



City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640 ♦ 989.837.3300 * 989.835.2717 Fax ♦ www.cityofmidlandmi.gov

REGULAR MEETING OF THE MIDLAND CITY COUNCIL
City Hall, 333 W. Ellsworth Street

January 13, 2020

7:00 PM

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE TO THE FLAG

ROLL CALL - Steve Arnosky
Diane Brown Wilhelm
Maureen Donker
Pamela Hall
Marty A. Wazbinski

CONFLICT OF INTEREST DISCLOSURE STATEMENT

CONSIDERATION OF ADOPTING CONSENT AGENDA ITEMS:

All resolutions marked with an asterisk are considered to be routine and will be enacted by one motion. There will be no separate consideration of these items unless a Council member or citizen so requests during the discussion stage of the "Motion to adopt the Consent Agenda as indicated." If there is even a single request the item will be removed from the consent agenda without further motion and considered in its listed sequence in regular fashion.

APPROVAL OF MINUTES:

- 1. * Approve minutes of the December 16 regular City Council meeting. ARMSTRONG
- 2. * Approve minutes of the January 4 special City Council meeting. BRANSON

PUBLIC COMMENTS, IF ANY, BEFORE CITY COUNCIL. This is an opportunity for people to address the City Council on issues that are relevant to Council business but are not on the agenda.

ORDINANCE AMENDMENTS:

- 3. Second Reading of General Recreation Fee and Swimming Pool Fee Ordinances. MURPHY

RESOLUTIONS:

- 4. Receiving and filing the Comprehensive Annual Financial Report and Single Audit report for the year ended 6/30/19. KEENAN
- 5. Accept a gift from the Patricia and David Kepler Foundation for Main Street Streetscape entrance way feature. TISDALE
- 6. City Council Budget Objectives for FY 2020-21. KAYE

Considering purchases and contracts:

- 7. * Municipal Service Center Roof Replacement - Bid No. 4049. MURPHY

NEW BUSINESS:

TO CONTACT THE CITY WITH QUESTIONS OR FOR ADDITIONAL INFORMATION:

Citizen Comment Line:	837-3400
City of Midland website address:	www.cityofmidlandmi.gov
City of Midland email address:	cityhall@midland-mi.org
Government Information Center:	located near the reference desk at the Grace A. Dow Memorial Library

Item Attachment Documents:

- 1. * Approve minutes of the December 16 regular City Council meeting. ARMSTRONG

December 16, 2019

A regular meeting of the City Council was held on Monday, December 16, 2019, at 7:00 p.m. in the Council Chambers of City Hall. Mayor Donker presided. The Pledge of Allegiance to the Flag was recited in unison.

Councilmen present: Steve Arnosky, Diane Brown Wilhelm, Maureen Donker, Pamela Hall, Marty Wazbinski

Councilmen absent: None

MINUTES

Approval of the minutes of the December 9, 2019 regular meeting, and the December 9, 2019 Special Joint meeting with the Parks and Recreation Commission was offered by Councilman Brown Wilhelm and seconded by Councilman Wazbinski. (Motion ADOPTED.)

2019 CURRIE GOLF SEASON REVIEW

Assistant City Manager Dave Keenan introduced Nick Bednar, Vice President of Central Operations from Billy Casper Golf who presented a review of the Currie Golf Course season.

2019-20 COMMUNITY DEVELOPMENT BLOCK GRANT BUDGET AMENDMENT

Director of Planning and Community Development Grant Murschel and Director of Public Services Karen Murphy presented information on the proposed 2019-20 Community Development Block Grant (CDBG) budget as well as the related Washington Woods Budget Amendment and the Parks Capital Outlay Budget Amendment. A public hearing opened at 7:37 p.m., and recognizing no public comments, the public hearing closed at 7:38 p.m. The following resolution was then offered by Councilman Brown Wilhelm and seconded by Councilman Hall:

WHEREAS, Community Development Block Grant (CDBG) revenues totaling \$503,740 must be programmed to activities that meet federal statutory goals and the City’s objectives for the CDBG program, as outlined in the FY 2015-2020 Consolidated Plan; and

WHEREAS, the CDBG budget required amending to meet environmental and program timeliness requirements, and

WHEREAS, on November 13, 2019, the Housing Commission unanimously recommended approval of the proposed amendments to the FY 2019-20 CDBG budget, to reallocate the current fiscal years funds, which meets said goals, objectives and requirements of the CDBG program; and

WHEREAS, a public hearing was held by the Midland City Council on December 16, 2019 at 7:00 p.m. in the City Council Chambers, City Hall, 333 West Ellsworth Street, Midland, Michigan, for the purpose of receiving public comment on the proposed 2019-20 CDBG budget amendments; now therefore

RESOLVED, that the City Council hereby adopts the proposed 2019-20 Community Development Block Grant budget amendments, as set forth in the attached table (Attachment A), for the proposed use of funds for the Community Development Block Grant program; and

RESOLVED FURTHER, that the Mayor and City Clerk are authorized to execute the subrecipient agreements, as approved by the City Attorney, on behalf of the City. (Motion ADOPTED.)

2019-20 WASHINGTON WOODS BUDGET AMENDMENT

The following resolution was then offered by Councilman Arnosky and seconded by Councilman Wazbinski:

WHEREAS, Community Development Block Grant (CDBG) revenues totaling \$503,740 must be programmed to activities that meet federal statutory goals and the City’s objectives for the CDBG program, as outlined in the FY 2015-2020 Consolidated Plan; and

WHEREAS, the CDBG budget required amendment to meet statutory requirements; and
 WHEREAS, on November 13, 2019, the Housing Commission unanimously recommended approval of the proposed amendments to the FY 2019-20 CDBG budget, to reallocate the current fiscal years funds, which meets said goals and objectives of the CDBG program; and
 WHEREAS, Washington Woods was awarded an additional \$107,975 within said amendment, for a total allocation of \$191,718 in CDBG funds for FY 2019-20, to be utilized for an expanded set of Energy Efficiency Projects; and
 WHEREAS, Washington Woods’ previous award of \$45,000 for Asphalt Replacement will no longer be needed and these dollars will be reallocated to the Energy Efficiency Projects; and
 WHEREAS, it is necessary to amend the FY 2019-20 Washington Woods budget to account for these amendments and to adjust revenues and expenses accordingly; now therefore
 WHEREAS, a public hearing was held by the Midland City Council on December 16, 2019 at 7:00 p.m. in the City Council Chambers, City Hall, 333 West Ellsworth Street, Midland, Michigan, for the purpose of receiving public comment on the proposed amendment to the 2019-20 Washington Woods budget; now therefore
 RESOLVED, that the Washington Woods Fund Budget is amended to increase both revenue and expenditures by \$107,975 to recognize the additional funding from the CDBG Fund, and provide budgetary authorization to spend the funds on Energy Efficiency Projects. (Motion ADOPTED.)

2019-2020 PARKS CAPITAL OUTLAY BUDGET AMENDMENT

The following resolution was then offered by Councilman Brown Wilhelm and seconded by Councilman Wazbinski:

WHEREAS, FY 2019-20 Community Development Block Grant (CDBG) program has allocated \$30,000 to be used at Grove Park for the purchase of a small pavilion and associated furnishings; and
 and
 WHEREAS, the pavilion will be installed by the City’s Parks Department staff in the spring of 2020 along with other improvements being made at Grove Park; and
 WHEREAS, it is necessary to amend the FY 2019-20 General Fund budget to increase revenue and to allocate expenses in the Parks Capital Outlay to properly account for the recently allocated CDBG funds; and
 WHEREAS, in accord with Sections 5.11, 11.4 and 11.6 of the Charter of the City of Midland, and after having given proper legal notice, and having conducted a public hearing on Monday, December 16, 2019, on the proposal to amend the FY 2019-20 General Fund Budget to recognize the funds from the CDBG program to make improvements to Grove Park; now therefore
 RESOLVED, that the FY 2019-20 General Fund Budget is hereby amended to increase revenues and expenditures by \$30,000 to recognize the funds received from the CDBG program for the purchase of a small pavilion and associated furnishings to be installed by City staff in Grove Park. (Motion ADOPTED.)

PUBLIC COMMENTS

No public comments were made.

GENERAL RECREATION FEES ORDINANCE AMENDMENT (1st reading)

Director of Public Services Karen Murphy presented information on the proposed amendment to Section 21-73 – General Recreation Fees and Section 21-72 – Swimming Pool Fees. Introduction and first reading of the following ordinance amendments were then offered by Councilman Hall and seconded by Councilman Wazbinski:

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE CODE OF ORDINANCES OF THE CITY OF MIDLAND, MICHIGAN, BY AMENDING SECTION 21-73 OF DIVISION 4 OF ARTICLE II OF CHAPTER 21 THEREOF.

The City of Midland Ordains:

Section 1. Section 21-73 of Division 4 of Article II of Chapter 21 is amended to read as follows:

Sec. 21-73. General recreation fees

(1)	Adult softball player	\$ 29.00	\$ 31.00	per player
(2)	Adult softball player (2 nd team)	\$ 29.00	\$ 31.00	per player
(3)	Adult softball player - Fall League	\$ 19.00	\$ 21.00	per player
(4)	Each softball team in individual tournaments – Fee set on per event basis in conjunction with Midland Softball Association			per event
(5)	Youth softball player	\$ 10.00	\$ 12.00	per player
(6)	Rugby club	\$ 450.00		per club
(7)	Beach volleyball			
	Player fee – Recreation league	\$ 15.00		per player
	Player fee – 2 person Competitive league	\$ 27.00		per player
	Player fee – 4 & 6 person Competitive league	\$ 22.00		per player
(8)	Adult kickball (10 player minimum per team)	\$ 25.00		per player
(9)	Ski rental (rental 2 hours or part thereof)	\$ 10.00		per rental
	Classic skis			
	Skate skis	\$ 15.00		per rental
(10)	Toboggan rental (per hour two-hour maximum)	\$ 8.00		per hour
(11)	Skate and sled rental	\$ 4.00		per two hours
(12)	Snow shoe rental	\$ 10.00		per two hours
(13)	City Forest winter packages			
	Warming House package	\$ 150.00		for two hours
		\$ 75.00		per each additional hour
	Winter Fun package	\$ 250.00		for two hours
		\$ 100.00		per each additional hour
	Toboggan Adventure package	\$ 350.00		for two hours
		\$ 150.00		per each additional hour
	Clean up if needed	\$ 100.00		per occurrence
(14)	Chalet building rental (2 hour minimum)	\$ 45.00	\$ 50.00	per hour
(15)	Ball field rental – private tournament			
	Tournament field deposit – Non-refundable	\$ 50.00	\$ 75.00	for 1-25 teams
		\$ 100.00		for 26+ teams
	2 hour rental	\$ 40.00	\$ 50.00	per field
	4 hour rental	\$ 50.00	\$ 60.00	per field
	Full day rental	\$ 95.00	\$ 110.00	per field
	Daily complex – New Redcoats fields	\$ 400.00		per complex

UNAPPROVED

	Daily complex – Old Redcoats fields 4-8	\$ 400.00		per complex
	Daily complex – Emerson fields 1-3	\$ 250.00		per complex
	DAILY COMPLEX – OPTIMIST		\$ 300.00	PER COMPLEX
	CLEAN UP FEE IF NEEDED		\$ 200.00	PER OCCURRENCE
(16)	Ball diamond lights – private tournament use	\$ 25.00		per hour
(17)*	Ball diamond grooming/maintenance – private tournament	\$ 20.00		per grooming
(18)*	Ball diamond grooming/maintenance – private tournament – Overtime	\$ 75.00		per hour
(19)*	Ball diamond grooming/maintenance – private tournament - Double time	\$ 100.00		per hour
(20)	Ball diamond maintenance – rake/chalk only	\$ 10.00		per game
(21)**	Picnic shelter reservations			
	Emerson C, Emerson E	\$ 35.00	\$ 40.00	per use
	Plymouth F (south), F (north), G, H	\$ 35.00	\$ 40.00	per use
	Barstow Woods A	\$ 35.00	\$ 40.00	per use
	Stratford Woods J	\$ 35.00	\$ 40.00	per use
	Chippewassee B	\$ 35.00	\$ 40.00	per use
	Emerson D	\$ 55.00	\$ 60.00	per use
	Plymouth F (entire shelter)	\$ 65.00	\$ 70.00	per use
	Unsheltered areas	\$ 25.00	\$ 30.00	per use
	Addition of a canopy	\$ 25.00		per request
(22)	Band shell reservation	\$ 75.00	\$ 80.00	per use
(23)	Delivery of bleachers	\$ 20.00		per section
(24)	Delivery of portable grill	\$ 10.00		per use
(25)***	City stage rental – FOR COMMUNITY EVENTS ONLY			
	Non-profit group inside city limits	\$ 125.00		per use
	For profit group inside city limits	\$ 275.00		per use
	Non-profit group outside city limits	\$ 200.00		per use
	For profit group outside city limits	\$ 475.00		per use
(26)	Metal event fencing rental – for community non-profit COMMUNITY events ONLY	\$ 100.00		per trailer for 5 sections
		\$ 20.00		cleaning fee
		\$ 30.00		
(27)	Delivery of picnic tables (up to 5 tables) - fee is non-refundable. FOR COMMUNITY EVENTS ONLY	\$ 40.00		per use
	Additional tables (if available up to maximum of 10 tables) – fee is non-refundable	\$ 8.00		per table
(278)	Trash receptacles – up to 10 receptacles delivered to non-park locations FOR COMMUNITY EVENTS ONLY	\$ 20.00		per use
(28)	Tennis lesson agreement: The director of public services is authorized with the approval of the city manager to enter into a cost recovery agreement with the Midland Community Tennis Center consistent with the recreation fee philosophy for			

UNAPPROVED

~~administrative costs related to advertising and program registration for summer youth tennis lessons. The agreement will be reviewed and adjusted annually as needed.~~

*Note: Fees for private tournament ball field maintenance effective starting with the 2010 softball season. All field rentals include initial field preparation (grooming and chalk lines). For private tournaments requesting special amenities or enhanced field maintenance, the director of public services may charge additional fees on a special recreation event basis to cover costs incurred.

**Note: Fees paid for shelter reservations are non-refundable.

Exceptions to (20) Picnic shelter reservation fees are as follows:

- a) Donors of shelters shall be allowed one rent free use per year in the respective donated structure.
- b) Daytime reservations which begin after 8:00 a.m. and end before 3:00 p.m.

Monday – Friday from April 15 – June 30 are exempt from fees.

***Note: Stage rental is intended for community events held with the City limits or Midland County only. Stage rental fees are non-refundable.

****Note: The director of public services is authorized with the approval of the city manager to implement rates for special recreation events according to the recreation fee philosophy to recover programming costs for such offerings.

Section 2. This Ordinance shall take effect upon publication

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE CODE OF ORDINANCES OF THE CITY OF MIDLAND, MICHIGAN, BY AMENDING SECTION 21-72 OF DIVISION 3 OF ARTICLE II OF CHAPTER 21 THEREOF.

The City of Midland Ordains:

Section 1. Section 21-72 of Division 3 of Article II of Chapter 21 is amended to read as follows:

Sec. 21-72. Swimming pool fees

The fees for use of the city’s swimming pools are as follows:

- | | | | | |
|------|---|----------------------|------------------|-------------|
| (1) | Public Swimming - Adult | \$ 5.00 | \$ 6.00 | per session |
| | Public Swimming – Youth & Senior | \$ 4.00 | \$ 5.00 | per session |
| (2) | Limited Pass – 15 Admissions, Adult | \$ 50.00 | \$ 60.00 | per pass |
| | Limited Pass – 15 Admissions, Youth | \$ 40.00 | \$ 45.00 | per pass |
| (3)* | Swimming Lessons | \$ 40.00 | \$ 45.00 | per session |
| (4) | Individual Swim Pass, unlimited use - Adult | \$ 85.00 | \$ 90.00 | per pass |
| | Individual Swim Pass, unlimited use – Youth | \$ 70.00 | \$ 75.00 | per pass |
| (5) | Family Swim Pass – 2 members | \$ 120.00 | \$ 130.00 | per pass |
| (6) | Family Swim Pass – each additional member | \$ 35.00 | \$ 45.00 | per member |
| (7) | Family Swim Pass – maximum per family | \$ 190.00 | \$ 220.00 | per pass |
| (8) | Competitive Swim Pool Rental | \$ 55.00 | \$ 65.00 | per hour |
| (9) | Aquasize – per session | \$ 25.00 | | per session |
| (10) | Aquasize – daily drop-in | \$ 5.00 | | per day |
- (11) Midland Dolphins season contract: The director of public services is authorized with the approval of the city manager to enter into a cost recovery agreement with the Midland Dolphins consistent with the recreation fee philosophy for use of Plymouth Pool. The agreement will be reviewed and adjusted annually as needed.

* THERE SHALL BE A \$10.00 SERVICE FEE FOR REFUNDS.

Section 2. This Ordinance shall take effect upon publication. (Motion ADOPTED. Considered first reading.)

LOCAL GOVERNMENT RETIREMENT SYSTEM ANNUAL REPORT

The following resolution was offered by Councilman Brown Wilhelm and seconded by Councilman Wazbinski:

WHEREAS, pursuant to PA 202 of 2017, a local unit of government that sponsors a defined-benefit retirement system is required to submit an annual report that includes information for each of its defined-benefit retirement systems; and

WHEREAS, the City of Midland sponsors three defined-benefit retirement plans, each covered by Public Act 202 of 2017; and

WHEREAS, each local unit required to submit an annual report shall first have the governing budget approve said report; now therefore

RESOLVED, the City Council of the City of Midland hereby approves the 2019 Local Government Retirement System Annual Report and directs Staff to submit it to the Michigan Department of Treasury as compliance with the annual reporting requirements under PA 202 of 2017. (Motion ADOPTED.)

2019 CONSTRUCTION PROGRESS REPORT

City Engineer Josh Fredrickson presented the 2019 Construction Progress Report. The following resolution was then offered by Councilman Brown Wilhelm and seconded by Councilman Hall:

WHEREAS, the City Engineer reported the status of completion for projects in the 2019 Construction Program; and

WHEREAS, the report has included funding information for programmed projects; now therefore RESOLVED, that City Council hereby receives and files the 2019 Construction Progress Report; and

RESOLVED FURTHER, that any current fiscal year project listed that requires additional funding will receive those supplemental funds during the annual budget amendment process this upcoming spring. (Motion ADOPTED.)

PETITION FOR SANITARY SEWER ALONG W. ST. ANDREWS ROAD

City Engineer Josh Fredrickson presented information on a petition received for the installation of Sanitary Sewer along W. St. Andrews at Helen Street. The original resolution was offered by Councilman Wazbinski and seconded by Councilman Hall. Councilman Arnosky moved to amend the resolution. (Motion ADOPTED). The following amended resolution was then presented for consideration:

WHEREAS, a petition for sanitary sewer public infrastructure improvements has been received; now therefore

RESOLVED, that the attached petition received from 1415 W. St. Andrews Road, for the installation of public sanitary sewer along W. St. Andrews at Helen Street, is hereby received and referred to the City Engineering Department for consideration of inclusion in the Capital Improvement Program. (Motion ADOPTED.)

