,101</u>	<u>\$ 2,302,954</u>	<u>\$ 3,846,308</u>	<u>\$ 1,430,990</u>	<u>\$ 4,623,861</u>	<u>\$ 2,437,393</u>	<u>\$ 335,938</u>	<u>\$ 26,550,410</u>

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, 2014

	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
Operating revenue										
Billings to other funds	\$ 1,329,781	\$ -	\$ -	\$ -	\$ 1,020,976	\$ 526,378	\$ 8,245,688	\$ -	\$ -	\$ 11,122,823
Rental income	-	-	3,653,619	351,957	-	-	-	-	23,744	4,029,320
Other revenue	2,523	1,238,909	355,636	564	-	200,034	367,066	49,286	-	2,214,018
Total operating revenue	1,332,304	1,238,909	4,009,255	352,521	1,020,976	726,412	8,612,754	49,286	23,744	17,366,161
Operating expenses										
Operations	1,128,518	1,090,841	2,532,807	241,018	635,014	717,674	8,951,034	-	20,241	15,317,147
Depreciation	248,132	-	1,196,649	59,043	647,470	-	-	-	6,185	2,157,479
Total operating expenses	1,376,650	1,090,841	3,729,456	300,061	1,282,484	717,674	8,951,034	-	26,426	17,474,626
Operating income (loss)	(44,346)	148,068	279,799	52,460	(261,508)	8,738	(338,280)	49,286	(2,682)	(108,465)
Nonoperating revenue (expenses)										
Interest income	2,650	-	3,263	1,687	664	-	7,174	18,933	71	34,442
Gain (loss) on disposition of assets	(454)	-	172,246	-	-	-	-	-	-	171,792
Total nonoperating revenues (expenses)	2,196	-	175,509	1,687	664	-	7,174	18,933	71	206,234
Income (loss) before contributions and transfers	(42,150)	148,068	455,308	54,147	(260,844)	8,738	(331,106)	68,219	(2,611)	97,769
Capital contributions	-	-	44,832	530,000	-	-	-	-	-	574,832
Transfers in	-	72,934	8,472	200,000	125,000	-	-	-	-	406,406
Transfers out	-	-	-	(72,934)	-	-	-	(18,000)	-	(90,934)
Change in net position	(42,150)	221,002	508,612	711,213	(135,844)	8,738	(331,106)	50,219	(2,611)	988,073
Net position - beginning of year	2,314,800	216,213	8,354,489	1,591,741	3,982,152	1,422,252	4,954,967	2,387,174	338,549	25,562,337
Net position - end of year	\$ 2,272,650	\$ 437,215	\$ 8,863,101	\$ 2,302,954	\$ 3,846,308	\$ 1,430,990	\$ 4,623,861	\$ 2,437,393	\$ 335,938	\$ 26,550,410

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2014

	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
Cash flows from operating activities										
Receipts from customers	\$ 2,523	\$ 1,243,716	\$ 3,982,079	\$ 352,225	\$ -	\$ 200,319	\$ 455,945	\$ 70,780	\$ 23,736	\$ 6,331,323
Receipts from other funds	1,329,324	-	-	-	1,019,124	526,378	8,245,688	-	-	11,120,514
Payments to suppliers	(433,294)	(1,098,876)	(1,318,566)	62,811	(247,626)	(706,373)	(9,422,409)	-	(19,540)	(13,183,873)
Payments to employees	(681,101)	-	(1,226,384)	(22,084)	(635,014)	-	-	-	(700)	(2,565,283)
Net cash provided (used) by operating activities	217,452	144,840	1,437,129	392,952	136,484	20,324	(720,776)	70,780	3,496	1,702,681
Cash flows from noncapital financing activities										
Transfer from other funds	-	72,934	8,472	200,000	125,000	-	-	-	-	406,406
Transfers to other funds	-	-	-	(72,934)	-	-	-	(18,000)	-	(90,934)
Advances to other funds	-	-	-	-	(21,048)	-	-	-	-	(21,048)
Nonoperating (expenses) revenues	692	-	-	-	-	-	-	-	-	692
Net cash provided (used) by noncapital financing activities	692	72,934	8,472	127,066	103,952	-	-	(18,000)	-	295,116
Cash flows from capital and related financing activities										
Capital contributions	-	-	44,832	530,000	-	-	-	-	-	574,832
Purchases/construction of capital assets	(49,094)	-	(1,615,288)	(324,012)	(29,162)	-	-	-	-	(2,017,556)
Proceeds from sale of capital assets	-	-	181,469	-	-	-	-	-	-	181,469
Net cash used by capital and related financing activities	(49,094)	-	(1,388,987)	205,988	(29,162)	-	-	-	-	(1,261,255)
Cash flows from investing activities										
Interest received	2,650	-	3,263	1,687	664	-	7,174	18,933	71	34,442
Net change in cash and cash equivalents	171,700	217,774	59,877	727,693	211,938	20,324	(713,602)	71,713	3,567	770,984
Cash and cash equivalents - beginning of year	1,976,229	-	2,568,557	941,854	460,939	1,429,144	6,448,065	1,878,276	54,102	15,757,166
Cash and cash equivalents - end of year	\$ 2,147,929	\$ 217,774	\$ 2,628,434	\$ 1,669,547	\$ 672,877	\$ 1,449,468	\$ 5,734,463	\$ 1,949,989	\$ 57,669	\$ 16,528,150
Reconciliation of operating income (loss) to net cash provided (used) by operating activities										
Operating income (loss)	\$ (44,346)	\$ 148,068	\$ 279,799	\$ 52,460	\$ (261,508)	\$ 8,738	\$ (338,280)	\$ 49,286	\$ (2,682)	\$ (108,465)
Adjustments to reconcile operating income to net cash from operating activities										
Depreciation and amortization expense	248,132	-	1,196,649	59,043	647,470	-	-	-	6,185	2,157,479
Changes in assets and liabilities										
Receivables (net)	(457)	4,807	(27,176)	(296)	(1,956)	285	88,879	21,494	(8)	85,572
Inventories	-	9,441	(52,412)	-	-	-	-	-	-	(42,971)
Prepaid items	-	-	-	-	-	4,344	421,224	-	-	425,568
Accounts payable	4,514	(17,476)	11,425	281,745	(35,606)	6,957	(1,005,619)	-	1	(754,059)
Accrued and other liabilities	9,609	-	28,844	-	(212,020)	-	113,020	-	-	(60,547)
Due to other funds	-	-	-	-	104	-	-	-	-	104
Net cash provided (used) by operating activities	\$ 217,452	\$ 144,840	\$ 1,437,129	\$ 392,952	\$ 136,484	\$ 20,324	\$ (720,776)	\$ 70,780	\$ 3,496	\$ 1,702,681

