

A photograph of a wooden playground structure with a slide, set on a bed of wood chips. 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 61<sup>st</sup> 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 25<sup>th</sup> 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,




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Jon Lynch  
City Manager




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David A. Keenan  
Assistant City Manager  
for Fiscal Services



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

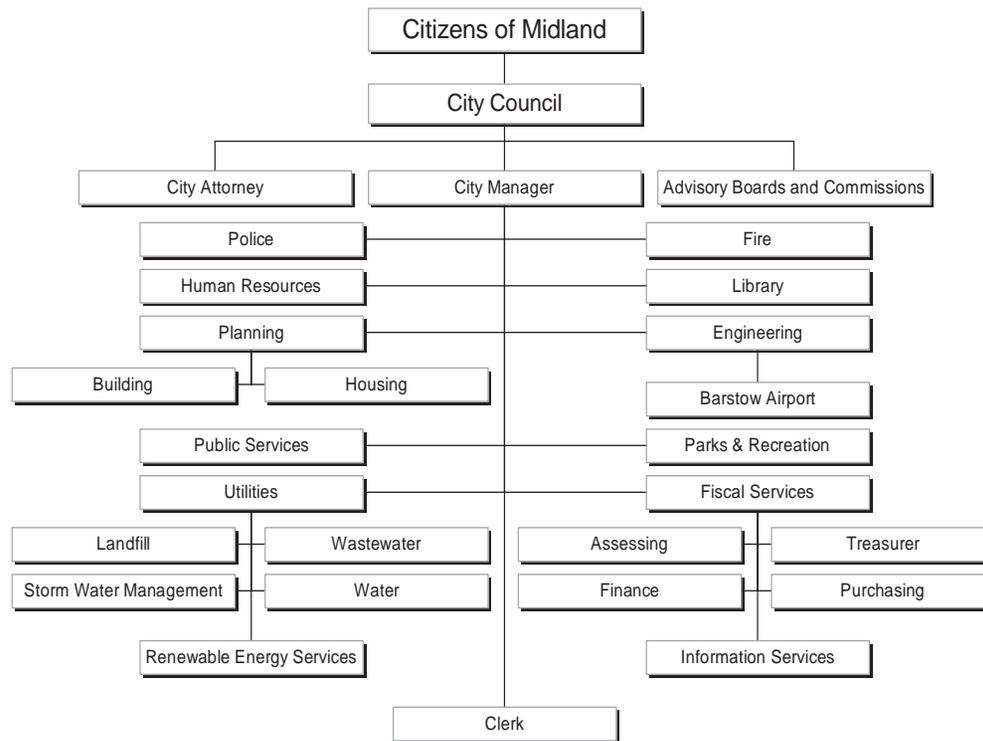
**City of Midland  
Michigan**

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**

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**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