SITE PLAN NO. 393

Director of Planning and Community Development Grant Murschel presented on Site Plan No. 393, a proposal for an equestrian center located at 6905 Eastman Avenue. Trisha Steele, 3630 N. Eastman Avenue and Eric Anders, 1408 Lee St. spoke regarding the proposed site plan. The following resolution was offered by Councilman Wazbinski and seconded by Councilman Brown Wilhelm:

WHEREAS, the City Council has received the recommendation of the Planning Commission for approval of Site Plan No. 393, initiated by Tower Pinkster on behalf of the Midland County

UNAPPROVED

Fairgrounds for review and approval of a 101,933 square foot equestrian center located at 6905 Eastman Avenue; and

WHEREAS, the City Council has reviewed the proposed Site Plan No. 393 in accord with the provisions set forth in Sections 27.02(A) and 27.06(A) of the Zoning Ordinance of the City of Midland; now therefore

RESOLVED, that the City Council does hereby approve Site Plan No. 393, contingent upon the following:

1. A final landscaping plan to the satisfaction of the City Planning Department.
2. A Michigan Department of Environment, Great Lakes and Energy (EGLE) permit for the connection of the private water main to the public system shall be provided to the City Water Department upon approval.
3. A final stormwater management plan and permit to be approved by the City Engineering Department.
4. A final soil erosion and sedimentation control permit, and confirmation of the EGLE Notice of Coverage, shall be provided to the satisfaction of the City Building Department. (Motion ADOPTED.)

NEW BUSINESS

Councilman Arnosky presented to City Council regarding Midland County Emergency Medical Services. The following resolution was offered by Mayor Donker and seconded by Councilman Arnosky to receive and file the MidMichigan Medical Center EMS Quarterly Report to the Midland County Emergency Medical Services Advisory Board. (Motion ADOPTED).

Being no further business the meeting adjourned at 9:10 p.m.

Erica Armstrong, City Clerk

Item Attachment Documents:

- 2. * Approve minutes of the January 4 special City Council meeting. BRANSON

A special meeting of the City Council was held on Saturday, January 4, 2020, at 9:00 a.m. in the Council Chambers in City Hall. Mayor Donker presided.

Councilmen present: Steve Arnosky, Diane Brown Wilhelm, Maureen Donker, Marty Wazbinski

Councilmen absent: Pamela Hall (arrived at 9:17 a.m.)

CITY COUNCIL PLANNING SESSION

The Communities of Excellence through Sharon Mortensen provided information regarding Vision 2030 and Communities of Excellence 2026.

The Director of Library Services Miriam Andrus gave an update on the Grace A. Dow Memorial Library, its operations and changes in processes and procedures.

Department heads provided updates and information on projects within the City. Discussions were held on the following areas: Storm and Sanitary Sewer Study, IT Plan Update, City Hall upgrades, Community Development Block Grant Funding, Site Plan Review, Recycling Contracts, as well as upcoming projects within the City of Midland. MCTV was also discussed as it relates to political programming.

Assistant City Manager Dave Keenan outlined the anticipated financial performance of the organization for the remainder of the year and expected financial position of the City for the FY 2020 - 2021.

Mayor Donker led Council in a conversation in reviewing the FY 2019-2020 goals and to further discuss FY 2020-2021 with budget directives and general directives presented to staff.

The directives presented to staff for the FY 2020-2021 budget:

- Public services will be maintained at the highest level financially feasible under current economic and budget conditions.
- \$100,000 of additional funding (approximately .05 mills) will be budgeted to the Stormwater Fund to be used for flood response programs and activities.
- \$500,000 of additional funding (approximately .25 mills) will be budgeted to the Wastewater Fund to be used for flood response programs and activities.
- Approximately \$394,000 of additional funding will be required to satisfy the Act 345 Pension Plan annual required contribution. This will increase the Act 345 Pension component of the City's millage rate by approximately .1957 mills. This millage increase will not cause there to be equal offsetting reductions in the other millage components, thus potentially causing an increase to the City's total millage rate.
- \$1,600,000 from each of the May 2019 and May 2020 personal property tax reimbursement will be utilized for budget stabilization purposes.
- The anticipated maximum millage rate for the FY 2020-2021 is 15.5460 mills, or an increase of .4075 mills.
- It is anticipated that \$750,000 in budget savings will be made available during the budget process to help balance the 2020-2021 budget. Any savings found in excess of that amount shall be directed to the building improvements for City Hall.

Being no further business the meeting adjourned at 4:10 p.m.

Item Attachment Documents:

3. Second Reading of General Recreation Fee and Swimming Pool Fee Ordinances. MURPHY

SUMMARY REPORT TO MANAGER
for City Council Meeting of January 13, 2020

SUBJECT: Recreation Fees

INITIATED BY: Department of Public Services

RESOLUTION SUMMARY: This action gives second reading and adoption to two ordinances to amend fees for various recreation offerings.

ITEMS ATTACHED:

- 1. Letter of Transmittal
- 2. Ordinances

COUNCIL ACTION:

- 1. 3/5 vote required to approve resolution

Karen Murphy
City of Midland Department of Public Services



City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640-5132 ♦ 989.837.3300 ♦ 989.835.2717 Fax ♦ www.cityofmidlandmi.gov

January 8, 2020

C. Bradley Kaye, AICP CFM
City Manager
City of Midland
Midland, Michigan

Dear Mr. Kaye:

Annually, the Parks and Recreation Commission reviews the fees charged for various activities. The 2019 review, detailed during the City Council meeting of December 16, 2019, resulted in the following recommended changes:

General Recreation –

- Increase all softball fees by \$2.00 per player for adult and youth leagues
 - Adult summer league to increase from \$29 to \$31 per player
 - Adult fall league to increase from \$19 to \$21 per player
 - Youth league to increase from \$10 to \$12 per player
- Increase the Chalet rental from \$45 to \$50 per hour
- Increase the Band Shell rental from \$75 to \$80 per use
- Revise scope of picnic table rentals, trash receptacles, stage and metal event fencing to COMMUNITY events only
- Increase all picnic shelter rentals by \$5.00 each
 - Barstow A \$35 to \$40
 - Chippewassee B \$35 to \$40
 - Emerson C \$35 to \$40
 - Emerson D \$55 to \$60
 - Emerson E \$35 to \$40
 - Plymouth F – whole \$65 to \$70
 - Plymouth F – half \$35 to \$40
 - Plymouth G \$35 to \$40
 - Plymouth H \$35 to \$40
 - Stratford Woods I \$35 to \$40
 - Unsheltered Areas \$25 to \$30
- Tournament Fees
 - Change non-refundable field deposit to \$75
 - Increase field rentals as follows:
 - 2 hour rental - \$40 to \$50 per field
 - 4 hour rental - \$50 to \$60 per field
 - Full day rental - \$95 to \$110 per field

C. Bradley Kaye
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January 8, 2020

- Add new fee for Daily Complex rental of Optimist at \$300 per day
- Add clean up fee of \$200 at the discretion of the Director

Swimming Pool –

- Daily adult pass from \$5.00 to \$6.00
- Daily youth/senior pass from \$4.00 to \$5.00
- Swim Lessons from \$40 to \$45 per session
- Competitive Swim lane rental from \$55 to \$65 per hour
- Adult season pass from \$85 to \$90
- Youth season pass from \$70 to \$75
- Family season pass – 2 member from \$120 to \$130
 - Each additional family member from \$35 to \$45
 - Maximum family from \$190 to \$220
- Limited adult 15 admission pass from \$50 to \$60
- Limited youth 15 admission pass from \$40 to \$45

The changes have been recommended unanimously by the Parks and Recreation Commission and have been given first reading by City Council at their December 16 meeting. I respectfully request that the ordinances be given second reading and adoption.

Sincerely,



Karen Murphy
Department of Public Services

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE CODE OF ORDINANCES OF THE CITY OF MIDLAND, MICHIGAN, BY AMENDING SECTION 21-73 OF DIVISION 4 OF ARTICLE II OF CHAPTER 21 THEREOF.

The City of Midland Ordains:

Section 1. Section 21-73 of Division 4 of Article II of Chapter 21 is amended to read as follows:

Sec. 21-73. General recreation fees

(1)	Adult softball player	\$ 31.00	per player
(2)	Adult softball player (2 nd team)	\$ 31.00	per player
(3)	Adult softball player - Fall League	\$ 21.00	per player
(4)	Each softball team in individual tournaments – Fee set on per event basis in conjunction with Midland Softball Association		per event
(5)	Youth softball player	\$ 12.00	per player
(6)	Rugby club	\$ 450.00	per club
(7)	Beach volleyball		
	Player fee – Recreation league	\$ 15.00	per player
	Player fee – 2 person Competitive league	\$ 27.00	per player
	Player fee – 4 & 6 person Competitive league	\$ 22.00	per player
(8)	Adult kickball (10 player minimum per team)	\$ 25.00	per player
(9)	Ski rental (rental 2 hours or part thereof)		
	Classic skis	\$ 10.00	per rental
	Skate skis	\$ 15.00	per rental
(10)	Toboggan rental (per hour two-hour maximum)	\$ 8.00	per hour
(11)	Skate and sled rental	\$ 4.00	per two hours
(12)	Snow shoe rental	\$ 10.00	per two hours
(13)	City Forest winter packages		
	Warming House package	\$ 150.00	for two hours
		\$ 75.00	per each additional hour
	Winter Fun package	\$ 250.00	for two hours
		\$ 100.00	per each additional hour
	Toboggan Adventure package	\$ 350.00	for two hours
		\$ 150.00	per each additional hour
	Clean up if needed	\$ 100.00	per occurrence
(14)	Chalet building rental (2 hour minimum)	\$ 50.00	per hour
(15)	Ball field rental – private tournament		
	Tournament field deposit –	\$ 75.00	per event
	2 hour rental	\$ 50.00	per field
	4 hour rental	\$ 60.00	per field

	Full day rental	\$ 110.00	per field
	Daily complex – New Redcoats fields 9-13	\$ 400.00	per complex
	Daily complex – Old Redcoats fields 4-8	\$ 400.00	per complex
	Daily complex – Emerson fields 1-3	\$ 250.00	per complex
	Daily complex – Optimist fields	\$ 300.00	per complex
	Clean up fee if needed	\$ 200.00	per occurrence
(16)	Ball diamond lights – private tournament use	\$ 25.00	per hour
(17)*	Ball diamond grooming/maintenance – private tournament	\$ 20.00	per grooming
(18)*	Ball diamond grooming/maintenance – private tournament – Overtime	\$ 75.00	per hour
(19)*	Ball diamond grooming/maintenance – private tournament - Double time	\$ 100.00	per hour
(20)	Ball diamond maintenance – rake/chalk only	\$ 10.00	per game
(21)**	Picnic shelter reservations		
	Emerson C, Emerson E	\$ 40.00	per use
	Plymouth F (south), F (north), G, H	\$ 40.00	per use
	Barstow Woods A	\$ 40.00	per use
	Stratford Woods J	\$ 40.00	per use
	Chippewassee B	\$ 40.00	per use
	Emerson D	\$ 60.00	per use
	Plymouth F (entire shelter)	\$ 70.00	per use
	Unsheltered areas	\$ 30.00	per use
	Addition of a canopy	\$ 25.00	per request
(22)	Band shell reservation	\$ 80.00	per use
(23)	Delivery of bleachers	\$ 20.00	per section
(24)	Delivery of portable grill	\$ 10.00	per use
(25)***	City stage rental – for community events only		
	Non-profit group inside city limits	\$ 125.00	per use
	For profit group inside city limits	\$ 275.00	per use
	Non-profit group outside city limits	\$ 200.00	per use
	For profit group outside city limits	\$ 475.00	per use
(26)	Metal event fencing rental – for community non-profit events only	\$ 100.00	per trailer
		\$ 20.00	for 5 sections
		\$ 30.00	cleaning fee
(27)	Delivery of picnic tables (up to 5 tables) – Fee is non-refundable. For community events only.	\$ 40.00	per use
	Additional tables (if available up to maximum of 10 tables) – fee is non-refundable	\$ 8.00	per table
(28)	Trash receptacles – up to 10 receptacles delivered to non-park locations for community events only	\$ 20.00	per use

*Note: Fees for private tournament ball field maintenance effective starting with the 2010 softball season. All field rentals include initial field preparation (grooming and chalk lines). For private tournaments requesting special amenities or enhanced field maintenance, the director of public services may charge additional fees on a special recreation event basis to cover costs incurred.

**Note: Fees paid for shelter reservations are non-refundable.

Exceptions to (21) Picnic shelter reservation fees are as follows:

- a) Donors of shelters shall be allowed one rent free use per year in the respective donated structure.
- b) Daytime reservations which begin after 8:00 a.m. and end before 3:00 p.m. Monday – Friday from April 15 – June 30 are exempt from fees.

***Note: Stage rental is intended for community events held within the City limits or Midland County only. Stage rental fees are non-refundable.

****Note: The director of public services is authorized with the approval of the city manager to implement rates for special recreation events according to the recreation fee philosophy to recover programming costs for such offerings.

Section 2. This Ordinance shall take effect upon publication

YEAS:

NAYS:

ABSENT:

I, Erica Armstrong, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of an ordinance adopted by a yeas vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 13, 2020.

Erica Armstrong, City Clerk

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE CODE OF ORDINANCES OF THE CITY OF MIDLAND, MICHIGAN, BY AMENDING SECTION 21-72 OF DIVISION 3 OF ARTICLE II OF CHAPTER 21 THEREOF.

The City of Midland Ordains:

Section 1. Section 21-72 of Division 3 of Article II of Chapter 21 is amended to read as follows:

Sec. 21-72. Swimming pool fees

The fees for use of the city's swimming pools are as follows:

- (1) Public Swimming - Adult \$ 6.00 per session
- Public Swimming – Youth & Senior \$ 5.00 per session
- (2) Limited Pass – 15 Admissions, Adult \$ 60.00 per pass
- Limited Pass – 15 Admissions, Youth \$ 45.00 per pass
- (3)* Swimming Lessons \$ 45.00 per session
- (4) Individual Swim Pass, unlimited use - Adult \$ 90.00 per pass
- Individual Swim Pass, unlimited use – Youth \$ 75.00 per pass
- (5) Family Swim Pass – 2 members \$ 130.00 per pass
- (6) Family Swim Pass – each additional \$ 45.00 per member
- member
- (7) Family Swim Pass – maximum per family \$ 220.00 per pass
- (8) Competitive Swim Pool Rental \$ 65.00 per hour
- (9) Aquasize – per session \$ 25.00 per session
- (10) Aquasize – daily drop-in \$ 5.00 per day
- (11) Midland Dolphins season contract: The director of public services is authorized with the approval of the city manager to enter into a cost recovery agreement with the Midland Dolphins consistent with the recreation fee philosophy for use of Plymouth Pool. The agreement will be reviewed and adjusted annually as needed.

* THERE SHALL BE A \$10.00 SERVICE FEE FOR REFUNDS.

Section 2. This Ordinance shall take effect upon publication

YEAS:

NAYS:

ABSENT:

I, Erica Armstrong, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of an ordinance adopted by a yeas vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 13, 2020.

Erica Armstrong, City Clerk

Item Attachment Documents:

4. Receiving and filing the Comprehensive Annual Financial Report and Single Audit report for the year ended 6/30/19. KEENAN

SUMMARY REPORT TO MANAGER
for City Council Meeting of January 13, 2020

SUBJECT: Receiving and filing the Comprehensive Annual Financial Report and Single Audit Report for the year ended June 30, 2019.

INITIATED BY: David A. Keenan, Assistant City Manager

RESOLUTION

SUMMARY: This resolution shall receive and file for public examination the Comprehensive Annual Financial Report and the Single Audit Report for the City of Midland for the year ended June 30, 2019.

ITEMS ATTACHED:

- 1. Letter of Transmittal
- 2. Resolution
- 3. Comprehensive Annual Financial Report
- 4. Auditor communication letter to City Council
- 5. Single Audit Report

COUNCIL ACTION:

- 1. 3/5 vote required to approve resolution

David A. Keenan
City of Midland Finance Department



City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640-5132 ♦ 989.837.3300 ♦ 989.835.2717 Fax ♦ www.cityofmidlandmi.gov

January 8, 2020

C. Bradley Kaye, AICP CFM
City Manager
City of Midland
Midland, Michigan

Dear Mr. Kaye:

The City is required by its Charter and the State of Michigan to have an annual financial Audit, performed by independent auditors. In addition, because the City receives federal financial assistance, it is required to have a compliance audit, also known as a single audit. The City's financial and compliance audits for the year ended June 30, 2019 were performed by Yeo & Yeo PC, CPAs. David Youngstrom, Principal, from Yeo & Yeo PC, CPAs will be in attendance at the January 13, 2020, Council meeting to present the City's annual audits.

A copy of the *Comprehensive Annual Financial Report* and *Single Audit Report* are provided. The auditors will use a series of graphs for their presentation.

Sincerely,

David A. Keenan
Assistant City Manager



City Hall ♦ 333 West Ellsworth Street ♦ Midland, Michigan 48640-5132 ♦ 989.837.3300 ♦ 989.835.2717 Fax ♦ www.cityofmidlandmi.gov

BY COUNCILMAN

RESOLVED, that the Comprehensive Annual Financial Report and the Single Audit Report of the City of Midland for the year ended June 30, 2019 are hereby received and ordered filed for public examination.

YEAS:

NAYS:

ABSENT:

I, Erica Armstrong, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yea vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 13, 2020.

Erica Armstrong, City Clerk



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December 18, 2019

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, 2019 is hereby submitted. As required by City Charter and state laws, the basic financial statements as identified in the table of contents were audited by Yeo & Yeo, Certified Public Accountants. Their unmodified opinion is located at the front of the financial section of this report. An unmodified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor’s examination has disclosed no conditions that cause them to believe that the financial statements are not fairly presented in all material respects.

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

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

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

PROFILE OF THE CITY

The City of Midland was incorporated in 1887 and is located near the center of the eastern portion of Michigan’s Lower Peninsula, approximately 120 miles northwest of Detroit. It encompasses approximately 36 square miles of land area and is home to a population of 41,800.

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

Residential and commercial taxable values have steadily increased over the past several years; however, industrial investment remains flat or slightly down. And with the elimination of personal property, the overall taxable value for Midland is 12% lower than it was in 2011. However, after several years of stagnation, the economic condition of the City of Midland is starting to show signs of promise for the future.

- Unemployment rate at year-end was 3.2%, compared to the state unemployment rate of 4.4%, and the national unemployment rate of 3.8%
- The City has maintained its credit ratings of AA with Standard and Poor's, and Aa2 with Moody's.

- Looking ahead to the 2019-20 fiscal year, the City's taxable value increased by 1.4%, which is the largest increase in the past five years.

The following major initiatives have significant impact on the Midland Economy and were ongoing during the year and will span into future years:

- Midland continues to aggressively invest in its road system, benefitting from two 1-mill county-wide road millages. The Michigan Department of Transportation recently completed replacing the M-20 Bridge, which is the main entrance to the City and Downtown area from the West. It is much more aesthetically pleasing and enhances visibility and safety for travelers entering or leaving the City.
- Midland's Downtown Main Street has undergone a complete streetscape makeover, creating a new downtown vibe for several new commercial investments, new mixed use buildings, a 32-unit apartment complex, and a new 71-unit Fairfield Inn & Suites hotel. In addition, Delta College has selected Midland's Downtown as the location for a new 30,000 square foot office and classroom facility and has recently broken ground on the project.
- Costco Wholesale Corporation selected the City of Midland to build a new 165,765 square foot warehouse store, tire center, and fuel station within the City limits.
- This past summer, Midland was the host location for the Dow Great Lakes Bay Invitational LPGA golf tournament. This brought thousands of people to Midland and served as

a catalyst for numerous other community events to occur. Midland will host this tournament for four more years.