City of Midland, Michigan

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

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,							
	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:								
Invested in capital assets, net of related debt	\$ 80,360,355	\$ 82,924,667	\$ 83,247,933	\$ 87,999,853	\$ 87,613,288	\$ 88,511,573	\$ 86,664,194	\$ 89,585,040
Restricted	9,511,932	8,055,923	6,714,007	7,550,391	8,459,716	8,206,252 (2)	14,341,343	12,864,614
Unrestricted	9,230,043	(2,379,204) (1)	(2,534,773)	(6,248,653)	(3,785,796)	1,210,553	2,790,283	8,796,021
Total net position	<u>99,102,330</u>	<u>88,601,386</u>	<u>87,427,167</u>	<u>89,301,591</u>	<u>92,287,208</u>	<u>97,928,378</u>	<u>103,795,820</u>	<u>111,245,675</u>
Business Type Activities:								
Invested in capital assets, net of related debt	89,719,884	93,462,299	93,907,450	98,022,672	100,609,436	100,402,758	100,885,163	101,563,419
Restricted	1,219,000	1,244,000	25,000	25,000	25,000	3,263,589 (2)	3,397,088	3,455,307
Unrestricted	27,082,975	24,509,727	26,937,227	29,793,084	31,156,750	29,981,732	31,710,327	33,702,467
Total net position	<u>118,021,859</u>	<u>119,216,026</u>	<u>120,869,677</u>	<u>127,840,756</u>	<u>131,791,186</u>	<u>133,648,079</u>	<u>135,992,578</u>	<u>138,721,193</u>
Primary government in total:								
Invested in capital assets, net of related debt	170,080,239	176,386,966	177,155,383	186,022,525	188,222,724	188,914,331	187,549,357	191,148,459
Restricted	10,730,932	9,299,923	6,739,007	7,575,391	8,484,716	11,469,841 (2)	17,738,431	16,319,921
Unrestricted	36,313,018	22,130,523	24,402,454	23,544,431	27,370,954	31,192,285	34,500,610	42,498,488
Total net position	<u>\$ 217,124,189</u>	<u>\$ 207,817,412</u>	<u>\$ 208,296,844</u>	<u>\$ 217,142,347</u>	<u>\$ 224,078,394</u>	<u>\$ 231,576,457</u>	<u>\$ 239,788,398</u>	<u>\$ 249,966,868</u>

Source: City's Comprehensive Annual Financial Report

(1) 2008 was restated to incorporate 2009 prior period adjustment

(2) 2012 was restated to incorporate 2013 prior period adjustment for a change in accounting principle.

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

	Fiscal Year Ended June 30,							
	2007	2008	2009	2010	2011	2012	2013	2014
Expenses								
General government	\$ 4,195,610	\$ 3,758,824	\$ 4,759,051	\$ 4,063,142	\$ 3,738,504	\$ 4,377,616	\$ 4,379,126	\$ 4,053,402
Public safety	13,532,496	13,376,090	14,744,737	14,806,966	15,305,454	14,954,815	15,679,391	15,596,565
Public works	9,917,048	9,247,222	9,996,061	9,632,256	8,258,151	8,853,319	9,416,912	9,188,965
Sanitation	2,449,784	2,500,382	2,492,893	2,419,772	2,475,323	2,492,955	2,398,083	3,017,452
Community and economic development	972,214	955,057	1,076,936	1,070,986	578,321	1,116,838	567,424	991,057
Parks and recreation	3,828,814	3,092,978	4,275,608	4,063,153	4,466,591	5,029,397	5,126,073	4,715,868
Library and community television	4,389,127	4,363,845	4,603,722	4,515,161	4,414,619	4,374,397	4,471,374	4,860,097
Airport	292,130	324,607	331,866	473,735	378,055	257,459	418,304	421,280
Transportation	1,753,572	1,697,903	1,872,389	1,739,854	1,738,124	1,772,164	1,901,342	1,836,649
Property tax appeals	8,144,802	20,819,386	233,979	195,163	315,612	752,824	573,260	317,798
Interest on long-term debt	8,975	3,025	729,895	702,517	668,251	633,430	589,971	586,291
Total governmental activities	<u>49,484,572</u>	<u>60,139,319</u>	<u>45,117,137</u>	<u>43,682,705</u>	<u>42,337,005</u>	<u>44,615,214</u>	<u>45,521,260</u>	<u>45,585,424</u>
Program revenues:								
Charges for services								
General government	611,934	839,576	322,003	-	-	-	-	-
Public safety	690,268	806,321	1,750	55,158	56,364	74,391	102,133	118,052
Public works	535,549	529,868	1,077,428	721,551	1,196,193	968,728	1,049,135	1,041,080
Sanitation	172,649	177,697	-	217,317	35,935	34,295	34,756	33,345
Community and economic development	31,930	28,672	6,375	4,451	3,725	4,875	5,100	233,717
Parks and recreation	219,964	202,302	203,733	293,757	347,276	390,375	421,685	410,641
Library and community television	755,214	722,556	1,313,894	1,347,405	1,337,765	1,368,016	1,359,160	1,365,146
Airport	186,586	242,062	197,614	196,841	248,531	322,813	258,776	269,631
Transportation	139,091	146,384	153,754	135,949	129,788	123,280	118,839	144,588
Other functions	75,724	38,920	-	-	-	-	-	-
Total charges for services	<u>3,418,909</u>	<u>3,734,358</u>	<u>3,276,551</u>	<u>2,972,429</u>	<u>3,355,577</u>	<u>3,286,773</u>	<u>3,349,584</u>	<u>3,616,200</u>

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

	Fiscal Year Ended June 30,							
	2007	2008	2009	2010	2011	2012	2013	2014
Operating grants and contributions	\$ 5,693,288	\$ 5,329,978	\$ 4,908,102	\$ 4,766,634	\$ 4,841,547	\$ 5,679,405	\$ 5,397,059	\$ 6,907,656
Capital grants and contributions	<u>3,591,053</u>	<u>2,317,791</u>	<u>1,183,580</u>	<u>1,388,911</u>	<u>727,076</u>	<u>1,986,926</u>	<u>4,309,370</u>	<u>2,304,230</u>
Total program revenue	<u>12,703,250</u>	<u>11,382,127</u>	<u>9,368,233</u>	<u>9,127,974</u>	<u>8,924,200</u>	<u>10,953,104</u>	<u>13,056,013</u>	<u>12,828,086</u>
Net (expense) revenue	<u>(36,781,322)</u>	<u>(48,757,192)</u>	<u>(35,748,904)</u>	<u>(34,554,731)</u>	<u>(33,412,805)</u>	<u>(33,662,110)</u>	<u>(32,465,247)</u>	<u>(32,757,338)</u>
General revenues:								
Property taxes	32,484,991	32,356,906	28,846,094	31,971,428	31,549,496	33,846,512	33,949,025	35,309,085
Other tax related revenue	1,245,590	1,286,806	2,003,766	2,072,970	2,117,699	2,108,016	2,012,014	2,289,586
Intergovernmental	3,531,736	3,498,861	3,281,751	2,918,791	2,918,791	3,187,163	3,262,543	3,343,960
Unrestricted investment earnings	3,389,149	2,356,183	554,437	106,025	72,980	59,313	44,690	48,014
Gain on sale of capital assets	-	-	202,090	344,211	12,416	303,677	-	271,934
Miscellaneous revenues	22,435	15,056	815,482	666,042	765,507	755,552	862,213	728,404
Transfers	<u>(939,940)</u>	<u>(987,631)</u>	<u>(1,128,935)</u>	<u>(1,650,312)</u>	<u>(1,038,466)</u>	<u>(841,992)</u>	<u>(1,797,796)</u>	<u>(1,783,790)</u>
Total general revenues and transfers	<u>39,733,961</u>	<u>38,526,181</u>	<u>34,574,685</u>	<u>36,429,155</u>	<u>36,398,423</u>	<u>39,418,241</u>	<u>38,332,689</u>	<u>40,207,193</u>
Change in governmental net position	<u>\$ 2,952,639</u>	<u>\$ (10,231,011)</u>	<u>\$ (1,174,219)</u>	<u>\$ 1,874,424</u>	<u>\$ 2,985,618</u>	<u>\$ 5,756,131</u>	<u>\$ 5,867,442</u>	<u>\$ 7,449,855</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,							
	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenue								
Water customer fees	\$ 7,568,017	\$ 8,271,119	\$ 8,241,111	\$ 9,041,009	\$9,383,395	\$ 10,141,703	\$ 10,223,565	\$ 10,259,149
Wastewater customer fees	4,588,778	4,827,045	5,023,302	5,244,636	5,488,692	5,470,243	5,659,485	5,741,780
Landfill use and admission charges	5,041,271	3,424,819	3,701,334	3,362,957	3,867,944	3,289,167	3,322,110	2,903,936
Civic Arena use and admission charges	1,056,417	1,064,509	1,149,686	1,077,498	1,061,241	962,949	1,000,933	1,089,540
Other use and admission charges	973,412	1,094,166	1,160,471	1,150,138	990,554	1,074,941	845,084	915,279
Rentals	2,537,277	2,651,509	2,783,672	2,882,931	2,912,059	2,906,171	2,902,606	2,937,966
Fines and forfeits	155,999	171,250	160,152	141,762	166,900	169,804	169,476	176,468
Other revenue	-	-	296,730	305,571	2,073,180	1,103,365	1,133,074	1,156,174
Total operating revenue	21,921,171	21,504,417	22,516,458	23,206,502	25,943,965	25,118,343	25,256,333	25,180,292
Operating Expenses								
Water	4,006,050	3,662,404	3,720,724	3,750,511	3,800,821	3,945,792	4,117,868	3,987,108
Wastewater	1,074,122	1,129,031	1,272,180	1,396,730	1,363,214	1,309,094	1,265,702	1,269,146
Real estate rental	2,191,683	2,228,946	-	-	-	-	-	-
Landfill	2,010,992	2,189,039	2,728,781	2,515,598	2,514,219	2,577,617	2,735,828	2,777,228
Civic Arena	1,130,306	1,152,330	1,186,663	967,769	958,301	812,943	811,745	831,961
Other operating	994,067	1,362,218	4,114,875	3,978,810	4,342,252	4,640,670	4,530,073	4,578,775
Administration	1,674,995	1,754,302	2,205,837	2,357,378	2,308,525	2,351,223	2,322,441	2,421,548
Maintenance	3,950,384	4,090,615	4,936,116	4,550,779	4,712,824	4,436,506	4,910,689	5,517,411
Other expenses	-	-	27,209	6,380	74,613	67,688	92,809	74,727
Depreciation	4,098,194	4,065,398	3,996,687	4,021,646	3,967,213	4,356,092	4,655,137	4,619,802
Total operating expenses	21,130,793	21,634,283	24,189,072	23,545,601	24,041,982	24,497,625	25,442,292	26,077,706
Operating Income (Loss)	790,378	(129,866)	(1,672,614)	(339,099)	1,901,983	620,718	(185,959)	(897,414)

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

	Fiscal Year Ended June 30,							
	2007	2008	2009	2010	2011	2012	2013	2014
Nonoperating Revenue (Expenses)								
Interest income (losses)	\$ 957,061	\$ 769,663	\$ 215,574	\$ 219,266	\$ 212,289	\$ 94,324	\$ 44,213	\$ 211,615
Contractual revenues	1,073,493	1,057,953	1,003,592	847,664	504,154	453,978	683,454	796,982
Gain(loss) on disposition of assets	45,261	41,217	(32,336)	12,195	(16,356)	(978)	62,766	(36,337)
Sales of meals - revenue	421,969	449,200	497,666	530,282	-	-	-	-
Sales of meals - expenses	(572,855)	(590,941)	(625,606)	(657,883)	-	-	-	-
Contributions	1,859,744	110,058	-	-	-	-	-	-
Other revenue	1,289,869	803,172	641,925	623,984	-	7,335	304,625	122
Interest expense	(1,200,867)	(1,059,154)	(881,393)	(776,434)	(683,148)	(618,300)	(531,576)	(500,999)
Other expenses	(976,105)	(1,281,656)	(121,236)	(128,889)	-	-	-	-
Total non-operating revenues (expenses)	<u>2,897,570</u>	<u>299,512</u>	<u>698,186</u>	<u>670,185</u>	<u>16,939</u>	<u>(63,641)</u>	<u>563,482</u>	<u>471,383</u>
Income (Loss) - Before contributions and transfers	3,687,948	169,646	(974,428)	331,086	1,918,922	557,077	377,523	(426,031)
Capital contributions	887,254	392,000	1,426,045	452,000	813,196	858,000	386,559	1,459,632
Operating transfers in	1,191,640	1,301,390	1,210,497	1,661,116	1,160,466	1,440,432	1,949,796	1,949,647
Operating transfers out	(251,700)	(313,760)	(81,562)	(10,804)	(122,000)	(598,440)	(152,000)	(165,857)
Change in Net Position	5,515,142	1,549,276	1,580,552	2,433,398	3,770,584	2,257,069	2,561,878	2,817,391
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.	(394,607)	(355,109)	73,099	4,537,681	179,846	(324,263)	(217,379)	(88,776)
Change in net position of business-type activities	\$ 5,120,535	\$ 1,194,167	\$ 1,653,651	\$ 6,971,079	\$3,950,430	\$ 1,932,806	\$ 2,344,499	\$ 2,728,615
Total Primary Government Changes in Net Position	\$ 8,073,174	\$ (9,036,844)	\$ 479,432	\$ 8,845,503	\$6,936,048	\$ 7,688,937	\$ 8,211,941	\$ 10,178,470

Note:

a. During fiscal year 2005-06 the Civic Arena Fund was added as a proprietary fund.