- Corteva, Inc., which is one of three separate corporations created by the merger and subsequent split of the Dow Chemical Company and DuPont, recently approved a \$145 million capital investment in the Midland manufacturing facility.
- Primrose Retirement Villages selected Midland for a newly constructed 89,000 square foot retirement facility.
- McLaren Health constructed a new 56,000 square foot medical building.

LONG-TERM FINANCIAL PLANNING

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

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

RELEVANT FINANCIAL POLICIES

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

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

BUDGET CONTROLS

The annual budget serves as the foundation for the City's financial planning and control. By the second Monday of April of each year, the City Manager presents a proposed budget to the City Council for review. The Council holds public hearings and the final budget is adopted no later than the fourth Monday in May. The Council approves appropriations on the functional

basis, which is the legal level of control. Department heads may transfer funds within their function at their discretion up to \$6,000 before requiring City Manager approval. The City Manager can approve all budget transfers except those between different functions, and any transfer from a reserve for contingency account in excess of \$25,000, which require City Council approval.

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

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

CERTIFICATE OF ACHIEVEMENT

For the 30th consecutive year, the Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its June 30, 2018 comprehensive annual financial report. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized comprehensive annual financial report, which satisfies both Generally Accepted Accounting Principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



C. Bradley Kaye, AICP
City Manager



David A. Keenan, CPA
Assistant City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Midland
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

City of Midland, Michigan Organization Chart



City of Midland, Michigan
List of Principal Officials
June 30, 2019

City Council

Ward I	Pamela Hall
Ward II - Mayor	Maureen Donker
Ward III	Steve Arnosky
Ward IV	Diane Brown Wilhelm
Ward V - Mayor Pro Tem	Marty Wazbinski

Administrative Staff

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



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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, 2019, 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.

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, 2019 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.

Prior Period Adjustment

As described in Note 21 to the financial statements, a prior period adjustment was made to transfer beginning net assets from the Renewable Energy Fund to the Sanitary Landfill Fund. Our opinion is not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Supplementary Information

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

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

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, 2019 on our consideration of City of Midland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Midland, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Midland, Michigan's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

December 18, 2019
Midland, Michigan

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2019

As management of the City of Midland (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction and additional information that we have furnished on our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$204.2 million (*net position*).
- The City's total revenues of \$96.6 million were in excess of total expenses of \$87.1 million resulting in an increase of net position of \$9.5 million.
- The City's governmental activities incurred expenses of \$56.4 million. These expenses, plus \$1.5 in transfers to business-type activities were covered by program revenues of \$25.2 million, and general revenues (*i.e., property taxes and state shared revenue*) of \$41.3 million resulting in an increase in net position of \$8.6 million.
- Governmental activities revenue increased by \$3.2 million, due to increased personal property tax reimbursement, additional road funding received from the State, a new reimbursement from Midland County for providing school resource officers for both high schools and middle schools of Midland Public Schools, and approximately \$2 million in outside contributions for street improvements.
- Governmental activities expenses increased by \$8.8 million largely due to a \$6.5 million GASB 68 pension adjustment increase over the prior year. Also, additional police staff costs exist in the current year due to the hiring of two additional school resource officers.
- The City's business-type activities incurred \$30.7 million in expense. These expenses were paid by program revenues, primarily in the form of user charges, of \$29.3 million, transfers in from governmental activities of \$1.5 million, and general revenues of \$764 thousand. This resulted in an increase in net position of \$900 thousand, compared to a prior year increase of \$2.1 million. Current year revenue was \$1.4 million higher than prior year, while current year expenses were \$2.6 million higher than prior year. The increase to both is mainly due to the activities of the Renewable Energy Fund that is now part of Sanitary Landfill operations, as discussed in the paragraph below.
- During the fiscal year, the City combined the Renewable Energy Fund (an internal service fund) into the Sanitary Landfill Fund (an enterprise fund). The Renewable Energy Fund never fulfilled the objective of why it was created and after several years of operation it was deemed to be more appropriately accounted for as an operation of the Sanitary Landfill Fund. The beginning Net Position of the Governmental Activities was reduced by \$2.1 million, while the beginning net position of the Business-type Activities was increased by \$2.1 million.
- During the prior fiscal year, the City implemented *GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. Because the City sponsors a defined-benefit retiree healthcare plan for many of its current and former full time employees, it is required to account for the net OPEB liability within its accrual-based financial statements. The cumulative impact of this implementation for the year ending June 30, 2017 was reported as a prior-period adjustment on all accrual-based financial statements. The government-wide prior period adjustment was a \$47.4 million reduction to net assets: \$38.2 for governmental activities and \$9.2 million for business-type activities.

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2019

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$49.7 million, \$6.7 million more than the close of the prior fiscal year. The increase is primarily due to street projects that were funded during the fiscal year, but substantially incomplete at year-end. The weather was unusually uncooperative this year, causing many projects to get a late start.
- Unassigned fund balance of \$11.8 million is available for spending at the City's discretion. This is approximately 27.4% of total general fund expenditures and transfers out.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City of Midland has three types of funds:

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

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

City of Midland, Michigan
Management's Discussion and Analysis
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The City maintains 16 individual governmental funds. Separate information is presented for the General and Major Street Funds, both considered to be "major" funds. Data from the other 14 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. There are two types of proprietary funds:

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

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

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

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, net position was \$204.2 million, at the close of the fiscal year.

The following table shows the comparison of assets, deferred outflows, liabilities, deferred inflows, and net position (in millions of dollars) in a condensed format as of June 30, 2019, to the prior year.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current	\$ 64.8	\$ 57.5	\$ 48.3	\$ 32.8	\$ 113.1	\$ 90.3
Noncurrent						
Restricted and other	-	0.8	3.7	17.9	3.7	18.7
Capital, net	114.4	116.1	126.3	120.4	240.7	236.5
Total assets	<u>179.2</u>	<u>174.4</u>	<u>178.3</u>	<u>171.1</u>	<u>357.5</u>	<u>345.5</u>
Deferred Outflows	<u>11.3</u>	<u>6.6</u>	<u>4.3</u>	<u>1.7</u>	<u>15.6</u>	<u>8.3</u>
Liabilities						
Current	4.2	3.1	1.6	1.8	5.8	4.9
Noncurrent	113.6	111.5	47.3	40.1	160.9	151.6
Total liabilities	<u>117.8</u>	<u>114.6</u>	<u>48.9</u>	<u>41.9</u>	<u>166.7</u>	<u>156.5</u>
Deferred Inflows	<u>1.9</u>	<u>2.1</u>	<u>0.3</u>	<u>0.5</u>	<u>2.2</u>	<u>2.6</u>
Net Position						
Net investment in capital assets	114.4	111.9	116.3	112.7	230.7	224.6
Restricted	16.6	14.7	-	-	16.6	14.7
Unrestricted	(60.2)	(62.3)	17.1	17.7	(43.1)	(44.6)
Total net position	<u>\$ 70.8</u>	<u>\$ 64.3</u>	<u>\$ 133.4</u>	<u>\$ 130.4</u>	<u>\$ 204.2</u>	<u>\$ 194.7</u>

City of Midland, Michigan
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A substantial portion of the City's net position, \$230.7 million, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$16.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted \$43.1 million deficit balance was a \$44.6 million deficit last year. The decrease in the deficit was intended and is a planned result at year-end as the City's funds continue recover financially from the recent implementation of GASB 68 and GASB 75.

The City's net position increased by \$9.5 million during the current fiscal year, as a result of current year activities.

Total governmental revenue is reported at \$66.5 million, an increase of \$3.2 million from the prior year. Larger personal property tax reimbursement, additional road funding received from the State, a new reimbursement from Midland County for providing school resource officers for both high schools and middle schools of Midland Public Schools, and approximately \$2 million in outside contributions for street improvements account for this increase in revenue over the prior year.

Governmental activities expenses increased by \$8.8 million largely due to a \$6.5 million GASB 68 pension adjustment increase over the prior year. The large increase is a result of a pension benefit reduction that was contractually agreed upon in a prior year, grieved by the Fire Department, and reinstated by an arbitrator. Also, additional police staff costs exist in the current year due to the hiring of two additional school resource officers.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 3.8	\$ 3.5	\$ 28.3	\$ 27.3	\$ 32.1	\$ 30.8
Operating grants and contributions	17.4	16.2	-	-	17.4	16.2
Capital grants and contributions	4.0	3.4	1.0	0.9	5.0	4.3
General revenues:						
Property taxes	35.8	35.2	-	-	35.8	35.2
Intergovernmental	3.8	3.7	-	-	3.8	3.7
Other revenue	1.7	1.3	0.8	0.5	2.5	1.8
Total revenue	66.5	63.3	30.1	28.7	96.6	92.0
Program Expenses						
General government	4.3	3.8	-	-	4.3	3.8
Public safety	23.1	15.6	-	-	23.1	15.6
Public works	11.3	10.6	-	-	11.3	10.6
Sanitation	3.7	3.7	-	-	3.7	3.7
Community development	0.9	0.8	-	-	0.9	0.8
Parks and recreation	5.8	5.6	-	-	5.8	5.6
Library / community television	4.6	4.6	-	-	4.6	4.6
Airport	0.4	0.4	-	-	0.4	0.4
Transportation	2.1	2.2	-	-	2.1	2.2
Other	0.2	0.3	-	-	0.2	0.3
Water	-	-	11.0	10.5	11.0	10.5
Wastewater	-	-	7.2	6.5	7.2	6.5
Landfill	-	-	5.7	4.2	5.7	4.2
Civic Arena	-	-	1.2	1.3	1.2	1.3
Senior housing	-	-	4.0	4.2	4.0	4.2
Golf course	-	-	1.4	1.2	1.4	1.2
Parking system	-	-	0.2	0.2	0.2	0.2
Total expenses	56.4	47.6	30.7	28.1	87.1	75.7
Change in net position before transfers	10.1	15.7	(0.6)	0.6	9.5	16.3
Transfers	(1.5)	(1.5)	1.5	1.5	-	-
Change in net position	8.6	14.2	0.9	2.1	9.5	16.3
Net position - beginning	64.3	88.3	130.4	137.5	194.7	225.8
Prior period adjustments	(2.1)	(38.2)	2.1	(9.2)	-	(47.4)
Net position - ending	\$ 70.8	\$ 64.3	\$ 133.4	\$ 130.4	\$ 204.2	\$ 194.7

City of Midland, Michigan
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Business-type revenue increased by \$1.4 million to a balance of \$30.1 million. The primary reason for the increase is electricity sales from the renewable energy operations that were formerly housed in an internal service fund but are now part of the Sanitary Landfill operations, as discussed previously.

Business-type expenses increased by \$2.6 million from last year, mainly due to the renewable energy activities as discussed in the previous paragraph.

The City of Midland's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$49.7 million, an increase of \$6.7 million in comparison with the prior year. Of this amount, \$11.8 million, (or 23.7%) constitute unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes, 4) committed for particular purposes, or 5) assigned for particular purposes.

The General Fund is the chief operating fund of the City. At the end of the current year the unassigned fund balance of the General Fund, \$11.8 million, was an increase of \$3.9 million from the prior year balance. The total General Fund fund balance increased by \$3.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures and transfers out.

Unassigned fund balance represents 27.4% of that total while total fund balance represents 53.7% of the same amount.

General Fund revenue was \$46.4 million for the current year, an increase of \$1.5 million as compared to the prior year, or about a 3% increase. The majority of the increase is a result of additional personal property tax reimbursements from the State.

General Fund expenditures were \$43.0 million when including outgoing transfers, an increase of \$1.6 million, or 4%, when compared to the prior year. Most of the expenditure increase is related to additional capital outlay.

The Major Street Fund ending fund balance increased by \$1.7 million, which is about \$6.2 million better than budgeted, with \$5.9 million of that improvement being from unspent capital projects. The spring and summer weather was very uncooperative and caused many projects to be noticeably delayed. \$5.5 million of the unspent project budget will be encumbered into next year for project completion.

The unrestricted net position of the Water Fund was \$9.1 million at year-end, reflecting a decrease of \$.9 million from the prior year. The net pension expense for the current year as a result of the GASB 75 calculation was \$1 million greater than prior year. The Wastewater's unrestricted net position was a \$2.4 million deficit, compared to a \$2.1 deficit balance at prior year-end. Wastewater's net pension expense from the GASB 75 calculation was an \$.8 million increase.

General Fund Budgetary Highlights

The General Fund adopted budget included using \$3.5 million of available fund balance over the City Council's target balance of \$6 million to prevent reductions in service delivery or an increase to the millage rate. Council also maintained a budget stabilization reserve of \$4.5 million at year-end, created from excess personal property tax reimbursement funds. Council amended the General Fund budget in May of 2019 to reflect a utilization of \$4.4 million of fund balance.

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2019

At year-end, actual income from all sources was \$4.2 million over budget, nearly all resulting from additional personal property tax reimbursement, the full amount of which was not known until too late into the budget process; therefore, the additional reimbursement was left out of the budget. In August 2019, City Council amended the 2019-20 General Fund Budget to spend \$2.7 million of this excess revenue on pension and stormwater obligations. Further, roughly \$1.2 million will be used to increase the budget stabilization reserve. Actual expenditures and transfers out at year-end were \$3.7 million less than budget. All categories were under budget with capital outlay being the most under by \$1.7 million. Approximately \$2 million of the total expenditure savings will be encumbered into 2019-20.

NOTES TO THE FINANCIAL STATEMENTS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2019, the City of Midland had \$230.7 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 \$224.6 million. Additional information about the City's capital assets is presented in Note 1 and Note 7 of the Notes to Financial Statements.

At June 30, 2019, the City of Midland's total bonded indebtedness was \$16.2 million, all backed by the full faith and credit of the government. Additional information about the City's indebtedness is presented in Note 1 and Note 11 of the Notes to Financial Statements.

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

CURRENT ECONOMIC EVENTS

The following priorities were considered when preparing the City's budget for the 2019-20 fiscal year.

- Public services shall be maintained at the highest level possible.
- The millage rate shall be kept at the 2018-19 level of 15.14 mills.
- Approximately \$994,515 of the General Fund Budget Stabilization Reserve will be used to balance the General Fund 2019-20 budget. These funds will be replenished with personal property tax reimbursement proceeds that will be in excess of budget.
- Maintain the General Fund's unreserved fund balance at \$6 million.
- Provide an additional \$500,000 over the 2018-19 budget for unfunded liabilities.
- Provide \$250,000 of additional funding over 2018-19 funding level for stormwater activities.
- Taxable value for the City's residential and commercial properties will increase by 1.7% and 3.5%, respectively. Industrial taxable value will decrease by .8%.
- All required debt obligations, including funding beyond 100% of the annual required contributions for each of the City's three defined benefit plans will be included in the budget.
- Labor costs will be budgeted in accordance with the number of authorized positions and the collectively bargained labor and benefit rates. Full employment will be assumed.

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2019

- Capital expenditures will be budgeted in accordance with the engineering priorities plan, the City's capital and master plans, and departmental 5-year plans.
- Two-years of projections for the fiscal years 2020-21 and 2021-22 will be included in the budget.

REQUESTS FOR INFORMATION

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

City of Midland, Michigan
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 64,232,249	\$ 22,315,957	\$ 86,548,206
Investments	-	376,845	376,845
Receivables			
Taxes	8,620	-	8,620
Trust deeds	973,696	-	973,696
Customers	27,471	3,263,695	3,291,166
Special assessments	246,314	10,789	257,103
Accounts and contracts	890,029	31,909	921,938
Accrued interest	158,251	54,511	212,762
Due from other units of government	2,991,114	-	2,991,114
Internal balances	(7,297,222)	7,297,222	-
Inventories	822,754	791,776	1,614,530
Prepaid items	997,735	32,903	1,030,638
Restricted assets			
Cash and cash equivalents	-	3,736,929	3,736,929
Assets held for resale	225,000	-	225,000
Investment in joint venture	544,442	13,991,254	14,535,696
Capital assets not being depreciated	10,016,018	4,242,442	14,258,460
Capital assets, net of accumulated depreciation	104,383,094	122,105,882	226,488,976
Total assets	179,219,565	178,252,114	357,471,679
Deferred outflows of resources			
Deferred amount on debt refunding	360,446	211,808	572,254
Deferred amount relating to net pension liability - MERS	6,644,098	3,418,144	10,062,242
Deferred amount relating to net pension liability - police and fire	1,584,030	-	1,584,030
Deferred amount relating to net OPEB liability	2,755,194	680,639	3,435,833
Total deferred outflows of resources	11,343,768	4,310,591	15,654,359

City of Midland, Michigan
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 3,752,934	\$ 1,200,595	\$ 4,953,529
Accrued and other liabilities	331,275	28,648	359,923
Due to other units of government	1,815	-	1,815
Guarantee and other deposits	71,434	258,463	329,897
Unearned revenue	77,906	83,949	161,855
Accrued interest	15,000	43,748	58,748
Noncurrent liabilities			
Debt due within one year	3,277,848	2,373,672	5,651,520
Due in more than one year			
Debt due in more than one year	6,425,852	13,285,785	19,711,637
Net pension liability - MERS	44,100,721	22,688,195	66,788,916
Net pension liability - police and fire	23,627,835	-	23,627,835
Net OPEB liability	36,146,784	8,929,639	45,076,423
Total liabilities	<u>117,829,404</u>	<u>48,892,694</u>	<u>166,722,098</u>
Deferred inflows of resources			
Deferred amount relating to net pension liability - police and fire	725,506	-	725,506
Deferred amount relating to net OPEB liability	1,179,086	291,279	1,470,365
Total deferred inflows of resources	<u>1,904,592</u>	<u>291,279</u>	<u>2,195,871</u>
Net position			
Net investment in capital assets	114,399,112	116,272,803	230,671,915
Restricted (expendable) for			
Major street	8,842,242	-	8,842,242
Local street	3,760,292	-	3,760,292
Smart Zone	203,721	-	203,721
Center city authority	45,705	-	45,705
Downtown development authority	43,180	-	43,180
Community development block grant	889,679	-	889,679
Midland housing	401,698	-	401,698
Special activities	71,080	-	71,080
Debt service	218,656	-	218,656
Cemetery permanent fund			
Expendable	32,011	-	32,011
Nonexpendable	2,066,649	-	2,066,649
Unrestricted (deficit)	<u>(60,144,688)</u>	<u>17,105,929</u>	<u>(43,038,759)</u>
Total net position	<u>\$ 70,829,337</u>	<u>\$ 133,378,732</u>	<u>\$ 204,208,069</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 4,339,267	\$ -	\$ 8,591,061	\$ -	\$ 4,251,794	\$ -	\$ 4,251,794
Public safety	23,093,632	413,043	68,103	76,841	(22,535,645)	-	(22,535,645)
Public works	11,272,708	1,280,292	6,132,982	3,190,860	(668,574)	-	(668,574)
Sanitation	3,604,803	51,940	-	-	(3,552,863)	-	(3,552,863)
Community and economic development	917,207	22,578	425,986	36	(468,607)	-	(468,607)
Parks and recreation	5,789,376	445,146	67,223	224,427	(5,052,580)	-	(5,052,580)
Library and community television	4,596,572	1,200,240	436,071	400,000	(2,560,261)	-	(2,560,261)
Airport	379,854	218,370	-	-	(161,484)	-	(161,484)
Transportation	2,149,192	129,443	1,431,866	145,425	(442,458)	-	(442,458)
Interest and fiscal charges on long-term debt	198,906	-	244,278	-	45,372	-	45,372
Total governmental activities	56,341,517	3,761,052	17,397,570	4,037,589	(31,145,306)	-	(31,145,306)
Business-type activities							
Water	10,991,553	11,491,162	-	584,700	-	1,084,309	1,084,309
Wastewater	7,250,043	6,640,986	-	308,000	-	(301,057)	(301,057)
Sanitary landfill	5,669,218	4,227,221	-	-	-	(1,441,997)	(1,441,997)
Civic arena	1,178,467	1,083,109	-	-	-	(95,358)	(95,358)
Senior housing	4,016,225	3,811,740	-	9,184	-	(195,301)	(195,301)
Currie municipal golf course	1,404,965	979,978	-	86,000	-	(338,987)	(338,987)
Parking	224,401	98,959	-	-	-	(125,442)	(125,442)
Total business-type activities	30,734,872	28,333,155	-	987,884	-	(1,413,833)	(1,413,833)
Total primary government	\$ 87,076,389	\$ 32,094,207	\$ 17,397,570	\$ 5,025,473	(31,145,306)	(1,413,833)	(32,559,139)
General revenues							
Property taxes, levied for general purposes					25,858,838	-	25,858,838
Property taxes, levied for library					2,084,870	-	2,084,870
Property taxes, levied for downtown development authority					583,456	-	583,456
Property taxes, levied for debt service					538,000	-	538,000
Property taxes, levied for pension savings					2,552,617	-	2,552,617
Other tax related revenue - county road millage					4,204,469	-	4,204,469
State shared revenue, unrestricted					3,838,969	-	3,838,969
Unrestricted investment earnings					905,355	436,760	1,342,115
Miscellaneous					776,895	327,702	1,104,597
Transfers					(1,549,748)	1,549,748	-
Total general revenues and transfers					39,793,721	2,314,210	42,107,931
Change in net position					8,648,415	900,377	9,548,792
Net position - beginning of year					64,220,568	130,438,709	194,659,277
Transfer					(2,039,646)	2,039,646	-
Net position - beginning of year (restated)					62,180,922	132,478,355	194,659,277
Net position - end of year					\$ 70,829,337	\$ 133,378,732	\$ 204,208,069

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 23,742,302	\$ 11,639,724	\$ 14,532,759	\$ 49,914,785
Receivables - net of allowances				
Taxes	7,874	-	746	8,620
Trust deeds	22,725	-	950,971	973,696
Customers	-	-	27,471	27,471
Accounts and contracts	498,790	22,163	345,642	866,595
Accrued interest	70,604	24,068	34,744	129,416
Due from other units of government	1,571,362	851,413	568,339	2,991,114
Due from other funds	-	-	78,999	78,999
Inventories	56,270	-	25,009	81,279
Prepaid items	26,126	-	18,570	44,696
Assets held for resale	-	225,000	-	225,000
	<u>25,996,053</u>	<u>12,762,368</u>	<u>16,583,250</u>	<u>55,341,671</u>
Total assets	<u>\$ 25,996,053</u>	<u>\$ 12,762,368</u>	<u>\$ 16,583,250</u>	<u>\$ 55,341,671</u>
Liabilities				
Accounts payable	\$ 2,075,332	\$ 235,299	\$ 1,221,636	\$ 3,532,267
Due to other funds	-	-	78,999	78,999
Due to other units of government	1,815	-	-	1,815
Deposits	35,926	-	34,008	69,934
Unearned revenue	1,296	-	76,610	77,906
	<u>2,114,369</u>	<u>235,299</u>	<u>1,411,253</u>	<u>3,760,921</u>
Total liabilities	<u>2,114,369</u>	<u>235,299</u>	<u>1,411,253</u>	<u>3,760,921</u>
Deferred inflows of resources				
Grants and contributions	1,088	-	49,738	50,826
Trust deeds	-	-	950,971	950,971
State shared revenue	756,911	-	-	756,911
Other	-	-	148,207	148,207
	<u>757,999</u>	<u>-</u>	<u>1,148,916</u>	<u>1,906,915</u>
Total deferred inflows of resources	<u>757,999</u>	<u>-</u>	<u>1,148,916</u>	<u>1,906,915</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Balance Sheet
June 30, 2019

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances				
Non-spendable				
Inventories	\$ 56,270	\$ -	\$ 25,009	\$ 81,279
Prepaid items	26,126	-	18,570	44,696
Trust deeds	22,725	-	-	22,725
Assets held for resale	-	225,000	-	225,000
Restricted for				
Major street	-	12,302,069	-	12,302,069
Local street	-	-	7,019,714	7,019,714
Smart zone	-	-	203,721	203,721
City center authority	-	-	45,705	45,705
Grace A. Dow memorial library	-	-	588,160	588,160
Downtown development authority	-	-	374,255	374,255
Community development block grant	-	-	69,000	69,000
Midland housing	-	-	228,482	228,482
Special activities	-	-	68,785	68,785
Debt service	-	-	233,656	233,656
Cemetery operations				
Expendable	-	-	32,011	32,011
Nonexpendable	-	-	2,066,649	2,066,649
Committed				
Future year expenditures	4,731,452	-	421,938	5,153,390
Budget stabilization	4,539,572	-	-	4,539,572
Assigned	1,968,215	-	2,634,885	4,603,100
Unassigned (deficit)	<u>11,779,325</u>	<u>-</u>	<u>(7,459)</u>	<u>11,771,866</u>
 Total fund balances	 <u>23,123,685</u>	 <u>12,527,069</u>	 <u>14,023,081</u>	 <u>49,673,835</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 25,996,053</u>	 <u>\$ 12,762,368</u>	 <u>\$ 16,583,250</u>	 <u>\$ 55,341,671</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2019

Total fund balances for governmental funds	\$ 49,673,835
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.	94,819,362
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	9,961,018
Investment in joint ventures are not financial resources and therefore are not reported in the governmental funds.	544,442
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	1,906,915
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(15,000)
Deferred outflows (inflows) of resources.	
Deferred outflows of resources resulting from debt refunding	360,446
Deferred outflows of resources resulting from net pension liability - MERS	5,862,262
Deferred outflows of resources resulting from net pension liability - police and fire	1,584,030
Deferred outflows of resources resulting from net OPEB liability	2,591,305
Deferred inflows of resources resulting from net pension liability - police and fire	(725,506)
Deferred inflows of resources resulting from net OPEB liability	(1,108,950)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities.	
Net pension liability - MERS	(38,911,223)
Net pension liability - police and fire	(23,627,835)
Net OPEB liability	(33,996,638)
Bonds payable	(6,000,000)
Compensated absences	(3,451,290)
Internal service funds are included as part of governmental activities.	11,362,164
Net position of governmental activities	<u>\$ 70,829,337</u>

City of Midland, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 28,386,949	\$ 4,204,469	\$ 3,230,832	\$ 35,822,250
Licenses and permits	670,194	90,058	125,405	885,657
Federal grants	6,830	7,791	1,054,213	1,068,834
State revenue sharing	3,838,969	-	-	3,838,969
Other state grants	8,729,024	5,227,713	2,921,945	16,878,682
Local contributions	100,533	2,062,705	636,538	2,799,776
Charges for services	2,662,279	172,615	1,329,683	4,164,577
Use and admission charges	359,670	-	-	359,670
Interest income	528,970	146,218	230,167	905,355
Rental income	89,245	-	-	89,245
Other revenue	1,020,833	23,386	148,056	1,192,275
	<u>46,393,496</u>	<u>11,934,955</u>	<u>9,676,839</u>	<u>68,005,290</u>
Total revenues				
Expenditures				
Current				
General government	6,644,589	-	15,262	6,659,851
Public safety	18,403,169	-	1,481	18,404,650
Public works	2,126,401	1,863,198	2,253,189	6,242,788
Sanitation	3,817,907	-	-	3,817,907
Community and economic development	-	-	933,156	933,156
Parks and recreation	5,703,912	-	-	5,703,912
Library and community television	-	-	4,595,037	4,595,037
Airport	311,360	-	-	311,360
Transportation	-	-	2,082,808	2,082,808
Capital outlay	1,358,264	5,092,320	3,028,928	9,479,512
Debt service				
Principal retirement	-	-	1,450,000	1,450,000
Interest and fiscal charges	-	-	112,420	112,420
	<u>38,365,602</u>	<u>6,955,518</u>	<u>14,472,281</u>	<u>59,793,401</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>8,027,894</u>	<u>4,979,437</u>	<u>(4,795,442)</u>	<u>8,211,889</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ 6,771	\$ -	\$ 7,145	\$ 13,916
Transfers in	40,161	-	7,476,116	7,516,277
Transfers out	<u>(4,663,320)</u>	<u>(3,263,500)</u>	<u>(1,099,891)</u>	<u>(9,026,711)</u>
Total other financing sources (uses)	<u>(4,616,388)</u>	<u>(3,263,500)</u>	<u>6,383,370</u>	<u>(1,496,518)</u>
Net change in fund balance	3,411,506	1,715,937	1,587,928	6,715,371
Fund balance - beginning of year	<u>19,712,179</u>	<u>10,811,132</u>	<u>12,435,153</u>	<u>42,958,464</u>
Fund balance - end of year	<u>\$ 23,123,685</u>	<u>\$ 12,527,069</u>	<u>\$ 14,023,081</u>	<u>\$ 49,673,835</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - Total governmental funds	\$	6,715,371
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		(6,221,230)
Capital outlay		8,654,144
Donations of capital assets		1,194,996
Loss on disposal of capital assets		(63,030)
Investment in joint ventures are not financial resources and therefore are not shown in the fund financial statements.		(68,074)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements		
State shared revenue		108,729
Grants		(545,444)
Trust deeds		(53,386)
Other		(1,900)
Expenses are recorded when incurred in the statement of activities.		
Accrued interest		3,625
Compensated absences		(154,377)
The statement of net position reports the net pension and OPEB liabilities and deferred outflows of resources and deferred inflows related to the net pension and OPEB liability and pension and OPEB expense. However, the amount recorded on the governmental funds equals actual pension contributions.		
Net change in net pension liability - MERS		(3,519,377)
Net change in net pension liability - police and fire		(4,138,574)
Net change in net OPEB liability		98,191
Net change in the deferred inflows of resources related to the net pension liability - MERS		855,048
Net change in the deferred inflows of resources related to the net pension liability - police and fire		291,515
Net change in the deferred inflows of resources related to the net OPEB liability		(1,019,887)
Net change in the deferred outflows of resources related to the net pension liability - MERS		2,667,863
Net change in the deferred outflows of resources related to the net pension liability - police and fire		(936,772)
Net change in the deferred outflows of resources related to the net OPEB liability		2,570,355
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		1,450,000
Amortization of premiums, discounts and similar items		(90,111)
Internal service funds are included as governmental activities.		850,740
Change in net position of governmental activities	\$	8,648,415

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2019

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets							
Current assets							
Cash and cash equivalents	\$ 6,546,278	\$ 2,496,721	\$ 9,053,121	\$ 1,269,461	\$ 2,950,376	\$ 22,315,957	\$ 14,317,464
Investments	-	-	-	-	376,845	376,845	-
Receivables - net of allowances							
Customers	1,621,505	1,077,536	533,454	12,895	18,305	3,263,695	-
Special assessments, current	3,328	7,461	-	-	-	10,789	54,809
Accounts and contracts	-	9,261	4,024	-	18,624	31,909	23,434
Accrued interest	14,813	10,059	20,450	3,063	6,126	54,511	28,835
Inventories	733,510	-	-	25,268	32,998	791,776	741,475
Prepaid items	-	-	-	595	32,308	32,903	953,039
Restricted assets							
Cash and cash equivalents	-	1,327,548	-	-	-	1,327,548	-
Total current assets	<u>8,919,434</u>	<u>4,928,586</u>	<u>9,611,049</u>	<u>1,311,282</u>	<u>3,435,582</u>	<u>28,205,933</u>	<u>16,119,056</u>
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	92,620	-	2,316,761	-	-	2,409,381	-
Special assessments receivable	-	-	-	-	-	-	191,505
Capital assets not being depreciated	973,619	586,876	1,283,429	810	1,397,708	4,242,442	55,000
Capital assets, net of accumulated depreciation	44,423,759	40,030,566	13,768,857	6,274,641	17,608,059	122,105,882	9,563,732
Investment in joint venture	13,991,254	-	-	-	-	13,991,254	-
Total noncurrent assets	<u>59,481,252</u>	<u>40,617,442</u>	<u>17,369,047</u>	<u>6,275,451</u>	<u>19,005,767</u>	<u>142,748,959</u>	<u>9,810,237</u>
Total assets	<u>68,400,686</u>	<u>45,546,028</u>	<u>26,980,096</u>	<u>7,586,733</u>	<u>22,441,349</u>	<u>170,954,892</u>	<u>25,929,293</u>
Deferred outflows of resources							
Deferred amount of debt refunding	-	-	-	211,808	-	211,808	-
Deferred amount relating to net pension liability - MERS	1,548,579	863,340	595,685	84,523	326,017	3,418,144	781,836
Deferred amount relating to net OPEB liability	308,538	175,915	105,480	18,210	72,496	680,639	163,889
Total deferred outflows of resources	<u>1,857,117</u>	<u>1,039,255</u>	<u>701,165</u>	<u>314,541</u>	<u>398,513</u>	<u>4,310,591</u>	<u>945,725</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2019

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities							
Current liabilities							
Accounts payable	\$ 891,980	\$ 44,608	\$ 121,319	\$ 30,467	\$ 112,221	\$ 1,200,595	\$ 220,667
Accrued and other liabilities	-	-	-	-	28,648	28,648	-
Deposits	1,820	-	-	2,233	161,790	165,843	1,500
Unearned revenue	15,673	1,579	-	-	66,697	83,949	-
Accrued interest	-	7,548	24,688	11,512	-	43,748	-
Estimated healthcare claims	-	-	-	-	-	-	331,275
Total current liabilities	<u>909,473</u>	<u>53,735</u>	<u>146,007</u>	<u>44,212</u>	<u>369,356</u>	<u>1,522,783</u>	<u>553,442</u>
Noncurrent liabilities							
Current portion of noncurrent liabilities	186,377	1,445,992	390,325	272,154	78,824	2,373,672	113,895
Guarantee deposits	92,620	-	-	-	-	92,620	-
Long-term debt net of current portion	115,782	1,727,169	3,749,045	3,049,326	58,463	8,699,785	138,515
Net pension liability - MERS	10,278,814	5,730,489	3,953,904	561,027	2,163,961	22,688,195	5,189,498
Net OPEB liability	4,047,863	2,307,913	1,383,846	238,905	951,112	8,929,639	2,150,146
Accrued landfill closure and postclosure care costs	-	-	4,586,000	-	-	4,586,000	-
Total noncurrent liabilities	<u>14,721,456</u>	<u>11,211,563</u>	<u>14,063,120</u>	<u>4,121,412</u>	<u>3,252,360</u>	<u>47,369,911</u>	<u>7,592,054</u>
Total liabilities	<u>15,630,929</u>	<u>11,265,298</u>	<u>14,209,127</u>	<u>4,165,624</u>	<u>3,621,716</u>	<u>48,892,694</u>	<u>8,145,496</u>
Deferred inflows of resources							
Deferred amount relating to net OPEB liability	<u>132,039</u>	<u>75,283</u>	<u>45,140</u>	<u>7,793</u>	<u>31,024</u>	<u>291,279</u>	<u>70,136</u>
Net position							
Net investment in capital assets	45,397,378	37,653,379	11,102,286	3,182,259	18,937,501	116,272,803	9,618,732
Unrestricted (deficit)	<u>9,097,457</u>	<u>(2,408,677)</u>	<u>2,324,708</u>	<u>545,598</u>	<u>249,621</u>	<u>9,808,707</u>	<u>9,040,654</u>
Total net position	<u>\$ 54,494,835</u>	<u>\$ 35,244,702</u>	<u>\$ 13,426,994</u>	<u>\$ 3,727,857</u>	<u>\$ 19,187,122</u>	<u>126,081,510</u>	<u>\$ 18,659,386</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>7,297,222</u>	
Net position of business-type activities						<u>\$ 133,378,732</u>	

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenue							
Customer fees	\$ 10,927,441	\$ 6,411,536	\$ -	\$ -	\$ -	\$ 17,338,977	\$ -
Use and admission charges	-	-	4,222,927	1,083,109	1,073,342	6,379,378	-
Billings to other funds	-	-	-	-	-	-	11,970,757
Rental income	390,900	-	-	-	2,779,952	3,170,852	5,181,665
Fines and forfeits	90,559	90,595	4,294	-	-	185,448	-
Sale of meals	-	-	-	-	752,736	752,736	-
Other revenue	70,343	237,519	32,623	16,414	303,746	660,645	2,278,949
Total operating revenue	11,479,243	6,739,650	4,259,844	1,099,523	4,909,776	28,488,036	19,431,371
Operating expenses							
Operations	4,164,196	2,085,982	4,208,874	800,525	4,585,978	15,845,555	16,908,931
Administration	1,347,471	1,056,651	-	-	-	2,404,122	-
Maintenance	3,861,254	2,212,838	-	38,367	130,377	6,242,836	-
Other expenses	7,467	38,414	19,264	16,426	2,205	83,776	-
Depreciation and amortization	1,746,421	1,863,693	1,380,722	239,246	817,463	6,047,545	1,631,931
Total operating expenses	11,126,809	7,257,578	5,608,860	1,094,564	5,536,023	30,623,834	18,540,862
Operating income (loss)	352,434	(517,928)	(1,349,016)	4,959	(626,247)	(2,135,798)	890,509
Nonoperating revenue (expenses)							
Interest income	97,671	67,094	204,711	19,467	47,817	436,760	199,475
Contractual revenues	172,821	-	-	-	-	172,821	-
Gain (loss) on disposition of assets	-	-	(4,536)	-	-	(4,536)	26,214
Interest expense	-	(77,316)	(100,500)	(93,271)	(138,148)	(409,235)	-
Total nonoperating revenues (expenses)	270,492	(10,222)	99,675	(73,804)	(90,331)	195,810	225,689
Income (loss) before contributions and transfers	622,926	(528,150)	(1,249,341)	(68,845)	(716,578)	(1,939,988)	1,116,198

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Capital contributions	\$ 584,700	\$ 308,000	\$ -	\$ -	\$ 95,184	\$ 987,884	\$ 76,589
Transfers in	-	823,191	-	350,000	376,557	1,549,748	-
Transfers out	-	-	-	-	-	-	(39,314)
Change in net position	<u>1,207,626</u>	<u>603,041</u>	<u>(1,249,341)</u>	<u>281,155</u>	<u>(244,837)</u>	<u>597,644</u>	<u>1,153,473</u>
Net position - beginning of year	53,287,209	34,641,661	12,636,689	3,446,702	19,431,959	123,444,220	19,545,559
Transfer	-	-	2,039,646	-	-	2,039,646	(2,039,646)
Net position - beginning of year (restated)	<u>53,287,209</u>	<u>34,641,661</u>	<u>14,676,335</u>	<u>3,446,702</u>	<u>19,431,959</u>	<u>125,483,866</u>	<u>17,505,913</u>
Net position - end of year	<u>\$ 54,494,835</u>	<u>\$ 35,244,702</u>	<u>\$ 13,426,994</u>	<u>\$ 3,727,857</u>	<u>\$ 19,187,122</u>	<u>\$ 126,081,510</u>	<u>\$ 18,659,386</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>302,733</u>	
Change in net position of business-type activities						<u>\$ 900,377</u>	