Source: City's Comprehensive Annual Financial Report

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,717	\$ 133,810	\$ 112,293	\$ 131,276
Reserved/restricted	39,525,290	32,321,210	26,171,316	16,395,961	503,605	608,739	-	-	-	-
Committed	-	-	-	-	-	-	1,202,239	3,316,281	3,475,477	4,070,246
Assigned	-	-	-	-	-	-	570,175	441,498	724,234	1,587,549
Unreserved/unassigned	<u>862,970</u>	<u>5,392,288</u>	<u>7,386,734</u>	<u>8,481,194</u>	<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>
Total general fund	40,388,260	37,713,498	33,558,050	24,877,155	6,450,568	7,098,148	7,290,674	8,739,237	8,985,077	11,171,007
All other governmental funds:										
Non-spendable	-	-	-	-	-	-	544,266	260,964	262,318	263,948
Reserved/restricted	6,133,899	6,457,181	5,678,635	4,813,284	2,364,469	3,455,381	1,991,078	8,321,213	14,079,025	11,403,386
Committed	-	-	-	-	-	-	4,980,494	787,232	745,674	1,805,573
Assigned	-	-	-	-	-	-	2,280,930	2,474,649	1,505,368	1,529,650
Unreserved/unassigned	<u>10,064,255</u>	<u>9,528,365</u>	<u>7,206,067</u>	<u>6,187,985</u>	<u>5,518,346</u>	<u>5,255,550</u>	-	-	-	<u>(295,629)</u>
Total all governmental funds	<u>\$56,586,414</u>	<u>\$53,699,044</u>	<u>\$46,442,752</u>	<u>\$35,878,424</u>	<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>

Notes:

- a. During fiscal year 2003-04 the Special Assessment Revolving Fund was reclassified as an internal service fund to properly reflect activity. The 2003-04 beginning fund balance has been restated to reflect this change.
- b. 2004-05 beginning fund balance has been restated to reflect prior year adjustment of \$9,228.
- c. The City changed its accounting for trust deeds resulting in a restatement of the beginning fund balance for 2006-07
- d. 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.
- e. 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
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue										
Taxes	\$ 27,104,030	\$27,008,416	\$32,851,962	\$ 32,780,512	\$ 29,856,356	\$32,958,572	\$ 32,601,169	\$ 34,821,993	\$ 33,949,025	\$35,309,085
Other tax related revenue	1,144,431	1,153,613	1,245,590	1,284,513	993,504	1,085,826	1,066,026	1,132,535	2,012,014	2,289,586
Licenses and permits	650,985	653,100	610,552	723,926	691,818	589,383	826,957	697,201	687,480	705,846
Federal grants	456,900	1,085,841	952,997	1,091,510	589,931	720,821	639,710	768,916	583,218	512,378
Intergovernmental - other	7,955,247	7,973,317	8,668,945	8,304,033	7,626,527	6,999,278	7,172,217	9,285,967	8,980,832	8,082,919
Charges for services	2,959,423	3,180,973	3,402,244	3,730,365	4,039,431	3,955,473	3,903,492	3,895,197	3,738,361	3,781,899
Use and admission charges	793,634	179,854	190,969	179,457	203,733	202,759	256,399	266,000	282,393	304,482
Interest income	1,531,159	2,794,357	3,314,070	2,167,082	554,437	106,028	72,980	59,313	44,671	50,441
Contributions and other revenues	2,796,229	1,712,922	1,777,651	1,886,786	1,564,536	1,671,296	2,041,456	2,043,569	4,787,548	3,666,261
Total revenue	<u>45,392,038</u>	<u>45,742,393</u>	<u>53,014,980</u>	<u>52,148,184</u>	<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>
Expenditures										
Current:										
General government	4,742,397	4,884,935	4,904,021	5,219,281	6,529,289	6,221,120	6,045,687	6,213,044	6,139,588	5,812,138
Public safety	10,794,036	11,563,868	12,072,103	12,667,757	14,768,233	14,867,678	15,779,974	15,182,480	15,724,988	15,942,908
Public works	4,751,201	4,971,656	5,373,310	6,203,605	6,445,296	5,988,481	5,850,900	5,361,940	5,858,277	5,860,312
Sanitation	2,094,429	2,346,672	2,209,944	2,344,715	2,500,680	2,480,790	2,491,420	2,542,662	2,450,295	3,116,963
Community and economic development	532,548	820,803	938,099	911,615	1,075,003	1,077,207	579,551	1,116,817	566,585	987,265
Parks and recreation	3,726,384	3,322,203	3,419,246	3,471,155	4,115,310	3,971,848	4,262,675	4,773,512	4,888,990	4,625,415
Library and community television	3,541,448	3,630,846	3,767,747	3,901,737	4,358,371	4,270,662	4,161,210	4,132,462	4,079,055	4,465,518
Airport	185,202	176,711	282,341	308,020	295,589	285,333	326,472	429,792	362,084	357,187
Transportation	1,427,883	1,598,969	1,651,533	1,676,251	1,730,521	1,693,097	1,629,824	1,715,709	1,819,483	1,776,592
Property tax appeals	6,451,758	1,977,046	10,080,498	13,310,099	36,535,706	195,163	315,612	752,824	573,260	317,798
Other functions	4,108,730	4,470,025	4,877,761	5,056,228	236,363	1,216	-	-	-	-
Capital outlay	14,563,988	5,949,213	7,571,908	6,163,166	4,093,449	3,400,930	3,287,839	4,596,798	4,125,670	7,701,939
Debt service										
Principal retirement	135,000	75,000	75,000	100,000	930,000	930,000	965,000	1,000,000	1,040,000	1,085,000
Interest and fiscal charges	191,568	13,438	12,161	4,255	594,207	686,907	652,854	618,243	582,106	546,394
Bond issuance costs	-	-	-	-	106,177	-	-	-	-	-
Total expenditures	<u>57,246,572</u>	<u>45,801,385</u>	<u>57,235,672</u>	<u>61,337,884</u>	<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>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Excess of Revenue Over (Under) Expenditures	<u>\$(11,854,534)</u>	<u>\$ (58,992)</u>	<u>\$ (4,220,692)</u>	<u>\$ (9,189,700)</u>	<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>
Proceeds from sale of capital assets	215,411	184,721	82,817	202,853	231,991	373,270	12,416	303,677	-	292,266
Issuance of debt	6,435,000	-	-	-	17,890,000	-	-	-	-	-
Bond discount	-	-	-	-	(212,243)	-	-	-	-	-
Operating transfers in	11,328,105	9,465,578	6,928,776	3,990,577	6,250,006	6,112,146	5,475,599	5,365,648	5,775,177	5,447,117
Operating transfers out	<u>(13,266,164)</u>	<u>(12,478,678)</u>	<u>(8,515,227)</u>	<u>(5,568,058)</u>	<u>(7,240,941)</u>	<u>(7,228,724)</u>	<u>(6,441,040)</u>	<u>(6,707,880)</u>	<u>(7,636,171)</u>	<u>(7,546,379)</u>
Total other financing sources (uses)	<u>4,712,352</u>	<u>(2,828,379)</u>	<u>(1,503,634)</u>	<u>(1,374,628)</u>	<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>
Net change in fund balances	<u>(7,142,182)</u>	<u>(2,887,371)</u>	<u>(5,724,326)</u>	<u>(10,564,328)</u>	<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>
Fund balances - beginning of year	63,728,596	56,586,415	52,167,078	46,442,752	35,878,424	14,333,383	15,809,079	17,087,442	20,583,295	25,577,463
Prior period adjustment	-	-	-	-	(269,933)	-	-	-	-	-
Fund balances - beginning of year restated	<u>63,728,596</u>	<u>56,586,415</u>	<u>52,167,078</u>	<u>46,442,752</u>	<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>
Fund Balances - End of year	<u>\$ 56,586,414</u>	<u>\$53,699,044</u>	<u>\$46,442,752</u>	<u>\$ 35,878,424</u>	<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>
Debt service as a percentage of noncapital expenditures	0.77%	0.22%	0.18%	0.19%	2.03%	3.79%	3.69%	3.69%	3.68%	3.63%