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2019

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities							
Receipts from customers	\$ 11,928,383	\$ 6,898,211	\$ 4,270,143	\$ 1,093,700	\$ 4,909,553	\$ 29,099,990	\$ 7,629,027
Receipts from other funds	-	-	-	-	-	-	11,969,657
Payments to other funds	-	-	(21,472)	-	-	(21,472)	-
Payments to suppliers	(3,765,782)	(1,655,062)	(1,140,503)	(667,872)	(2,864,368)	(10,093,587)	(14,350,938)
Payments to employees	(5,076,495)	(3,190,000)	(2,556,239)	(244,682)	(1,905,385)	(12,972,801)	(2,233,103)
Net cash provided by operating activities	<u>3,086,106</u>	<u>2,053,149</u>	<u>551,929</u>	<u>181,146</u>	<u>139,800</u>	<u>6,012,130</u>	<u>3,014,643</u>
Cash flows from noncapital financing activities							
Transfer from other funds	-	823,191	-	350,000	376,557	1,549,748	-
Transfers to other funds	-	-	-	-	-	-	(39,314)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>823,191</u>	<u>-</u>	<u>350,000</u>	<u>376,557</u>	<u>1,549,748</u>	<u>(39,314)</u>
Cash flows from capital and related financing activities							
Capital contributions	-	-	-	-	95,184	95,184	76,589
Purchases/construction of capital assets	(3,302,554)	(1,148,853)	(180,599)	(810)	(160,692)	(4,793,508)	(2,886,276)
Principal and interest paid on long-term debt	-	(1,367,316)	(380,500)	(329,016)	(164,808)	(2,241,640)	-
Proceeds from sale of capital assets	-	-	24,109	-	-	24,109	228,625
Net cash used by capital and related financing activities	<u>(3,302,554)</u>	<u>(2,516,169)</u>	<u>(536,990)</u>	<u>(329,826)</u>	<u>(230,316)</u>	<u>(6,915,855)</u>	<u>(2,581,062)</u>
Cash flows from investing activities							
Interest received	<u>97,671</u>	<u>67,094</u>	<u>204,711</u>	<u>19,467</u>	<u>183,170</u>	<u>572,113</u>	<u>199,475</u>
Net change in cash and cash equivalents	<u>(118,777)</u>	<u>427,265</u>	<u>219,650</u>	<u>220,787</u>	<u>469,211</u>	<u>1,218,136</u>	<u>593,742</u>
Cash and cash equivalents - beginning of year	6,757,675	3,397,004	10,539,025	1,048,674	2,481,165	24,223,543	14,334,929
Transfer	-	-	611,207	-	-	611,207	(611,207)
Cash and cash equivalents - beginning of year (restated)	<u>6,757,675</u>	<u>3,397,004</u>	<u>11,150,232</u>	<u>1,048,674</u>	<u>2,481,165</u>	<u>24,834,750</u>	<u>13,723,722</u>
Cash and cash equivalents - end of year	<u>\$ 6,638,898</u>	<u>\$ 3,824,269</u>	<u>\$ 11,369,882</u>	<u>\$ 1,269,461</u>	<u>\$ 2,950,376</u>	<u>\$ 26,052,886</u>	<u>\$ 14,317,464</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2019

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash and equivalents reported on Statement of Net Position as follows							
Cash and cash equivalents	\$ 6,546,278	\$ 2,496,721	\$ 9,053,121	\$ 1,269,461	\$ 2,950,376	\$ 22,315,957	\$ 14,317,464
Cash and cash equivalents - restricted current	-	1,327,548	-	-	-	1,327,548	-
Cash and cash equivalents - restricted noncurrent	92,620	-	2,316,761	-	-	2,409,381	-
Net cash and equivalents	<u>\$ 6,638,898</u>	<u>\$ 3,824,269</u>	<u>\$ 11,369,882</u>	<u>\$ 1,269,461</u>	<u>\$ 2,950,376</u>	<u>\$ 26,052,886</u>	<u>\$ 14,317,464</u>
Noncash investing activities - changes in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (135,353)</u>	<u>\$ (135,353)</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ 525,255	\$ (517,928)	\$ (1,349,016)	\$ 4,959	\$ (626,247)	\$ (1,962,977)	\$ 890,509
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	1,746,421	1,863,693	1,380,722	239,246	817,463	6,047,545	1,631,931
Noncash portion related to net pension liability - MERS	1,794,270	1,283,878	828,839	80,608	158,793	4,146,388	630,587
Noncash portion related to net OPEB liability	39,907	36,436	10,078	(55,798)	(32,742)	(2,119)	(162,137)
Loss on investment in joint venture	260,674	-	-	-	-	260,674	-
Changes in assets and liabilities							
Receivables (net)	276,319	13,064	(11,173)	(5,823)	(223)	272,164	167,313
Due from other units of government	-	145,497	-	-	-	145,497	-
Due from other funds	-	-	21,472	-	-	21,472	-
Inventories	(57,110)	-	-	2,906	797	(53,407)	(105,514)
Prepaid items	-	-	-	(595)	(18,939)	(19,534)	484,404
Deferred outflows relating to net pension liability - MERS	(855,232)	(509,461)	(341,033)	(46,327)	(161,163)	(1,913,216)	(410,457)
Deferred outflows relating to net OPEB liability	(306,075)	(174,519)	(104,636)	(18,028)	(71,891)	(675,149)	(162,470)
Accounts payable	(195,323)	(53,887)	(46,987)	(7,236)	27,674	(275,759)	102,362
Accrued and other liabilities	(47,041)	19,386	16,404	(6,359)	7,175	(10,435)	2,042
Deposits	-	-	-	(7)	58,785	58,778	-
Due to other funds	-	-	(21,472)	-	-	(21,472)	-
Accrued landfill closure costs	-	-	208,000	-	-	208,000	-
Unearned revenue	(155)	1,500	-	-	2,195	3,540	-
Deferred inflows relating to net pension liability - MERS	(217,373)	(123,859)	(80,821)	(13,423)	(50,330)	(485,806)	(118,024)
Deferred inflows relating to net OPEB liability	121,569	69,349	41,552	7,023	28,453	267,946	64,097
Net cash provided by operating activities	<u>\$ 3,086,106</u>	<u>\$ 2,053,149</u>	<u>\$ 551,929</u>	<u>\$ 181,146</u>	<u>\$ 139,800</u>	<u>\$ 6,012,130</u>	<u>\$ 3,014,643</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Fiduciary Funds
Statement of Net Position
June 30, 2019

	<u>Police and Fire Retirement Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 2,273,679	\$ 1,151,657
Investments		
Common stock	32,130,757	-
Preferred stock	711,323	-
Bonds	19,090,683	-
International funds	9,978,609	-
Alternative investments	3,545,162	-
Receivables - net of allowances		
Accounts and contracts	-	40,714
Accrued interest and other	77,340	238
Prepays	-	103,700
	<u>67,807,553</u>	<u>\$ 1,296,309</u>
Liabilities		
Accrued and other liabilities	-	\$ 639,379
Due to foundations	-	203,540
Due to other units of government	-	453,390
	<u>-</u>	<u>\$ 1,296,309</u>
Net position		
Net position restricted for pensions	<u>\$ 67,807,553</u>	

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Fiduciary Funds
Statement of Changes in Net Position
For the Year Ended June 30, 2019

	<u>Police and Fire Retirement Trust Fund</u>
Additions	
Contributions	
Employer	\$ 2,703,865
Plan members	<u>625,929</u>
Total contributions	<u>3,329,794</u>
Investment earnings	
Net gain on fair value of investments	2,603,160
Interest	420,429
Dividends	<u>1,040,295</u>
Total investment earnings	4,063,884
Less investment expense	<u>(405,660)</u>
Net investment earnings	3,658,224
Other expense	<u>(187,594)</u>
Total additions	<u>6,800,424</u>
Deductions	
Benefits paid	<u>5,294,958</u>
Change in net position	1,505,466
Net position restricted for pensions - beginning of year	<u>66,302,087</u>
Net positions restricted for pensions - end of year	<u>\$ 67,807,553</u>

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Unit

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

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

Joint Ventures

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

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

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

A summary of SMMWSC's financial information for the year ended June 30, 2019 follows:

Total assets and deferred outflows of resources	\$ 37,650,826
Total liabilities and deferred inflows of resources	7,569,630
Equity - City of Midland	13,991,254
Equity - City of Saginaw	16,089,942
Total revenues	4,387,610
Total expenses	4,948,059
Net loss	(560,449)

At June 30, 2019, total outstanding bonded debt of the SMMWSC was \$4,435,000. The City was obligated for \$2,062,791 of this total.

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

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

Total net position per the JBA June 30, 2019 financial statements was \$840,188. The City's equity of 64.80 percent of this total, resulted in \$544,442 at June 30, 2019 which is recorded in the government-wide statements.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, excluding agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and motor fuel taxes collected and held by the State at fiscal year end on behalf of the City are also recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds

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

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

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

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

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

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

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

Homeland Security grant fund accounts for the City's fiduciary activities to administer Homeland Security grant funding for various local community subrecipients.

Dial-A-Ride Transportation 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 local cable companies to

support two public access channels operated by the City.

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

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

Debt Service Fund

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

Permanent Fund

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

The City reports the following nonmajor proprietary funds:

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

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

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

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

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

Additionally, the City reports the following internal service funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds and the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The portion intended to recover the cost of infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

Property tax receivables are shown as net of allowance for uncollectible amounts totaling \$62,500. The property tax receivable allowance at June 30, 2019 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 2018 taxable valuation of the City totaled \$2,082,641,028 on which ad valorem taxes consisted of 12.6102 mills for the City's operating purposes, 1.0000 mills for Library services, 1.2677 for pension savings, and 0.2606 mills for debt levies. This resulted in \$24,963,608 for operating expenses, \$1,979,636 for the Library, \$2,509,585 for pension savings, and \$542,736 for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

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

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

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

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

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

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

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

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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The City reported deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension liability and net OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year. Deferred amounts on bond refundings are included in government-wide financial statements. The amounts represent the difference between reacquisition price and the net carrying amount of the prior debt.

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

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

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

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and the Police and Fire Retirement System and additions to/deductions from MERS

and the Police and Fire Retirement System’s fiduciary net position have been determined on the same basis as they are reported to the systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension liability and net OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

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.

The governmental funds have committed fund balance as of June 30, 2019 for the following purposes:

General future expenditures	\$ 4,731,452
General budget stabilization	4,539,572
Center city authority	1,000
Stormwater management	364,106
Midland community television	<u>56,832</u>
 Total	 <u>\$ 9,692,962</u>

Each year as part of the annual budget process, City Council establishes a General Fund unreserved fund balance goal. In addition, Council has established a budget stabilization reserve within the General Fund to hold personal property tax refunds from the State of Michigan, that exceed the 100% expected reimbursement amount. This reserve was established by City Council, and can only be used with their permission. The intent of the reserve is to provide funding options for future-year General Fund budgets. The balance as of June 30, 2019 was \$4,539,572.

Assigned – amounts intended to be used for specific purposes, as determined by City Council. The City Council annually approves a resolution granting the City's Assistant City Manager the authority

to assign funds. In governmental funds other than the General Fund, the assigned fund balance represents the amount that is not restricted or committed which indicates that these resources are, at a minimum, intended to be used for the purpose of that fund.

The governmental funds have an assigned fund balance as of June 30, 2019 for the following purposes:

General fund encumbrances	\$ 1,968,215
Stormwater management	1,078,092
Midland community television	<u>1,556,793</u>
 Total	 <u>\$ 4,603,100</u>

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

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

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

Encumbrances

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

General cash flow management	\$ 1,968,215
Major street	5,539,528
Nonmajor governmental	1,226,433

City of Midland, Michigan
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Use of Estimates

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

Adoption of New Accounting Standards

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

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

Upcoming Adoption of New Accounting Standards

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

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

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end

City of Midland, Michigan
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of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

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

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection on building construction renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000,

the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 follows:

Shortfall at July 1, 2018	\$ (1,094,640)
Current year building permit revenue	564,180
Related expenses:	
Direct costs	\$ 577,562
Estimated indirect costs	<u>34,654</u>
Total construction code expenses	<u>612,216</u>
Cumulative shortfall at June 30, 2019	<u><u>\$ (1,142,676)</u></u>

Excess of Expenditures Over Appropriations

The City did not have any significant expenditure budget variances.

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.

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

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

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

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

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 64,232,249	\$ -	\$ -	\$ 64,232,249
Business-type activities	<u>22,315,957</u>	<u>376,845</u>	<u>3,736,929</u>	<u>26,429,731</u>
Total primary government	86,548,206	376,845	3,736,929	90,661,980
Fiduciary funds	<u>3,425,336</u>	<u>65,456,534</u>	<u>-</u>	<u>68,881,870</u>
Total	<u>\$ 89,973,542</u>	<u>\$ 65,833,379</u>	<u>\$ 3,736,929</u>	<u>\$ 159,543,850</u>

The break down between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 90,275,983	\$ 3,425,336	\$ 93,701,319
Investments in securities, mutual funds and similar vehicles	376,845	65,456,534	65,833,379
Petty cash and cash on hand	<u>9,152</u>	<u>-</u>	<u>9,152</u>
Total	<u>\$ 90,661,980</u>	<u>\$ 68,881,870</u>	<u>\$ 159,543,850</u>

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

Concentration of Credit Risk – The City has no policy that would limit the amount that may be issued in any one issuer. The City has one investment in individual issuers that exceeded five percent of total

City of Midland, Michigan
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investments. The Ironwood Institutional Multi-Strategy Fund LLC alternative investment was 5.14% of total investments, respectively.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$74,110,162 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits its funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

Investment	Fair Value	Weighted Average Maturity (Years)
Commercial paper	\$ 11,362,923	0.12
Corporate bonds	9,875,683	5.53
FHLM	157,120	27.04
FNMA	2,075,651	27.56
Municipal obligation	2,016,643	2.62
U.S. Treasury notes	2,451,507	10.62

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

Investment	Fair Value	Rating	Organization
Commercial paper	\$ 9,782,187	A1	S & P
Commercial paper	1,580,736	A2	S & P
Corporate bonds	1,168,325	A	S & P
Corporate bonds	1,102,714	A-	S & P
Corporate bonds	86,922	A+	S & P
Corporate bonds	115,008	AA+	S & P
Corporate bonds	738,599	AAA	S & P
Corporate bonds	1,809,863	BBB	S & P
Corporate bonds	965,356	BBB-	S & P
Corporate bonds	1,462,254	BBB+	S & P
Corporate bonds	1,902,531	N/A	N/A
Corporate bonds	120,354	B-	S & P
Corporate bonds	70,451	B+	S & P
Corporate bonds	204,315	BB+	S & P
Corporate bonds	128,991	BB-	S & P
Exchange traded and closed end	1,651,463	N/A	N/A
FHLM	157,120	AA+	S & P
FNMA	2,075,651	AA+	S & P
Money market funds	383,478	N/A	N/A
Municipal obligation	2,016,643	N/A	N/A
Mutual funds	4,757,686	N/A	N/A
Pooled funds	4,692,911	N/A	N/A

City of Midland, Michigan
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Endowments

The City has established endowment funds at the Midland Area Community Foundation (the "Foundation"). The Foundation has variance power over the funds transferred by the City to the endowment fund and could use those funds for other purposes. Assets held at the Foundation where the Foundation has variance power are not included in these financial statements and had a market value of \$3,131,489 at June 30, 2019.

Alternative Investments

The City is invested in two alternative investments as of June 30, 2019. The City has approved an investment asset allocation by class that establishes minimum, maximum, and target allocations. Alternative investments are not to exceed 15% of the asset allocation per the strategy. The alternative investments held by the City are privately offered and invest in various third party private investment funds. The Ironwood Institutional Multi-Strategy Fund had a fair value of \$3,381,727 at June 30, 2019. The Mesirow Institutional Multi-Strategy Fund LP had a fair value of \$163,435 at June 30, 2019. The fair value of these funds is determined by the net asset value per share.

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

The Ironwood Institutional Multi-Strategy Fund may suspend or postpone a tender offer in limited circumstances and only by a vote of a majority of the Board, including a majority of the Independent Directors. These circumstances may include the following: (i) a period during which an emergency exists as a result of which it is not reasonably practicable for the Fund to dispose of securities it owns or to determine the value of the Fund's net assets; (ii) for any other periods that the SEC permits by order; or (iii) other unusual circumstances as the Board determines, in compliance with applicable laws, it is in the best interest of the Fund, the Feeder Fund, the Members or the members of the Feeder Fund to suspend or postpone such tender offer. There are no intentions to sell the funds as of June 30, 2019 and there were no unfunded commitments

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

Note 4 - Fair Value

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

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The City has the following recurring fair value measurements as of June 30, 2019:

	Balance at Year End	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 32,507,602	\$ 32,507,602	\$ -
Preferred stock	711,323	711,323	-
Bonds	19,090,683	19,090,683	-
International funds	9,978,609	9,978,609	-
Alternative investments	<u>3,545,162</u>	<u>-</u>	<u>3,545,162</u>
Total	<u>\$ 65,833,379</u>	<u>\$ 62,288,217</u>	<u>\$ 3,545,162</u>

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

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

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

Beginning balance, July 1	\$ 3,462,458
Unrealized gain	<u>82,704</u>
Ending balance, June 30	<u>\$ 3,545,162</u>

Note 5 - Receivables

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

	Due After One Year
Special assessments	<u>\$ 191,505</u>

The receivables are included in the Special Assessment Revolving Fund.

Note 6 - Unearned Revenue

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

Grants and contributions	\$ 77,906
Utility overpayments	17,252
Other revenue	<u>66,697</u>
Total	<u>\$ 161,855</u>

City of Midland, Michigan
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Note 7 - Capital Assets

Capital assets activity of the City for the year ended June 30, 2019 was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 6,336,058	\$ -	\$ 15,847	\$ -	\$ 6,351,905
Construction in progress	9,899,474	-	2,685,095	8,920,456	3,664,113
Total capital assets not being depreciated	16,235,532	-	2,700,942	8,920,456	10,016,018
Capital assets being depreciated					
Major and local streets	97,681,003	-	13,942,234	-	111,623,237
Sidewalks	6,148,932	-	144,179	-	6,293,111
Buildings	34,545,649	(4,214,692)	1,158,080	26,125	31,462,912
Land improvements	31,701,554	(937,285)	682,647	31,809	31,415,107
Library circulation materials	4,571,808	-	-	-	4,571,808
Equipment	16,720,107	(5,751,506)	349,693	777,792	10,540,502
Vehicles	18,653,460	-	2,693,971	2,124,712	19,222,719
Total capital assets being depreciated	210,022,513	(10,903,483)	18,970,804	2,960,438	215,129,396
Less accumulated depreciation for					
Major and local streets	50,501,347	-	4,054,643	-	54,555,990
Sidewalks	4,105,303	-	197,290	-	4,302,593
Buildings	16,871,753	(590,075)	792,707	12,328	17,062,057
Land improvements	10,575,916	(131,027)	777,514	7,939	11,214,464
Library circulation materials	4,571,808	-	-	-	4,571,808
Equipment	12,155,495	(3,862,429)	447,685	770,270	7,970,481
Vehicles	11,374,157	-	1,583,322	1,888,570	11,068,909
Total accumulated depreciation	110,155,779	(4,583,531)	7,853,161	2,679,107	110,746,302
Net capital assets being depreciated	99,866,734	(6,319,952)	11,117,643	281,331	104,383,094
Governmental activities capital assets, net	\$ 116,102,266	\$ (6,319,952)	\$ 13,818,585	\$ 9,201,787	\$ 114,399,112

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	\$ 2,777,794	\$ -	\$ -	\$ -	\$ 2,777,794
Construction in progress	4,820,130	-	1,418,977	4,774,459	1,464,648
Total capital assets not being depreciated	7,597,924	-	1,418,977	4,774,459	4,242,442
Capital assets being depreciated					
Water and sewer lines	104,851,313	206,284	3,823,415	-	108,881,012
Building and building improvements	88,531,768	4,008,408	4,363,728	-	96,903,904
Land improvements	9,647,906	939,455	78,474	-	10,665,835
Landfill improvements	13,693,436	-	-	-	13,693,436
Equipment	11,078,033	5,749,336	776,072	-	17,603,441
Vehicles	2,211,210	-	-	94,200	2,117,010
Total capital assets being depreciated	230,013,666	10,903,483	9,041,689	94,200	249,864,638
Less accumulated depreciation for					
Water and sewer lines	45,556,132	-	2,046,372	-	47,602,504
Building and building improvements	49,744,818	590,075	2,162,448	-	52,497,341
Land improvements	2,976,232	131,027	213,398	-	3,320,657
Landfill improvements	10,139,430	(4,701)	241,731	-	10,376,460
Equipment	7,215,552	3,867,130	1,255,830	-	12,338,512
Vehicles	1,561,089	-	127,766	65,573	1,623,282
Total accumulated depreciation	117,193,253	4,583,531	6,047,545	65,573	127,758,756
Net capital assets being depreciated	112,820,413	6,319,952	2,994,144	28,627	122,105,882
Business-type capital assets, net	\$ 120,418,337	\$ 6,319,952	\$ 4,413,121	\$ 4,803,086	\$ 126,348,324

As disclosed in Note 21, the Renewable Energy Services internal service fund was merged with the Sanitary Landfill Fund as of July 1, 2018. As a result, capital assets from the Renewable Energy Services Fund were transferred to the Sanitary Landfill Fund.