Notes:

- a. 2004-05 beginning fund balance has been restated to reflect prior year adjustment of \$9,228.
- b. The City changed into accounting for trust deeds resulting in a restatement of the beginning fund balance for 2006-07.
- c. 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.
- d. 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

Revenue Capacity

These schedules contain trend 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
2004	\$ 887,350,600	\$ 239,002,200	\$ 890,760,000	\$ 408,075,800	\$ 144,584,000	\$ 2,569,772,600	9.87	\$ 2,852,786,900	90.08
2005	921,024,100	248,085,800	878,201,900	384,728,900	121,477,400	2,553,518,100	9.79	2,811,712,100	90.82
2006	956,874,300	261,931,600	900,622,800	390,489,900	103,285,200	2,613,203,800	12.10	2,835,912,600	92.15
2007	985,927,900	275,311,300	852,016,300	411,946,800	116,559,600	2,641,761,900	12.24	2,814,224,200	93.87
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

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	Debt	Total	Midland	Bay	Delta	State	Bay/Arenac	Midland	School:	School:	School:	School: Non-	School:	
	Operating		Direct					Intermediate	Intermediate	Non-	Commercial	Homestead	homestead	Commercial	
	(1)		Taxes*	County	County	College	Education	School	School	Homestead	homestead	Property	Bullock	Bullock	Property
								District	District	Midland	Midland	Midland	Creek	Creek	Bullock
2004	9.2300	0.6400	9.8700 (2)	8.1455	11.0326	2.0427	6.0000	4.9458	1.1756	5.7692	20.0000	-	7.0000	24.9208	-
2005	9.1700	0.6200	9.7900	7.8255	10.9338	2.0427	6.0000	4.9425	1.1756	5.5909	20.0000	-	7.0000	24.9208	-
2006	11.8700	0.2300	12.1000	8.0555	9.7100	2.0427	6.0000	4.9233	1.1756	5.3284	20.0000	-	7.0000	25.0000	-
2007	12.0000	0.2400	12.2400	8.5555	10.8096	2.0427	6.0000	4.9233	1.1756	5.2129	20.0000	-	7.0000	25.0000	-
2008	12.7000	0.2900	12.9900	8.7055	10.8138	2.0427	6.0000 (5)	4.9233	1.1756	4.2942	20.0000	10.2942 (4)	7.0000	25.0000	13.0000 (4)
2009	13.6700	0.2700	13.9400	8.8355	10.8138	2.0427	6.0000 (5)	4.9233	2.6756	2.7890	18.5000	8.7890 (4)	7.0000	25.0000	13.0000 (4)
2010	13.6700	0.2700	13.9400	8.8355	10.7138	2.0427	6.0000 (5)	4.9233	2.6756	2.7091	18.5000	8.7091 (4)	7.0000	25.0000	13.0000 (4)
2011	14.5000	0.2900	14.7900	8.8355	10.8138	2.0427	6.0000 (5)	4.9233	2.6756	2.0909	18.5000	8.0909 (4)	7.0000	25.0000	13.0000 (4)
2012	14.5000	0.2900	14.7900	8.8355	11.4638	2.0427	6.0000 (5)	4.9233	2.6756	1.9499	18.0000	7.9499 (4)	7.0000	25.0000	13.0000 (4)
2013	14.8000	0.2800	15.0800	9.1355	11.4638	2.0427	6.0000 (5)	4.9233	2.6756	1.7914	18.0000	6.7914 (4)	7.0000	25.0000	13.0000 (4)

* 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) The City of Midland property tax rate was decreased in 2004/2005 due, in part, to a reduction in the tax appeal millage.
- (3) 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.
- (4) 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: School:		School: Commercial Property	Non-homestead	Non-homestead	Non-homestead Commercial	Non-homestead Industrial	Homestead Bullock Creek	Non-homestead Bullock Creek	Non-homestead Commercial Bullock	Non-homestead Industrial Bullock	Homestead Bay City	Non-homestead Bay City	Non-homestead Commercial Bay City	Non-homestead Industrial Bay City
	Homestead Bay City	Non-homestead Bay City													
2004	1.1000	19.1000	-	33.0030	47.2338	-	-	34.2338	52.1546	-	-	34.9911	52.9911	-	-
2005	1.1000	19.0640	-	32.4247	46.8338	-	-	33.8338	51.7546	-	-	34.8090	52.7730	-	-
2006	2.3500	20.0247	-	34.7022	49.3738	-	-	36.3738	54.3738	-	-	37.1260	54.8007	-	-
2007	2.3500	20.3500	-	35.2267	50.0138	-	-	37.0138	55.0138	-	-	38.3656	56.3656	-	-
2008	2.3500	20.3500	8.3500 (4)	35.2080	50.9138	41.2080 (4)	29.2080 (5)	37.9138	55.9138	43.9138 (4)	31.9138 (5)	39.1198	57.1198	45.1198 (4)	33.1198 (5)
2009	2.3500	20.3500	8.3500 (4)	36.2828	51.9938	42.2828 (4)	30.2828 (5)	40.4938	58.4938	46.4938 (4)	34.4938 (5)	40.0698	58.0698	46.0698 (4)	34.0698 (5)
2010	2.8000	20.8000	8.8000 (4)	36.2029	51.9938	42.2029 (4)	30.2029 (5)	40.4938	58.4938	46.4938 (4)	34.4938 (5)	40.4198	58.4198	46.4198 (4)	34.4198 (5)
2011	2.9900	20.9900	8.9900 (4)	36.4347	52.8438	42.4347 (4)	30.4347 (5)	41.3438	59.3438	47.3438 (4)	35.3438 (5)	41.5598	59.5598	47.5598 (4)	35.5598 (5)
2012	2.9900	20.9900	8.9900 (4)	36.2937	52.3438	42.2937 (4)	30.2937 (5)	41.3438	59.3438	47.3438 (4)	35.3438 (5)	42.2098	60.2098	48.2098 (4)	36.2098 (5)
2013	2.9900	20.9900	8.9900 (4)	36.7252	52.9338	41.7252 (4)	30.7252 (5)	41.9338	59.9338	47.9338 (4)	35.9338 (5)	42.4998	60.4998	48.4998 (4)	36.4998 (5)