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Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	\$ 173,256
Public safety	522,687
Public works	5,564,808
Sanitation	304,337
Parks and recreation	697,031
Library	287,452
Airport	87,817
Transportation	206,736
Other functions	<u>9,037</u>
Total governmental activities	<u>\$ 7,853,161</u>
Business-type activities:	
Civic Arena	\$ 239,246
Landfill	1,380,722
Senior Housing	599,592
Golf course	180,991
Parking system	36,880
Wastewater	1,863,693
Water	<u>1,746,421</u>
Total business-type activities	<u>\$ 6,047,545</u>

Note 8 - Construction Commitments

The City had active construction projects as of June 30, 2019. The projects included sidewalk, streets, storm, senior housing, wastewater, and water system projects.

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
General construction projects	\$ 659,344	\$ 129,101
Street projects	8,656,124	1,753,938
Storm projects	552	71,829
Library projects	370	12,000
Civic arena projects	810	35,700
Currie golf projects	21,366	4,183
Wastewater projects	7,866	100,459
Water projects	<u>919,860</u>	<u>490,574</u>
Total	<u>\$ 10,266,292</u>	<u>\$ 2,597,784</u>

Note 9 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	Nonmajor governmental funds	<u>\$ 78,999</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.

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

	General Fund	Major Street Fund	Local Street Fund	Community Development Block Grant Fund	Special Activities Fund	Downtown Development Authority Fund	Debt Service Fund	Special Assessment Revolving Fund	Total
Transfers In									
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 847	\$ -	\$ -	\$ 39,314	\$ 40,161
Local Street Fund	-	3,125,000	-	-	-	-	-	-	3,125,000
Stormwater Management Fund	670,000	138,500	164,296	-	-	-	-	-	972,796
Grace A. Dow Memorial Library Fund	1,100,399	-	-	-	-	-	-	-	1,100,399
Dial-a-Ride Transportation Fund	516,910	-	-	-	-	-	-	-	516,910
Downtown Development									
Authority Fund	10,000	-	-	-	-	-	-	-	10,000
Debt Service Fund	1,751,011	-	-	-	-	-	-	-	1,751,011
Civic Arena Fund	350,000	-	-	-	-	-	-	-	350,000
Washington Woods Fund	-	-	-	65,107	1,450	-	-	-	66,557
Currie Golf Course Fund	250,000	-	-	-	-	-	-	-	250,000
Parking Fund	15,000	-	-	-	-	45,000	-	-	60,000
Wastewater Fund	-	-	-	-	-	-	823,191	-	823,191
Total	\$ 4,663,320	\$ 3,263,500	\$ 164,296	\$ 65,107	\$ 2,297	\$ 45,000	\$ 823,191	\$ 39,314	\$ 9,066,025

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

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Note 10 - Leases

Operating Leases

The City leases its police facility under a non-cancelable operating lease. Total costs for the lease were \$283,292 for the year ended June 30, 2019. According to the terms of its lease with the Midland City/County Joint Building Authority, the City's obligation for operating leases amounts to 64.8 percent of total operating expenses of the police facility.

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

<u>Year ending June 30,</u>	
2020	\$ 297,375
2021	306,296
2022	315,485
2023	324,950
2024	334,699
2025-2029	<u>1,830,269</u>
Total	<u>\$ 3,409,074</u>

Capital Leases

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

<u>Year ending June 30,</u>	
2020	\$ 29,456
2021	30,698
2022	<u>10,969</u>
Total minimum lease payments	71,123
Less amount representing interest	<u>2,857</u>
Present value of minimum lease payments	<u>\$ 68,266</u>

The following is a summary of property held under capital leases:

Asset	
Equipment	\$ 136,074
Less accumulated depreciation	<u>36,286</u>
Total	<u>\$ 99,788</u>

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Note 11 - Long-Term Debt

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due Within One Year
Governmental activities										
Bonds and notes payable										
General obligation bonds										
2010 Renewable Energy*	\$ 6,000,000	October 2030	2.50%	\$285,000 - \$375,000	\$ 4,230,000	\$ -	\$ -	\$ (4,230,000)	\$ -	\$ -
2016 Judgment Refunding Bonds	7,725,000	May 2022	1.50%	\$1,470,000 - \$1,530,000	<u>7,450,000</u>	<u>-</u>	<u>1,450,000</u>	<u>-</u>	<u>6,000,000</u>	<u>1,470,000</u>
Total bonds payable					<u>11,680,000</u>	<u>-</u>	<u>1,450,000</u>	<u>(4,230,000)</u>	<u>6,000,000</u>	<u>1,470,000</u>
Compensated absences					<u>3,553,677</u>	<u>1,904,865</u>	<u>1,754,842</u>	<u>-</u>	<u>3,703,700</u>	<u>1,807,848</u>
Total governmental activities					<u>\$ 15,233,677</u>	<u>\$ 1,904,865</u>	<u>\$ 3,204,842</u>	<u>\$ (4,230,000)</u>	<u>\$ 9,703,700</u>	<u>\$ 3,277,848</u>
Business-type activities										
Bonds and notes payable										
General obligation bonds										
2001 Sewer Construction - State Revolving Fund	\$ 5,130,000	May 2022	2.50%	\$295,000 - \$304,063	\$ 1,184,063	\$ -	\$ 285,000	\$ -	\$ 899,063	\$ 295,000
2017 Civic Arena Refunding Bonds	9,480,000	May 2021	2.09%	\$265,000 - \$335,000	3,560,000	-	255,000	-	3,305,000	265,000
2015 Sewer Refunding Bonds	5,965,000	May 2021	1.69%	\$1,025,000 - \$1,040,000	3,070,000	-	1,005,000	-	2,065,000	1,025,000
2010 Renewable Energy*	6,000,000	October 2030	2.50%	\$285,000 - \$375,000	<u>-</u>	<u>-</u>	<u>280,000</u>	<u>4,230,000</u>	<u>3,950,000</u>	<u>285,000</u>
Total bonds payable					<u>7,814,063</u>	<u>-</u>	<u>1,825,000</u>	<u>4,230,000</u>	<u>10,219,063</u>	<u>1,870,000</u>
Capital leases					94,927	-	26,661	-	68,266	27,575
Compensated absences					794,684	463,590	472,146	-	786,128	476,097
Landfill closure and postclosure					<u>4,378,000</u>	<u>208,000</u>	<u>-</u>	<u>-</u>	<u>4,586,000</u>	<u>-</u>
Total business-type activities					<u>\$ 13,081,674</u>	<u>\$ 671,590</u>	<u>\$ 2,323,807</u>	<u>\$ 4,230,000</u>	<u>\$ 15,659,457</u>	<u>\$ 2,373,672</u>

*As disclosed in Note 21, the Renewable Energy Services internal service fund was merged with the Sanitary Landfill Fund as of July 1, 2018. As a result, the 2010 Renewable Energy bonded debt maturing in October 2030, which was previously governmental activities, is now categorized as business-type activities as shown by the transfer.

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

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

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

On December 3, 2001, the City Council authorized issuance of general obligation limited tax bonds, series 2001, in the principal sum not to exceed \$5,130,000. The purpose of this issuance was to fund the construction of a storm water retention basin at the wastewater treatment plant. User fees will fund 40 percent of the principal and

interest on these bonds and the remaining 60 percent will be funded by a millage that the City has levied. The full faith and credit and the limited taxing power of the City are pledged for payment of the principal and interest thereon.

On September 12, 2005, the City issued \$9,480,000 of General Obligation Unlimited Tax Refund Bonds. The bonds were issued pursuant to resolutions adopted by the City Council on July 11, 2005 and August 22, 2005, and provide for an average interest rate of 3.95 percent. The proceeds of these bonds were used to advance refund \$9,025,000 of outstanding 2001 General Obligation Unlimited Bonds with an average interest rate of 5.07 percent. These bonds were refunded again on February 3, 2015.

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

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

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

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

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, 2019, the City's general obligation debt statutory and legal debt limit amounted to \$223,140,000 and the indebtedness subject to the limitation aggregated \$16,219,063.

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,470,000	\$ 90,000	\$ 1,870,000	\$ 221,637
2021	1,490,000	67,950	1,915,000	184,152
2022	1,510,000	45,600	884,063	145,786
2023	1,530,000	22,950	595,000	124,707
2024	-	-	610,000	110,939
2025 - 2029	-	-	3,270,000	335,597
2030 - 2034	-	-	1,075,000	25,627
	<u>\$ 6,000,000</u>	<u>\$ 226,500</u>	<u>\$ 10,219,063</u>	<u>\$ 1,148,445</u>

Deferred Amount of Debt Refunding

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

Deferred amount on refunding activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
2016 Judgment				
Refunding Bonds	\$ 450,557	\$ -	\$ 90,111	\$ 360,446
Business-type activities				
2017 Civic Arena	\$ 231,064	\$ -	\$ 19,256	\$ 211,808
Refunding Bonds				

Defeased Debt

In the current and prior years, the City defeased bonds issued by creating separate irrevocable trust funds. New debt was issued and the net proceeds of the refunding was placed in special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At June 30, 2019, \$5,825,000 of bonds outstanding are considered defeased.

Note 12 - Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs

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will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as operating expense in each period based on landfill capacity used as of each year end. The \$4,586,000 reported as landfill closure and post closure care liability at June 30, 2019 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), 97 percent of the estimated capacity of cell 15, and 50 percent of the estimated capacity of cell 16.

The City will recognize the remaining estimated cost of closure and post closure care of \$1,659,113 as the remaining capacity of cells 15 and 16 are filled.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. The City expects to reach 100 percent capacity in cell 15 during the fiscal year ending June 2020 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, 2019, cash and cash equivalents in the amount of \$2,316,761 were held for these purposes, and reported as restricted assets on the statement of net position. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

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

Note 13 - Restricted Cash

Cash and cash equivalents are restricted within the Water and Wastewater Funds for future debt service obligations in the amounts of \$92,620 and \$1,327,548, 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 \$2,316,761 of restricted assets that are for closure and postclosure costs.

Note 14 - Employee Retirement and Benefit Systems

Police and Fire Pension System

Plan Description – The Police and Fire Pension System is a single-employer defined benefit pension plan that is administered by the City of Midland Police and Fire Employees Retirement System. This plan covers all police and fire employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan does not issue a separate financial report. At December 31, 2018, the date of the most recent actuarial valuation, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	144
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>92</u>
	<u><u>238</u></u>

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

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

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

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

Net pension liability – The City’s net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2018 using the following actuarial assumptions applied to all periods included in the measurement:

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

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

assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for a 5-year period ending December 31, 2015, issued August 4, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Projected Rate of Return
U.S. large cap equity	35.00%	5.90%
U.S. small cap	7.50%	5.65%
U.S. mid cap	7.50%	6.60%
International/EM equity	15.00%	5.40%
Cored fixed income	35.00%	2.00%

A single discount rate of 7.00 percent was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.00 percent and municipal bond rate of 3.13 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.

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Changes in net pension liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Opening balances	\$ 85,791,346	\$ 66,302,085	\$ 19,489,261
Changes for the year			
Service cost	1,832,656	-	1,832,656
Interest	5,877,567	-	5,877,567
Benefit changes	3,541,578	-	3,541,578
Difference between expected and actual experience	(122,894)	-	(122,894)
Employer contributions	-	2,703,865	(2,703,865)
Employee contributions	-	625,930	(625,930)
Net investment income	-	3,660,538	(3,660,538)
Benefit payments, including refunds of employee contributions	(5,484,865)	(5,484,865)	-
Net changes	5,644,042	1,505,468	4,138,574
Closing balances	\$ 91,435,388	\$ 67,807,553	\$ 23,627,835

The City's annual money-weighted rate of return, net of investment expenses is 5.60%. The plan's net position as a percent of total pension liability is 74.16%

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

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Total pension liability	\$ 102,671,254	\$ 91,435,388	\$ 82,135,786
Plan fiduciary net position	67,807,553	67,807,553	67,807,553
Net pension liability	\$ 34,863,701	\$ 23,627,835	\$ 14,328,233

Pension expense and deferred outflows and inflows of resources related to pensions – For the year ended June 30, 2019, the City recognized pension expense of \$7,487,696. The City reported deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources	Total to Amortize
Difference between expected and actual experience	\$ (97,628)	\$ 689,076	\$ 591,448
Assumption changes	-	894,954	894,954
Net difference between projected and actual earning on plan investments	(627,878)	-	(627,878)
Total	\$ (725,506)	\$ 1,584,030	\$ 858,524

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

<u>Year ending June 30,</u>	
2020	\$ 991,658
2021	(222,985)
2022	(69,356)
2023	<u>159,207</u>
Total	<u>\$ 858,524</u>

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

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

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

Employees covered by benefit terms – At the December 31, 2018 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	345
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>144</u>
	<u><u>509</u></u>

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

Net pension liability – The employer's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases of 3.00% in the long-term; 3) Investment rate of return of 7.35%, net of investment expense, including inflation.

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Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study prepared as of December 31, 2018.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	55.5%	3.41%
Global fixed income	18.5%	0.23%
Real assets	13.5%	0.97%
Diversifying strategies	<u>12.5%</u>	0.63%
Total	<u><u>100%</u></u>	

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

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Change in the net pension liability:

Total Pension Liability

Service cost	\$ 881,551
Interest on the total pension liability	10,934,490
Experience differences	898,384
Benefit changes	(7,043)
Benefit payments and refunds	<u>(10,890,306)</u>
Net change in total pension liability	1,817,076
Total pension liability - beginning	<u>141,685,499</u>
Total pension liability - ending (a)	<u>\$ 143,502,575</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 7,596,133
Employee contributions	165,525
Pension plan net investment income	(3,190,805)
Benefit payments and refunds	(10,890,306)
Pension plan administrative expense	<u>(159,823)</u>
Net change in plan fiduciary net position	(6,479,276)
Plan fiduciary net position - beginning	<u>83,192,935</u>
Plan fiduciary net position - ending (b)	<u>\$ 76,713,659</u>
Net pension liability (a-b)	<u>\$ 66,788,916</u>
Plan fiduciary net position as a percentage of total pension liability	53.46%
Covered employee payroll	\$ 8,713,000
Net pension liability as a percentage of covered employee payroll	766.54%

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 157,501,060	\$ 143,502,575	\$ 131,506,199
Fiduciary net position	<u>76,713,659</u>	<u>76,713,659</u>	<u>76,713,659</u>
Net pension liability	<u>\$ 80,787,401</u>	<u>\$ 66,788,916</u>	<u>\$ 54,792,540</u>

Pension expense and deferred outflows and inflows of resources related to pensions – For the year ended June 30, 2019, the City recognized pension expense of \$8,333,740. The City reported deferred outflows and deferred inflows related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ -	\$ 955,110	\$ 955,110
Net difference between projected and actual earning on plan investments	-	5,857,131	5,857,131
Contributions subsequent to the measurement date*	<u>-</u>	<u>3,250,001</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 10,062,242</u>	<u>\$ 6,812,241</u>

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

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

Year ending June 30,

2020	\$	2,776,577
2021		951,217
2022		1,141,506
2023		<u>1,942,941</u>
 Total	 \$	 <u>6,812,241</u>

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

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

The City's total payroll during the current year was \$25,836,874. The current year contribution was calculated based on covered payroll of \$5,147,081, resulting in an employer contribution of \$625,477. Employee contributions were \$249,557.

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

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

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

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

The Hybrid plan consists of a modest defined benefit component and a defined contribution component. Under the defined benefit component, the multiplier is 1% and there is a 6 year vesting requirement. For existing employees who transferred into the hybrid plan, their prior years of eligible service were transferred from the defined contribution plan to the hybrid plan for vesting purposes.

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

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

The City's total payroll during the current year was \$25,836,874. The current year contribution was calculated based on 84 participants and covered payroll of \$3,293,211, resulting in an employer defined benefit contribution of \$220,485, defined contribution of \$250,301 and employee contributions of \$196,161.

City of Midland, Michigan
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Note 15 - Postemployment Benefits

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

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

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

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

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

Year	Number of Retirees	Amount
2017	556	\$ 6,143,293
2018	542	5,713,961
2019	584	5,750,825

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

The covered wages for the retiree health post employment for the fiscal year were \$8,648,994.

Health Care Savings Program

The City participates in the Municipal Employee's Retirement System of Michigan (MERS) healthcare savings program for all employees hired on or after July 1, 2005, with the exception of police and fire employees. In the healthcare savings program, benefits depend solely on the amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution, the City contributes 2 percent of the employee's gross earnings in the program. The employee is fully vested after three years of service.

The City's total payroll during the current year was \$25,836,874. The current year contribution was calculated based on covered payroll of \$8,914,351, resulting in an employer contribution of \$178,287.

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

The current year contribution was calculated based on a covered payroll of \$1,590,907, resulting in an employer contribution of \$31,818 and employee contributions of \$31,818.

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

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

compensation to the HSA. An employee contribution to the HSA will not be available effective July 1, 2013.

The current year contribution was calculated based on a covered payroll of \$1,288,881 resulting in an employer contribution of \$25,778 and employee contributions of \$0.

Other Post Employment Benefits

Plan administration - The City of Midland’s Retiree Healthcare Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the City. The City provides postemployment healthcare coverage under a traditional insured plan to retired employees and their qualified spouses and other dependents, as mandated by collective bargaining agreements. The trust assets are invested in a mutual vehicle qualified for the purpose and managed by the Municipal Employees Retirement System of Michigan (MERS). Each agreement contains variations of the following general guidelines.

Plan membership – At June 30, 2018, the plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	417
Inactive plan members entitle to but not yet receiving benefit payments	1
Active plan members	<u>130</u>
	<u><u>548</u></u>

The OPEB plan is closed to new members.

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

Contributions – The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the year ended June 30, 2019, the City contributed \$6,485,186 to the plan which was \$958,594 more than the Actuarially Determined Contribution (ADC). Plan members are not required to contribute to the plan.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2019

City of Midland, Michigan
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are summarized below along with the Boards adopted asset allocation policy:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	55.50%	3.41%
Global fixed income	18.50%	0.23%
Real assets	13.50%	0.97%
Diversifying strategies	12.50%	0.63%
Total	100%	

Rate of return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.06%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement: 1) Actuarial cost method: entry-age normal; 2) Amortization method: level-dollar; 3) Remaining amortization period: 21 years, closed; 4) Asset valuation method: market value of assets; 5) Inflation 2.50%; 6) Salary increase for general of 3.5% to 16.5% including inflation and 3.5% to 7.4% including inflation; 7) investment rate of return 7.5% net of OPEB plan investment expense including inflation; 8) Retirement age for general and Act 345 based on experience-based table of rates that are specific to that type of eligibility condition; 9) Mortality for general based on RP-2000 Mortality Table projected 20 years with Scale BB and for Act 345

based on RP-2014 Fully Generational Mortality Tables, with base year of 2006 and future mortality improvements assumed each year using scale MP-2015; 10) Health care trend rates 9.0% trend, gradually decreasing to 3.5% in year 10; 11) Excise tax 1.0% load was applied in connection with “Cadillac” tax; 12) Aging factors based on the 2013 SOA Study “Health Care Cost – From Birth to Death”.

The actuarial assumptions used in the June 30, 2018 valuation were based on a pension experience study performed by the actuary for the period January 1, 2011 through December 31, 2015 the actuary recommended changes to various valuation assumptions. These recommendations included the use of the RP-2014 Healthy Annuity Fully Generational Mortality Tables, with a base year of 2006, and future mortality improvements assumed each year using scale MP-2015. Certain actuarial assumptions were based upon the results of an experience study for MERS. A five-year experience study for the period January 1, 2009 to December 31, 2013 presented the results of this study. The tables used to model the impact of aging on claims utilization were developed by the Society of Actuaries in 2013. The other OPEB specific assumptions (health care trend, plan elections, etc.) are reviewed during each OPEB valuation and updated as needed.

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

City of Midland, Michigan
Notes to the Financial Statements
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Changes in Net OPEB Liability

Total OPEB Liability

Service cost	\$ 460,810
Interest on the total OPEB liability	6,877,502
Experience differences	(2,791,338)
Changes in actuarial assumptions	2,986,377
Benefit payments and refunds	<u>(6,150,959)</u>
Net change in total OPEB liability	1,382,392
Total OPEB liability - beginning	<u>94,545,105</u>
Total OPEB liability - ending (a)	<u>\$ 95,927,497</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 6,485,186
Net investment income	1,335,491
Benefit payments and refunds	(6,150,959)
Administrative expense	<u>(24,880)</u>
Net change in plan fiduciary net position	1,644,838
Plan fiduciary net position - beginning	<u>49,206,236</u>
Plan fiduciary net position - ending (b)	<u>\$ 50,851,074</u>
Net OPEB liability (a-b)	<u>\$ 45,076,423</u>
Plan fiduciary net position as a percentage of total OPEB liability	53.01%
Covered employee payroll	\$ 8,648,994
Net OPEB liability as a percentage of covered employee payroll	521.18%

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

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Net OPEB liability	\$ 55,219,158	\$ 45,076,423	\$ 36,501,774

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

	1% Decrease 8.0%	Current Healthcare Cost Trend Rate Assumption 9.0%	1% Increase 10.0%
Net OPEB liability	\$ 35,754,182	\$ 45,076,423	\$ 55,970,165

City of Midland, Michigan
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June 30, 2019

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2019 the employer recognized OPEB expense of \$4,166,696. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources	Total to Amortize
Difference between expected and actual experience	\$ (1,470,365)	\$ -	\$ (1,470,365)
Assumption changes	-	1,521,677	1,521,677
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>1,914,156</u>	<u>1,914,156</u>
Total	<u>\$ (1,470,365)</u>	<u>\$ 3,435,833</u>	<u>\$ 1,965,468</u>

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

<u>Year ending June 30,</u>	
2020	\$ 527,871
2021	484,001
2022	480,279
2023	<u>473,317</u>
Total	<u>\$ 1,965,468</u>

Note 16 - Claims, Litigation, and Other Contingencies

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

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

Note 17 - Enterprise Fund Contractual Revenue

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

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

City of Midland, Michigan
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June 30, 2019

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

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

Total payments received under these agreements during the fiscal year were \$75,663, consisting of principal and interest of \$71,070 and \$4,593 respectively. These payments have been recorded as nonoperating revenue in the City’s Enterprise Funds. Under the terms of these agreements, no equity accrues to either company.

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

Note 18 - Urban Cooperation Act Agreement

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

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

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, 2019 was \$126,938. The total cumulative payments from the City through June 30, 2019 were \$4,469,803.

Note 19 - Risk Management

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

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

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

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

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

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

	<u>2019</u>	<u>2018</u>
Unpaid claims - beginning of year	\$ 324,879	\$ 367,540
Incurred claims, including claims incurred but not reported	7,991,422	7,544,747
Claims paid	<u>(7,985,026)</u>	<u>(7,587,408)</u>
Unpaid claims - end of year	<u>\$ 331,275</u>	<u>\$ 324,879</u>

Note 20 - Tax Abatements

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

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

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

As of June 30, 2019, the City of Midland provides tax abatements through five major categories, which are explained below.

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

City of Midland, Michigan
Notes to the Financial Statements
June 30, 2019

manner, and meet the City's annual reporting requirement. The current ITFs within the City total approximately \$76.6 million in taxable value, and \$580,145 in abated City property taxes.

Brownfield Redevelopment Districts. Brownfield Redevelopment Districts are authorized under Public Act 381 of 1996 to encourage development in areas that are economically disadvantaged by conditions of blight or contamination. Conceptually, a developer performs redevelopment and environmental cleanup activities to a qualified site. The increase in taxable value caused by this developer investment is then captured through tax increment financing and the related property taxes are used to repay the developer for all qualified costs. The City makes no other commitments other than the repayment of eligible costs. Brownfield Redevelopment projects require approval by not only the local brownfield authority, but also the State of Michigan. For the year ended June 30, 2019, approximately \$29.7 million in taxable value and \$441,921 in City property taxes were abated by Brownfield Redevelopment Districts.

Payment In Lieu Of Taxes. Payment In Lieu Of Taxes, or PILOTs are offered to encourage the development of housing for citizens of low and moderate income. They must satisfy several local and State requirements. They are authorized by The Michigan State Housing Development Authority Act of 1966, as amended. Locally they are authorized by Section 202.60 of the City of Midland Code of Ordinances. If approved, a PILOT exemption recipient will be exempted from all property taxes. Instead the recipient will pay an annual fee based upon a fixed percentage of eligible rents for that year. Should any of these PILOTs fail to fulfill the agreed upon requirements, they will be placed back on the roll at full value, and the PILOT exemption will be forfeited. The value of the abated taxes represents the amount of taxes these PILOTs would have paid, less the PILOT fee actually paid. The City currently has 18 PILOT developments valued at approximately \$12 million in taxable value, abating \$148,886 in City property taxes.

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

Renaissance Zones. Renaissance Zones are provided for by the Michigan Renaissance Zone Act, or Act 376 of 1996. The City has entered into agreements with the applicants and the Michigan Economic Development Corporation to incentivize investment and job creation in Michigan. Projects that are designated as Renaissance Zones are exempt from all property taxes, except for debt millage. Abatements are for up to 15 years, and are phased out at 25% per year, during the final years of the abatement period. Renaissance Zones can be revoked by the State if the recipient fails to satisfy the terms of the developer agreement. As of June 30, 2019, the City has two Renaissance Zones that abate approximately \$102 million in taxable value and \$1,519,795 in City property taxes.

Note 21 - Fund Reclassification

On July 1, 2018, the City combined the Renewable Energy Fund with the Sanitary Landfill Fund. The Sanitary Landfill provides an environmentally responsible waste disposal site for Midland County residents and businesses. As part of the natural decomposition process, the solid waste within the Sanitary Landfill generates gas and a small concentration of other chemical compounds. The Sanitary Landfill was in need of a solution to collect and dispose of this gas and the idea of capturing it and burning it to create electricity was put into motion and the Renewable Energy Fund was created. At its inception, the Renewable Energy Fund was intended to create a

City of Midland, Michigan
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June 30, 2019

revenue stream through the sale of electricity in an amount adequate to not only break even, but to subsidize the electricity costs of the City's numerous departments. Therefore, because it was providing a service to the City departments, it was set up to be an Internal Service Fund. After a few years of operation, it became evident that Fund was barely generating adequate revenue to break even, and was not providing a service to any funds other than the Sanitary Landfill, by solving its gas collection and disposal problem. During the 2018 fiscal year, the City determined the Renewable Energy Fund should be combined with the Sanitary Landfill enterprise fund beginning with the 2019 fiscal year based on the established nature of the activity of the fund.

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

The transfer of the Renewable Energy Fund to the Sanitary Landfill Fund resulted in the following change in beginning net assets and net position:

	<u>Beginning Net Position</u>	<u>Change</u>	<u>Restated Beginning Net Position</u>
Sanitary Landfill Fund	\$ 12,636,689	\$ 2,039,646	\$14,676,335
Renewable Energy Fund	2,039,646	(2,039,646)	-
Governmental Activities	64,220,568	(2,039,646)	62,180,922
Business-type Activities	130,438,709	2,039,646	132,478,355

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 27,385,745	\$ 27,266,710	\$ 27,269,460	\$ 2,750
Other taxes	37,000	37,000	26,999	(10,001)
Penalties and interest	90,000	115,000	129,127	14,127
Administration fee	950,000	961,288	961,363	75
Licenses and permits	482,765	589,265	670,194	80,929
Federal grants	5,363	36,078	6,830	(29,248)
State revenue sharing	3,644,968	3,848,000	3,838,969	(9,031)
State grants	4,246,631	4,559,597	8,729,024	4,169,427
Local contributions	150,000	150,000	100,533	(49,467)
Charges for services	2,327,380	2,695,677	2,662,279	(33,398)
Use and admission charges	339,800	347,526	359,670	12,144
Interest income	175,000	450,000	528,970	78,970
Rental income	88,788	88,845	89,245	400
Other revenue	1,014,718	1,043,312	1,020,833	(22,479)
Total revenues	<u>40,938,158</u>	<u>42,188,298</u>	<u>46,393,496</u>	<u>4,205,198</u>

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Expenditures				
General government	\$ 7,220,308	\$ 6,925,748	\$ 6,644,589	\$ (281,159)
Public safety	18,886,221	18,904,083	18,403,169	(500,914)
Public works	2,126,407	2,376,871	2,126,401	(250,470)
Sanitation	3,773,613	3,900,014	3,817,907	(82,107)
Parks and recreation	5,899,472	6,148,631	5,703,912	(444,719)
Airport	325,780	331,826	311,360	(20,466)
Reserve for contingencies	438,000	140,000	-	(140,000)
Capital outlay	681,300	3,062,466	1,358,264	(1,704,202)
Total expenditures	<u>39,351,101</u>	<u>41,789,639</u>	<u>38,365,602</u>	<u>(3,424,037)</u>
Excess of revenues over expenditures	<u>1,587,057</u>	<u>398,659</u>	<u>8,027,894</u>	<u>7,629,235</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	1,800	3,265	6,771	3,506
Transfer in	69,191	87,095	40,161	(46,934)
Transfers out	<u>(5,145,037)</u>	<u>(4,930,178)</u>	<u>(4,663,320)</u>	<u>266,858</u>
Total other financing sources (uses)	<u>(5,074,046)</u>	<u>(4,839,818)</u>	<u>(4,616,388)</u>	<u>223,430</u>
Net change in fund balance	(3,486,989)	(4,441,159)	3,411,506	7,852,665
Fund balance - beginning of year	<u>19,712,179</u>	<u>19,712,179</u>	<u>19,712,179</u>	<u>-</u>
Fund balance - end of year	<u>\$ 16,225,190</u>	<u>\$ 15,271,020</u>	<u>\$ 23,123,685</u>	<u>\$ 7,852,665</u>

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes	\$ 4,166,116	\$ 4,166,116	\$ 4,204,469	\$ 38,353
Licenses and permits	80,000	80,000	90,058	10,058
Federal grants	578,750	750	7,791	7,041
Other State grants	4,466,200	5,095,475	5,227,713	132,238
Local contributions	600,000	2,200,000	2,062,705	(137,295)
Charges for services	209,144	185,000	172,615	(12,385)
Interest income	33,000	112,000	146,218	34,218
Other revenue	9,000	21,000	23,386	2,386
Total revenues	<u>10,142,210</u>	<u>11,860,341</u>	<u>11,934,955</u>	<u>74,614</u>
Expenditures				
Public works				
Engineering	248,743	243,939	240,039	(3,900)
Right of way inspections	16,303	16,103	10,142	(5,961)
Roadway maintenance	179,289	219,304	221,978	2,674
Guardrail maintenance	8,384	11,234	7,193	(4,041)
Sweeping and flushing	194,237	171,177	148,758	(22,419)
Shoulder maintenance	7,273	5,607	2,107	(3,500)
Roadside drainage	125,903	135,921	134,759	(1,162)
Curb and gutter maintenance	68,441	73,558	74,375	817
Roadside cleanup	32,456	32,772	31,381	(1,391)
Capital outlay	3,916,000	10,998,014	5,092,320	(5,905,694)
Grass and weeds	9,420	7,428	1,356	(6,072)
Snow and ice control	541,283	600,590	543,384	(57,206)
Stormwater activities credit	(142,556)	(150,502)	(138,499)	12,003
Trunk line maintenance	209,144	217,259	140,392	(76,867)
Other charges	5,000	2,500	346	(2,154)
Reserve for contingencies	20,000	20,000	-	(20,000)
Traffic services	473,030	474,040	445,487	(28,553)
Total public works	<u>5,912,350</u>	<u>13,078,944</u>	<u>6,955,518</u>	<u>(6,123,426)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,229,860</u>	<u>(1,218,603)</u>	<u>4,979,437</u>	<u>6,198,040</u>

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Other financing uses				
Transfers out	\$ (3,233,806)	\$ (3,275,502)	\$ (3,263,500)	\$ 12,002
Net change in fund balance	996,054	(4,494,105)	1,715,937	6,210,042
Fund balance - beginning of year	10,811,132	10,811,132	10,811,132	-
Fund balance - end of year	\$ 11,807,186	\$ 6,317,027	\$ 12,527,069	\$ 6,210,042

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

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 5,134,284	\$ 5,141,787	\$ (7,503)	\$ 8,470,701	60.70%
2016	5,609,484	5,877,039	(267,555)	8,532,203	68.88%
2017	6,263,424	6,455,072	(191,648)	8,172,949	78.98%
2018	6,731,568	7,077,095	(345,527)	8,721,987	81.14%
2019	5,529,408	6,500,000	(970,592)	8,881,777	73.18%

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level percent of payroll
Remaining amortization period	15 for closed divisions and 20 for open divisions
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	60
Mortality	2014 Group annuity mortality table of 50% male and 50% female blend

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

Fiscal year ended June 30,	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 881,551	\$ 786,413	\$ 1,045,540	\$ 1,111,759	\$ 1,243,931
Interest on the total pension liability	10,934,490	11,054,578	10,994,431	10,620,508	10,390,626
Experience differences	898,384	1,068,561	1,190,327	(1,004,050)	-
Changes in actuarial assumptions	-	-	-	7,206,009	-
Benefit changes	(7,043)	(2,503,869)	(4,063,218)	-	-
Other changes	-	-	1,887	1	-
Benefit payments and refunds	<u>(10,890,306)</u>	<u>(10,134,941)</u>	<u>(9,414,060)</u>	<u>(8,903,860)</u>	<u>(8,660,169)</u>
Net change in total pension liability	1,817,076	270,742	(245,093)	9,030,367	2,974,388
Total pension liability - beginning	<u>141,685,499</u>	<u>141,414,757</u>	<u>141,659,850</u>	<u>132,629,483</u>	<u>129,655,095</u>
Total pension liability - ending (a)	<u>\$ 143,502,575</u>	<u>\$ 141,685,499</u>	<u>\$ 141,414,757</u>	<u>\$ 141,659,850</u>	<u>\$ 132,629,483</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 7,596,133	\$ 6,045,280	\$ 6,200,113	\$ 5,382,318	\$ 4,968,968
Employee contributions	165,525	125,821	114,789	122,197	120,825
Pension plan net investment income (loss)	(3,190,805)	10,025,476	8,120,002	(1,123,214)	4,743,891
Benefit payments and refunds	(10,890,306)	(10,134,941)	(9,414,060)	(8,903,860)	(8,660,169)
Net transfers	-	-	(90,421)	-	-
Pension plan administrative expense	<u>(159,823)</u>	<u>(158,984)</u>	<u>(160,386)</u>	<u>(166,307)</u>	<u>(173,596)</u>
Net change in plan fiduciary net position	(6,479,276)	5,902,652	4,770,037	(4,688,866)	999,919
Plan fiduciary net position - beginning	<u>83,192,935</u>	<u>77,290,283</u>	<u>72,520,246</u>	<u>77,209,112</u>	<u>76,209,193</u>
Plan fiduciary net position - ending (b)	<u>\$ 76,713,659</u>	<u>\$ 83,192,935</u>	<u>\$ 77,290,283</u>	<u>\$ 72,520,246</u>	<u>\$ 77,209,112</u>
Net pension liability (a-b)	<u>\$ 66,788,916</u>	<u>\$ 58,492,564</u>	<u>\$ 64,124,474</u>	<u>\$ 69,139,604</u>	<u>\$ 55,420,371</u>
Plan fiduciary net position as a percentage of total pension liability	53.46%	58.72%	54.66%	51.19%	58.21%
Covered payroll	\$ 8,713,000	\$ 7,684,171	\$ 6,861,725	\$ 7,759,320	\$ 8,685,943
Net pension liability as a percentage of covered employee payroll	766.54%	761.21%	934.52%	891.05%	638.05%

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

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

Fiscal year ended June 30,	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 1,832,656	\$ 1,784,178	\$ 1,858,502	\$ 1,818,607	\$ 1,792,921
Interest on the total pension liability	5,877,567	5,883,755	5,546,214	5,401,449	5,239,339
Benefit changes	3,541,578	(2,859,418)	-	-	-
Difference between expected and actual experience of the total pension liability	(122,894)	500,365	793,929	465,691	782,304
Assumption changes	-	-	2,284,416	-	-
Benefit payments and refunds	(5,484,865)	(5,358,186)	(5,889,565)	(5,385,686)	(5,637,423)
Net change in total pension liability	5,644,042	(49,306)	4,593,496	2,300,061	2,177,141
Total pension liability - beginning of year	85,791,346	85,840,652	81,247,156	78,947,095	76,769,954
Total pension liability - end of year (a)	<u>\$ 91,435,388</u>	<u>\$ 85,791,346</u>	<u>\$ 85,840,652</u>	<u>\$ 81,247,156</u>	<u>\$ 78,947,095</u>
Plan fiduciary net position					
Employer contributions	\$ 2,703,865	\$ 2,784,282	\$ 2,575,684	\$ 2,557,242	\$ 2,466,484
Employee contributions	625,930	607,126	578,989	596,652	562,157
Pension plan net investment income (loss)	3,660,538	5,855,101	7,690,217	(1,252,024)	2,613,608
Benefit payments and refunds	(5,484,865)	(5,358,186)	(5,889,565)	(5,385,686)	(5,637,423)
Other	-	16,565	15,348	-	-
Net change in plan fiduciary net position	1,505,468	3,904,888	4,970,673	(3,483,816)	4,826
Plan fiduciary net position - beginning of year	66,302,085	62,397,197	57,426,524	60,910,340	60,905,514
Plan fiduciary net position - end of year (b)	<u>\$ 67,807,553</u>	<u>\$ 66,302,085</u>	<u>\$ 62,397,197</u>	<u>\$ 57,426,524</u>	<u>\$ 60,910,340</u>
Net pension liability - ending (a) - (b)	<u>\$ 23,627,835</u>	<u>\$ 19,489,261</u>	<u>\$ 23,443,455</u>	<u>\$ 23,820,632</u>	<u>\$ 18,036,755</u>
Plan fiduciary net position as a percentage of total pension liability	74.16%	77.28%	72.69%	70.68%	77.15%
Covered payroll	\$ 7,824,124	\$ 7,589,063	\$ 7,237,356	\$ 7,458,145	\$ 7,027,322
Net pension liability as a percentage of covered employee payroll	301.99%	256.81%	323.92%	319.39%	256.67%

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

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

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 2,572,418	\$ 2,572,418	\$ -	\$ 6,904,434	37.26%
2015	2,466,484	2,466,484	-	7,027,322	35.10%
2016	2,557,242	2,557,242	-	7,458,145	34.29%
2017	2,575,684	2,575,684	-	7,237,356	35.59%
2018	2,784,282	2,784,282	-	7,589,063	36.69%
2019	2,703,865	2,703,865	-	7,824,124	34.56%
			-		

Note: Information from 2010 - 2013 is not available. Additional years will be presented on this schedule on a prospective basis.