* 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) The City of Midland property tax rate was decreased in 2004/2005 due, in part, to a reduction in the tax appeal millage.
- (3) 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.
- (4) 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
Principal Property Tax Payers

Taxpayer	2014 Taxable Value	Percentage of total	2005 Taxable Value	Percentage of total	2005 rank
1 Dow Chemical/Dow Agrosiences	\$ 400,516,554	17.17%	\$ 416,525,400	17.13%	2
2 Midland Cogeneration Venture	216,165,900	9.27%	615,399,200	25.30%	1
3 Dow Corning	137,316,000	5.89%	128,870,200	5.30%	3
4 Styron LLC	34,315,000	1.47%	-	-	-
5 Consumers Energy Company	23,765,395	1.02%	16,629,500	0.68%	4
6 Dow Business Services LLC	17,975,800	0.77%	-	-	-
7 Midland Mall LLC	17,833,750	0.76%	14,555,500	0.60%	5
8 Cabot Corporation	11,458,700	0.49%	-	-	-
9 Midland Downtown Partners LLC	10,884,400	0.47%	-	-	-
10 Midland Country Club	10,541,800	0.45%	-	-	-
Total	<u>\$ 880,773,299</u>	<u>37.76%</u>	<u>\$ 1,191,979,800</u>	<u>49.01%</u>	

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 *	(1)	Total Adjusted Levy	Collected within the Fiscal Year of the Levy	Percentag e of Original Levy Collected	Collections in Subsequent Years	Total Collections to Date	Percentage of Total Collections to Adjusted Tax Levy
2005	\$ 24,169,118	\$(2,504,215)	(1)	\$ 21,664,903	\$ 23,967,130	99.164	\$ (2,302,233)	\$21,664,897	100.000
2006	24,355,843	(3,900,688)	(1)	20,455,155	24,337,402	99.924	(3,885,176)	20,452,226	99.986
2007	29,962,104	(4,654,988)	(1)	25,307,116	29,948,998	99.956	(4,644,491)	25,304,507	99.990
2008	25,949,887	9,610		25,959,497	25,939,185	99.959	18,723	25,957,908	99.994
2009	27,669,516	(5,655)		27,663,861	27,660,042	99.966	3,031	27,663,073	99.997
2010	30,629,774	(6,167)		30,623,607	30,623,319	99.979	(846)	30,622,473	99.996
2011	32,973,831	(498)		32,973,333	30,314,659	91.936	2,656,663	32,971,322	99.994
2012	35,569,456	(2,844,831)		32,724,625	32,715,296	91.976	(108,936)	32,606,360	99.639
2013	32,972,444	(89,110)		32,883,334	32,761,640	99.361	116,937	32,878,577	99.986
2014	33,821,073	(67,171)		33,753,902	33,743,484	99.771	-	33,743,484	99.969

* 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.

(1) Adjustments related to the MCV tax appeal settlement. For more information see Notes to Financial Statements.

Source: City Treasurer's Office

City of Midland, Michigan

Debt Capacity

These schedules contain trend 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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
General obligation bonds	\$ 250,000	\$ 175,000	\$ 100,000	\$ -	\$ 16,662,808	\$ 15,754,036	\$ 20,771,216	\$ 19,559,396	\$ 18,408,507	\$ 17,092,657
Capital leases	1,498,454	1,330,510	1,164,223	983,651	782,160	614,097	409,524	209,187	-	-
Total governmental activities	1,748,454	1,505,510	1,264,223	983,651	17,444,968	16,368,133	21,180,740	19,768,583	18,408,507	17,092,657
Business Type Activities										
General obligation bonds	24,209,063	22,429,063	20,627,714	19,363,882	18,364,750	17,379,872	16,344,992	15,245,399	14,779,063	13,474,063
Revenue bonds	5,775,000	4,620,000	3,465,000	2,310,000	1,155,000	-	-	-	-	-
Total business-type activities	29,984,063	27,049,063	24,092,714	21,673,882	19,519,750	17,379,872	16,344,992	15,245,399	14,779,063	13,474,063
Total debt of the government	\$ 31,732,517	\$ 28,554,573	\$ 25,356,937	\$ 22,657,533	\$ 36,964,718	\$ 33,748,005	\$ 37,525,732	\$ 35,013,982	\$ 33,187,570	\$ 30,566,720
Total population (1)	42,175	42,175	41,551	41,054	40,917	40,807	41,863	41,863	42,020	42,202
Total debt per capita	\$ 752	\$ 677	\$ 610	\$ 552	\$ 903	\$ 827	\$ 896	\$ 836	\$ 790	\$ 724
Total per capita personal income (2)	\$ 26,818	\$ 26,818	\$ 26,818	\$ 26,818	\$ 26,818	\$ 29,946	\$ 30,803	\$ 30,574	\$ 32,185	\$ 31,540
Total debt per capita personal income	\$ 1,183	\$ 1,042	\$ 946	\$ 845	\$ 1,410	\$ 1,153	\$ 1,243	\$ 1,145	\$ 1,031	\$ 969
Total taxable value	\$ 2,425,188,600	\$ 2,432,040,700	\$ 2,509,918,600	\$ 2,525,202,300	\$ 2,091,945,200	\$ 2,157,983,712	\$ 2,303,108,341	\$ 2,362,861,037	\$ 2,201,777,715	\$ 2,325,703,249
Ratio of total debt to taxable value	1.31%	1.17%	1.01%	0.90%	1.77%	1.56%	1.63%	1.48%	1.51%	1.31%

(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		Debt as a		Population	Business Type Debt	Total General Bonded and Business Type Debt	Debt Per Capita	Per Capita Personal Income	% of Personal Income
	Bonded Debt	Taxable Value	Percentage of Taxable Value							
2005	\$ 250,000	\$ 2,425,188,600	0.010%	42,175 (1)	\$ 29,984,063	\$ 30,234,063	\$ 717	\$ 26,818 (2)	2.67%	
2006	175,000	2,432,040,700	0.007%	42,175 (1)	27,049,063	27,224,063	645.50	26,818 (2)	2.41%	
2007	100,000	2,509,918,600	0.004%	41,551 (1)	24,092,714	24,192,714	582.24	26,818 (2)	2.17%	
2008	-	2,525,202,300	0.000%	41,054 (1)	21,673,882	21,673,882	527.94	26,818 (2)	1.97%	
2009	16,662,808	2,091,945,200	0.797%	40,917 (1)	19,519,750	36,182,558	884.29	26,818 (2)	3.30%	
2010	15,754,036	2,157,983,712	0.730%	40,807 (1)	17,379,872	33,133,908	811.97	29,946 (2)	2.71%	
2011	20,771,216	2,303,108,341	0.902%	41,863 (1)	16,344,992	37,116,208	886.61	30,803 (2)	2.88%	
2012	19,559,396	2,362,861,037	0.828%	41,863 (1)	15,245,399	34,804,795	831.40	30,574 (2)	2.72%	
2013	18,408,507	2,201,777,715	0.836%	42,020 (1)	14,779,063	33,187,570	789.80	32,185 (2)	2.45%	
2014	17,092,657	2,325,703,249	0.735%	42,202 (1)	13,474,063	30,566,720	724.30	31,540 (2)	2.30%	

(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	\$ 17,092,657	100.00%	\$ 17,092,657
Overlapping debt:			
Bay City School District	59,520,000	0.25%	148,800
Bullock Creek School District	12,660,000	0.42%	53,172
Bay County	32,970,285	0.15%	49,455
Midland County	25,737,230	62.09%	15,980,246
Bay-Arenac Intermediate School District	<u>2,950,000</u>	0.13%	<u>3,835</u>
Total overlapping debt	<u>133,837,515</u>		<u>16,235,508</u>
Total	<u>\$ 150,930,172</u>		<u>\$ 33,328,165</u>

* Overlapping debt is calculated as the issuer's proportionate share of the debt of other local governmental units that overlap it (the units 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 debt is generally apportioned based upon relative assessed property values.

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

City of Midland, Michigan
Legal Debt Margin

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 242,518,860	\$ 281,171,210	\$ 283,591,260	\$ 281,422,420	\$ 231,029,280	\$ 239,060,150	\$ 256,369,495	\$ 261,932,163	\$ 244,187,237	\$ 255,859,200
Total net debt applicable to limit	<u>24,459,063</u>	<u>22,604,063</u>	<u>20,727,714</u>	<u>19,363,882</u>	<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>
Legal debt margin	<u>\$ 218,059,797</u>	<u>\$ 258,567,147</u>	<u>\$ 262,863,546</u>	<u>\$ 262,058,538</u>	<u>\$ 196,001,722</u>	<u>\$ 205,926,242</u>	<u>\$ 219,253,287</u>	<u>\$ 226,063,100</u>	<u>\$ 210,999,667</u>	<u>\$ 225,292,480</u>
Total net debt applicable to the limit as a percentage of debt limit	10.09%	8.04%	7.31%	6.88%	15.16%	13.86%	14.48%	13.29%	13.59%	11.95%

Legal Debt Margin Calculation for Fiscal Year 2014

Debt Limit:

2013 State equalized valuation	\$ 2,558,592,000
Debt limit (10% of State equalized valuation) (1) x	<u>10.00%</u>
Total debt limit	<u>255,859,200</u>

Debt Applicable to Debt Limit:

Total bonded debt	30,566,720
Less: deductions allowed by law:	<u>-</u>
Total amount of debt applicable to debt limit	<u>30,566,720</u>

Legal Debt Margin \$ 225,292,480

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		Total	Coverage
				Principal	Interest		
2005	\$ 10,307,652	\$ 7,165,252	\$ 3,142,400	\$ 1,335,000	\$ 328,336	\$ 1,663,336	1.89
2006	10,044,232	7,154,593	2,889,639	1,155,000	295,680	1,450,680	1.99
2007	10,479,515	7,786,003	2,693,512	1,155,000	237,930	1,392,930	1.93
2008	10,818,541	7,747,720	3,070,821	1,155,000	180,180	1,335,180	2.30
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

City of Midland, Michigan

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

Fiscal year	Population	Personal Income (in thousands)	Per Capita Personal Income (2)	Median Age (2)	Unemployment rate (4)
2005	42,175 (1)	(3)	26,818	36.2	4.4
2006	42,175 (1)	(3)	26,818	36.2	4.2
2007	41,551 (1)	(3)	26,818	36.2	4.5
2008	41,054 (1)	(3)	26,818	36.2	5.1
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

(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	2014 Employees (2)(3)	Percentage of Total	2005 Employees	Percentage of Total	2004 Rank
1 Dow Chemical Company	5,000	24.19%	(1)	(1)	(1)
2 MidMichigan Health	2,000	9.68%	(1)	(1)	(1)
3 Dow Corning Corporation	1,450	7.01%	(1)	(1)	(1)
4 Midland Public Schools	917	4.44%	(1)	(1)	(1)
5 Northwood University	464	2.24%	(1)	(1)	(1)
6 Chemical Bank	460	2.23%	(1)	(1)	(1)
7 City of Midland	426	2.06%	(1)	(1)	(1)
8 Three Rivers Corporation	380	1.84%	(1)	(1)	(1)
9 Meijer's	331	1.60%	(1)	(1)	(1)
10 Quad Graphics	330	1.60%	(1)	(1)	(1)

(1) Information not available

(2) Source: Midland Tomorrow, 2013

(3) Full-time equivalents

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
City Manager	4	4	4	4	4	4	3	4	2	2
City Clerk (1)	4	4	4	4	4	4	4	4	4	4
City Treasurer	6	6	6	6	6	4	4	4	4	4
Assessing	6	5	5	5	5	5	4	4	4	4
City Attorney	3	3	3	3	3	3	3	3	3	3
Finance	7	7	8	8	8	8	8	8	8	8
Human Resources/Risk Management	5	5	5	5	4	4	4	4	4	4
Purchasing	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police	52	51	51	51	51	51	50	50	50	50
Fire	46	46	46	46	46	46	46	46	46	46
Building inspection	7	7	7	7	7	6	6	6	6	6
Planning	6	6	6	6	6	4	4	4	4	4
Public works:										
Engineering	15	15	15	15	15	14	12	12	12	12
Public Works	39	39	39	39	38	34	33	31	30	30
Sanitation	5	5	5	5	5	5	5	5	5	5
Parks and recreation	33	33	34	34	34	29	25	26	26	26
Grace A. Dow Library	23	23	23	23	21	20	19	19	18	18
Downtown Development Authority	1	1	1	1	1	1	-	-	-	1
Dial-A-Ride	7	7	7	6	6	6	6	5	5	5
Civic Arena	-	-	-	-	-	2	2	2	2	2
Landfill	8	8	8	8	9	9	9	9	9	10
Senior Housing										
Washington Woods	8	8	7	7	7	6	6	6	6	6
Riverside Place	6	6	6	6	6	6	6	6	6	6
Currie Municipal Golf Course	-	-	-	1	3	4	7	7	7	7
Wastewater	22	22	22	22	22	20	20	20	20	20
Water	36	36	36	36	36	35	34	34	33	33
Midland Community Television	4	4	4	3	3	3	3	3	3	3
Equipment Revolving	15	15	15	15	15	15	15	15	15	13
Municipal Service Center	1	1	-	1	1	1	1	1	1	1
Information Services - Operations	7	7	7	6	6	6	6	6	5	5
Geographic Information Systems	-	2	2	2	2	2	1	1	-	-
Total	377	377	377	376	375	358	347	346	339	339

Source: City of Midland Annual Budget

City of Midland, Michigan

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Building permits issued	3,341	3,127	2,798	3,021	2,601	3,023	3,789	3,594	3,020	2,727
Building inspections conducted (1)	6,314	5,642	6,156	6,226	4,989	7,211	5,959	3,377	3,502	3,404
Public safety										
Police										
Physical arrests	1,477	1,406	1,256	1,274	999	1,069	1,425	1,182	1,018	1,524
Traffic violations	6,598	7,719	6,013	5,856	6,224	4,679	4,009	4,294	4,549	3,989
Investigations/complaints	15,243	15,554	15,749	15,851	14,523	13,883	13,833	13,840	13,683	13,915
Fire										
Fire runs	96	92	83	104	68	109	82	97	118	70
Rescue/medical	2,570	2,683	2,944	3,080	3,080	3,018	2,999	3,018	3,127	3,141
Hazardous	315	577	406	347	389	322	458	339	317	391
All other calls	870	930	930	963	977	1,002	1,165	1,299	1,359	1,361
Public works										
Street maintenance (millions of dollars)	\$ 1.85	\$ 2.13	\$ 2.23	\$ 2.50	\$ 2.54	\$ 1.73	\$ 1.93	\$ 1.56	\$ 1.65	\$ 2.20
Sidewalk maintenance (thousands of dollars)	\$ 346.34	\$ 362.82	\$ 372.61	\$ 436.98	\$ 405.91	\$ 364.99	\$ 218.50	\$ 121.47	\$ 117.48	\$ 148.40
Refuse collected (compacted cubic yards)	62,994	64,316	58,840	54,331	54,956	52,364	49,482	46,343	42,420	54,157
Brush and heavy item (cubic yards)	57,605	70,946	66,766	64,229	61,456	51,306	52,073	54,039	43,591	58,300
Fall leaf collection (cubic yards)	70,160	67,872	60,224	63,744	66,096	71,880	61,684	70,464	67,824	64,200
Parks and recreation										
Softball teams supported	334	334	327	311	282	263	260	236	201	204
Picnic reservations (sheltered and open area)	700	758	622	488	595	603	621	626	543	550
Library										
Volumes in collection	275,089	282,281	280,100	275,085	271,152	262,065	257,203	256,631	253,104	249,169
Circulation (books borrowed)	822,203	796,540	810,133	833,798	856,376	860,380	846,487	814,529	789,851	745,669
Airport (take-offs and landings)	14,699	10,847	9,245	9,161	9,336	9,083	9,424	9,578	8,061	7,851
Landfill										
Vehicle traffic	35,730	35,907	41,192	35,393	33,839	31,235	31,947	28,817	28,201	28,863
Tons per day	466	467	635	506	628	483	699	556	615	526
Senior housing apartment complexes										
Washington Woods										
Occupancy	100%	99%	100%	99%	99.5%	99.0%	96.0%	94.0%	98.0%	96.0%
Percent turnover	17%	23%	24%	19%	15%	15%	24%	29%	28%	28%
Average age of residents	85	85	83	83	80	83	81	80	80	79
Riverside Place										
Occupancy	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Percent turnover	23%	25%	32%	35%	23%	21%	25%	24%	26%	26%
Average age of residents	86	85	86	86	86	87	87	87	86	85

City of Midland, Michigan
Operating Indicators
Last Ten Fiscal Years

Function/ Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public transportation (passengers served)	154,553	161,497	153,670	155,216	147,093	129,491	126,846	129,674	113,893	107,181
Sewer										
Average daily sewage treatment (MGD)	6.46	7.22	8.05	6.96	8.40	6.58	7.23	6.14	7.41	6.72
Annual sewage treatment (MG)	2,375.90	2,635.30	2,937.85	2,541.55	3,066.66	2,393.76	2,640.53	2,419.16	2,703.48	2,450.27
Water										
Finished water pumped (MG)										
Domestic	3,503.34	3,501.33	3,520.67	3,591.76	3,381.69	3,375.07	3,445.52	3,479.23	3,348.42	3,261.59
Industrial	4,566.05	4,320.86	4,175.89	4,117.73	3,584.78	3,561.20	3,695.13	4,172.44	3,790.94	3,752.69
Total	8,069.39	7,822.19	7,696.56	7,709.49	6,966.47	6,936.27	7,140.65	7,651.67	7,139.36	7,014.28

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

Sources: City records, city departments, department annual reports, and city website - www.midland-mi.org

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

Function/ Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	15	13	13	14	15	15
Detective vehicles	4	4	4	4	4	4	4	4	4	4
SWAT van	1	1	1	1	1	1	1	1	1	1
Administrative and warrant officer vehicle	4	4	4	3	3	4	2	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)	78	78	78	78	77	77	82	82	82	82
Local streets (miles)	152	154	154	155	156	156	151	151	152	152
State highways (miles)	16	16	16	16	16	16	16	16	16	16
Sidewalks (miles)	351	352	353	353	354	355	355	356	357	357
Traffic signals (city owned)	72	73	72	72	72	72	74	74	76	76
Refuse collection trucks	13	13	13	13	13	13	13	15	14	14
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 (b)	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	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 (c)	1	1	1	1	1	1	1	1	1	2
City-owned hangars (leased)	14	14	14	14	14	14	14	14	14	14

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

Function/ Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public transportation-Dial-A-Ride busses	14	14	15	14	14	14	14	14	14	14
Landfill										
Current airspace (compacted cubic yards) (d)(g)(h)	1,158,830	1,126,046	905,764	2,556,451	2,304,084	2,347,971	2,205,036	2,041,275	1,859,132	1,736,958
Total future airspace (compacted cubic yards) (e)	8,925,285	8,965,124	8,740,847	6,889,689	6,889,689	6,889,689	6,889,689	6,889,689	6,889,689	6,889,689
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)	195	195	196	196	196	197	197	197	197	197
Storm sewers (miles)	170	171	172	173	174	174	174	174	175	175
Treatment capacity (million gallons/day)	18	18	18	18	18	18	18	18	18	18
Water (f)										
Water mains (miles)	306	308	330	333	359	360	384	385	398	400
Fire hydrants	2,701	2,758	2,928	2,979	3,193	3,205	3,240	3,254	3,273	3,309
Storage capacity (million gallons)	14.41	14.41	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) In FY01/02 an additional 9-holes were added to the 27-hole course to create two 18-hole courses.
- (b) A new 3-sheet arena on Fast Ice Drive opened in September 2005 replacing the old 2-sheet arena on East Collins.
- (c) In FY05/06 a new 2,100 sq ft terminal building opened replacing a 1,200 sq ft terminal built in 1950.
- (d) Current airspace = remaining airspace in currently constructed cells.
- (e) Total future airspace = remaining airspace in currently constructed cells as well as cells to be constructed in the future.
- (f) 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.
- (g) FY07/08 Cell 16 added, roughly 1.8 million yards of additional airspace
- (h) 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.
- (i) 2014 one sheet of ice arena was converted to turf.

Sources: City records, city departments, department annual reports, and city website - www.midland-mi.org