The information presented above was determined as part of the actuarial valuations at the date indicated above. Additional information as of December 31, 2018, the latest actuarial valuation, follows:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Amortization period (perpetual)	21 years, closed
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increases	3.5% to 7.4%
Investment rate of return	7.0% (net of administrative expenses)
Retirement age	Experience-based table of rates that are specific to type of eligibility condition Last updated for the 2016 valuation pursuant to an experience study of the period 2011-2015.
Mortality	RP-2014 Fully Generational Mortality Tables, with a base year of 2006 and future mortality improvements assumed each year using scale MP-2015

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

Fiscal Year Ended June 30,	Annual Return % *
2014	16.19%
2015	4.38%
2016	-2.09%
2017	13.68%
2018	9.55%
2019	5.60%

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

Note: Information from 2010 - 2013 is not available. Additional years will be presented on this schedule on a prospective basis.

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

Fiscal year ended June 30,	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 460,810	\$ 516,347	\$ 510,303
Interest	6,877,502	6,789,422	6,663,524
Differences between expected and actual experience	(2,791,338)	(188,802)	207,499
Changes in assumptions	2,986,377	-	-
Benefit payments	<u>(6,150,959)</u>	<u>(5,678,627)</u>	<u>(5,732,786)</u>
Net change in total OPEB liability	1,382,392	1,438,340	1,648,540
Total OPEB liability - beginning	<u>94,545,105</u>	<u>93,106,765</u>	<u>91,458,225</u>
Total OPEB liability - ending (a)	<u>\$ 95,927,497</u>	<u>\$ 94,545,105</u>	<u>\$ 93,106,765</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 6,485,186	\$ 5,783,315	\$ 5,276,990
Net investment income	1,335,491	3,396,947	5,097,143
Benefit payments and refunds	(6,150,959)	(5,678,627)	(5,732,786)
Administrative expense	(24,880)	-	-
Other	<u>-</u>	<u>-</u>	<u>740,340</u>
Net change in plan fiduciary net position	1,644,838	3,501,635	5,381,687
Plan fiduciary net position - beginning	<u>49,206,236</u>	<u>45,704,601</u>	<u>40,322,914</u>
Plan fiduciary net position - ending (b)	<u>\$ 50,851,074</u>	<u>\$ 49,206,236</u>	<u>\$ 45,704,601</u>
Net OPEB liability (a-b)	<u>\$ 45,076,423</u>	<u>\$ 45,338,869</u>	<u>\$ 47,402,164</u>
Plan fiduciary net position as a percentage of total OPEB liability	53.01%	52.05%	49.09%
Covered payroll	\$ 8,648,994	\$ 9,383,944	\$ 10,473,580
Net OPEB liability as a percentage of covered employee payroll	521.18%	483.15%	452.59%

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

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

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$ 6,518,128	\$ 6,518,128	\$ -	Not available	Not available
2011	6,629,537	6,629,537	-	Not available	Not available
2012	5,747,843	5,747,843	-	14,457,139	39.76%
2013	5,800,533	5,800,533	-	13,502,768	42.96%
2014	5,103,471	5,103,471	-	12,317,631	41.43%
2015	5,097,424	5,097,424	-	11,949,634	42.66%
2016	5,069,409	5,069,409	-	12,059,463	42.04%
2017	5,055,234	5,276,990	(221,756)	10,473,580	50.38%
2018	5,541,680	5,783,315	(241,635)	9,383,944	61.63%
2019	5,526,592	6,485,186	(958,594)	8,648,994	74.98%

Notes to Schedule of Contributions

Valuation date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level-dollar
Remaining amortization period	21 years, closed
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	General: 3.5% to 16.5%, including inflation Act 345: 3.5% to 7.4%, including inflation
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation
Retirement age	General: Experience-based table of rates that are specific to that type of eligibility condition. Act 345: Experience-based table of rates that are specific to that type of eligibility condition.
Mortality	General: The RP-2000 Mortality Table projected 20 years with Scale BB. Act 345: The RP-2014 Fully Generational Mortality Tables, with base year of 2006, and future mortality improvements assumed each year using scale MP-2015
Health care trend rates	Initial trend of 9.0% gradually decreasing to and ultimate trend of 3.5% in year 10
Excise tax	A 1.0% load was applied in connection with the "Cadillac" tax
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

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

Fiscal Year Ended June 30,	Annual Return % *
2017	14.61%
2018	7.78%
2019	3.06%

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

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

City of Midland, Michigan
Note to the Required Supplementary Information
Year Ended June 30, 2019

NOTE – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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

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

City of Midland, Michigan
Other Supplementary Information
Nonmajor Governmental Funds
Fund Descriptions
Year Ended June 30, 2019

Special Revenue Funds

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

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

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

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

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

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

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

Homeland Security Grant Fund – This fund accounts for the City’s fiduciary activities to administer Homeland Security grant funding for various local community subrecipients.

Dial-A-Ride Transportation 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.

City of Midland, Michigan
Other Supplementary Information
Nonmajor Governmental Funds
Fund Descriptions
Year Ended June 30, 2019

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 program, which was established by a local foundation.

Debt Service Fund

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

Permanent Fund

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

**City of Midland, Michigan
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	Special Revenue Funds											Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Local Street Fund	Smart Zone Fund	Center City Authority Fund	Stormwater Management Fund	Grace A. Dow Memorial Library Fund	Community Development Block Grant Fund	Homeland Security Grant Fund	Dial-A-Ride Transportation Fund	Downtown Development Authority Fund	Midland Community Television Fund	Special Activities Fund	Midland Housing Fund	Debt Service Fund		Cemetery Fund
Assets															
Cash and cash equivalents	\$ 7,471,459	\$ 179,215	\$ 46,475	\$ 1,443,977	\$ 742,351	\$ -	\$ -	\$ -	\$ 392,726	\$ 1,443,706	\$ 101,208	\$ 387,845	\$ 231,867	\$ 2,091,930	\$ 14,532,759
Receivables - net of allowances															
Taxes	-	-	-	-	547	-	-	-	58	-	-	-	141	-	746
Trust deeds	-	-	-	-	-	950,971	-	-	-	-	-	-	-	-	950,971
Customers	-	24,506	-	-	-	-	-	-	-	2,965	-	-	-	-	27,471
Accounts and contracts	-	-	-	350	-	-	-	2,745	-	168,649	-	171,973	-	1,925	345,642
Accrued interest and other	16,098	-	230	3,172	3,566	-	-	972	3,292	91	870	1,648	4,805	34,744	
Due from other units of government	216,381	-	-	-	-	142,970	7,459	201,529	-	-	-	-	-	-	568,339
Due from other funds	-	-	-	-	-	78,999	-	-	-	-	-	-	-	-	78,999
Inventories	-	-	-	-	-	-	-	-	-	-	25,009	-	-	-	25,009
Prepaid items	-	-	-	-	16,275	-	-	-	-	-	2,295	-	-	-	18,570
Total assets	\$ 7,703,938	\$ 203,721	\$ 46,705	\$ 1,447,499	\$ 762,739	\$ 1,172,940	\$ 7,459	\$ 204,274	\$ 393,756	\$ 1,615,647	\$ 106,559	\$ 585,697	\$ 233,656	\$ 2,098,660	\$ 16,583,250
Liabilities															
Accounts payable	\$ 684,224	\$ -	\$ -	\$ 43	\$ 155,474	\$ 152,969	\$ 7,459	\$ 85,385	\$ 19,501	\$ 2,022	\$ 9,559	\$ 105,000	\$ -	\$ -	\$ 1,221,636
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	78,999	-	-	78,999
Deposits	-	-	-	5,258	2,830	-	-	-	-	-	25,920	-	-	-	34,008
Unearned revenue	-	-	-	-	-	-	-	76,610	-	-	-	-	-	-	76,610
Total liabilities	684,224	-	-	5,301	158,304	152,969	7,459	161,995	19,501	2,022	35,479	183,999	-	-	1,411,253
Deferred inflows of resources															
Grants	-	-	-	-	-	-	7,459	42,279	-	-	-	-	-	-	49,738
Trust deeds	-	-	-	-	-	950,971	-	-	-	-	-	-	-	-	950,971
Other	-	-	-	-	-	-	-	-	-	-	-	148,207	-	-	148,207
Total deferred inflows of resources	-	-	-	-	-	950,971	7,459	42,279	-	-	-	148,207	-	-	1,148,916
Fund balances															
Non-spendable															
Inventories	-	-	-	-	-	-	-	-	-	-	-	25,009	-	-	25,009
Prepaid items	-	-	-	-	16,275	-	-	-	-	-	2,295	-	-	-	18,570
Restricted for															
Local street	7,019,714	-	-	-	-	-	-	-	-	-	-	-	-	-	7,019,714
Smart Zone	-	203,721	-	-	-	-	-	-	-	-	-	-	-	-	203,721
Center city authority	-	-	45,705	-	-	-	-	-	-	-	-	-	-	-	45,705
Grace A. Dow Memorial Library	-	-	-	-	588,160	-	-	-	-	-	-	-	-	-	588,160
Downtown development authority	-	-	-	-	-	-	-	374,255	-	-	-	-	-	-	374,255
Community development block grant	-	-	-	-	-	69,000	-	-	-	-	-	-	-	-	69,000
Midland housing	-	-	-	-	-	-	-	-	-	-	228,482	-	-	-	228,482
Special activities	-	-	-	-	-	-	-	-	-	68,785	-	-	-	-	68,785
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	233,656	-	233,656
Cemetery operations	-	-	-	-	-	-	-	-	-	-	-	-	-	32,011	32,011
Expendable	-	-	-	-	-	-	-	-	-	-	-	-	-	2,066,649	2,066,649
Nonexpendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Committed															
Future year expenditures	-	-	1,000	364,106	-	-	-	-	-	56,832	-	-	-	-	421,938
Assigned	-	-	-	1,078,092	-	-	-	-	-	1,556,793	-	-	-	-	2,634,885
Unassigned (deficit)	-	-	-	-	-	-	(7,459)	-	-	-	-	-	-	-	(7,459)
Total fund balances	7,019,714	203,721	46,705	1,442,198	604,435	69,000	(7,459)	-	374,255	1,613,625	71,080	253,491	233,656	2,098,660	14,023,081
Total liabilities, deferred inflows of resources and fund balances	\$ 7,703,938	\$ 203,721	\$ 46,705	\$ 1,447,499	\$ 762,739	\$ 1,172,940	\$ 7,459	\$ 204,274	\$ 393,756	\$ 1,615,647	\$ 106,559	\$ 585,697	\$ 233,656	\$ 2,098,660	\$ 16,583,250

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, 2019

	Special Revenue Funds											Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Local Street Fund	Smart Zone Fund	Center City Authority Fund	Stormwater Management Fund	Grace A. Dow Memorial Library Fund	Community Development Block Grant Fund	Homeland Security Grant Fund	Dial-A-Ride Transportation Fund	Downtown Development Authority Fund	Midland Community Television Fund	Special Activities Fund	Midland Housing Fund	Debt Service Fund		Cemetery Fund
Revenues															
Taxes	\$ -	\$ 24,506	\$ -	\$ -	\$ 2,084,870	\$ -	\$ -	\$ -	\$ 583,456	\$ -	\$ -	\$ -	\$ 538,000	\$ -	\$ 3,230,832
Licenses and permits	109,622	-	-	15,783	-	-	-	-	-	-	-	-	-	-	125,405
Federal grants	-	-	-	-	-	306,425	-	747,788	-	-	-	-	-	-	1,054,213
State grants	1,453,626	-	-	-	381,312	-	-	826,631	8,196	-	7,902	-	244,278	-	2,921,945
Local contributions	-	-	100,000	-	454,759	-	-	-	25,353	-	41,298	-	-	15,128	636,538
Charges for services	-	-	-	-	503,446	-	-	129,443	-	696,794	-	-	-	-	1,329,683
Interest income	105,592	-	1,126	20,390	24,749	-	-	-	5,962	21,547	749	5,670	12,371	32,011	230,167
Other revenue	49,009	-	-	330	1,815	57,330	-	317	1,938	1,002	34,415	1,900	-	-	148,056
Total revenues	1,717,849	24,506	101,126	36,503	3,450,951	363,755	-	1,704,179	624,905	719,343	84,364	7,570	794,649	47,139	9,676,839
Expenditures															
Current															
General government	-	-	-	-	-	-	-	-	-	-	15,262	-	-	-	15,262
Public safety	-	-	-	-	-	-	-	-	-	-	1,481	-	-	-	1,481
Public works	1,502,570	-	104,530	646,089	-	-	-	-	-	-	-	-	-	-	2,253,189
Community and economic development	-	-	-	-	-	299,008	7,459	-	574,936	-	51,715	38	-	-	933,156
Library and community television	-	-	-	-	4,048,145	-	-	-	-	546,892	-	-	-	-	4,595,037
Transportation	-	-	-	-	-	-	-	2,082,808	-	-	-	-	-	-	2,082,808
Capital outlay	2,615,520	-	-	92,090	175,892	-	-	145,426	-	-	-	-	-	-	3,028,928
Debt service															
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	1,450,000	-	1,450,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	112,420	-	112,420
Total expenditures	4,118,090	-	104,530	738,179	4,224,037	299,008	7,459	2,228,234	574,936	546,892	68,458	38	1,562,420	-	14,472,281
Excess (deficiency) of revenues over (under) expenditures	(2,400,241)	24,506	(3,404)	(701,676)	(773,086)	64,747	(7,459)	(524,055)	49,969	172,451	15,906	7,532	(767,771)	47,139	(4,795,442)
Other financing sources (uses)															
Proceeds from sale of capital assets	-	-	-	-	-	-	-	7,145	-	-	-	-	-	-	7,145
Transfers in	3,125,000	-	-	972,796	1,100,399	-	-	516,910	10,000	-	-	-	1,751,011	-	7,476,116
Transfers out	(164,296)	-	-	-	-	(65,107)	-	-	(45,000)	-	(2,297)	-	(823,191)	-	(1,099,891)
Total other financing sources and uses	2,960,704	-	-	972,796	1,100,399	(65,107)	-	524,055	(35,000)	-	(2,297)	-	927,820	-	6,383,370
Net change in fund balance	560,463	24,506	(3,404)	271,120	327,313	(360)	(7,459)	-	14,969	172,451	13,609	7,532	160,049	47,139	1,587,928
Fund balance - beginning of year	6,459,251	179,215	50,109	1,171,078	277,122	69,360	-	-	359,286	1,441,174	57,471	245,959	73,607	2,051,521	12,435,153
Fund balance - end of year	\$ 7,019,714	\$ 203,721	\$ 46,705	\$ 1,442,198	\$ 604,435	\$ 69,000	\$ (7,459)	\$ -	\$ 374,255	\$ 1,613,625	\$ 71,080	\$ 253,491	\$ 233,656	\$ 2,098,660	\$ 14,023,081

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Licenses and permits	\$ 70,000	\$ 70,000	\$ 109,622	\$ 39,622
Other State grants	1,174,400	1,426,400	1,453,626	27,226
Local contributions	50,000	50,000	-	(50,000)
Interest income	18,000	93,000	105,592	12,592
Other revenue	7,000	34,200	49,009	14,809
Total revenues	<u>1,319,400</u>	<u>1,673,600</u>	<u>1,717,849</u>	<u>44,249</u>
Expenditures				
Public works				
Engineering	152,699	164,185	212,779	48,594
Right of way inspections	9,693	9,144	12,345	3,201
Roadway maintenance	302,008	317,360	254,138	(63,222)
Guardrail maintenance	4,024	4,024	152	(3,872)
Sweeping and flushing	329,588	321,373	255,027	(66,346)
Shoulder maintenance	3,753	3,405	1,541	(1,864)
Roadside drainage	146,728	149,013	163,819	14,806
Curb and gutter maintenance	204,992	184,539	155,518	(29,021)
Roadside cleanup	25,261	29,332	24,923	(4,409)
Dust control	14,085	11,283	2,703	(8,580)
Grass and weeds	15,229	15,229	478	(14,751)
Snow and ice control	430,324	449,599	394,792	(54,807)
Stormwater activities credit	(146,728)	(148,923)	(164,296)	(15,373)
Traffic services	167,818	162,965	188,651	25,686
Reserve for contingencies	20,000	20,000	-	(20,000)
Total expenditures	<u>1,679,474</u>	<u>1,692,528</u>	<u>1,502,570</u>	<u>(189,958)</u>
Capital outlay	<u>2,679,000</u>	<u>4,098,685</u>	<u>2,615,520</u>	<u>(1,483,165)</u>
Total public works	<u>4,358,474</u>	<u>5,791,213</u>	<u>4,118,090</u>	<u>(1,673,123)</u>
Deficiency of revenues under expenditures	<u>(3,039,074)</u>	<u>(4,117,613)</u>	<u>(2,400,241)</u>	<u>1,717,372</u>
Other financing sources (uses)				
Transfers in	3,091,250	3,125,000	3,125,000	-
Transfers out	(146,728)	(149,013)	(164,296)	(15,283)
Total other financing sources and uses	<u>2,944,522</u>	<u>2,975,987</u>	<u>2,960,704</u>	<u>(15,283)</u>
Net change in fund balance	(94,552)	(1,141,626)	560,463	1,702,089
Fund balance - beginning of year	<u>6,459,251</u>	<u>6,459,251</u>	<u>6,459,251</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,364,699</u>	<u>\$ 5,317,625</u>	<u>\$ 7,019,714</u>	<u>\$ 1,702,089</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Smart Zone Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 10,000	\$ 24,500	\$ 24,506	\$ 6
Local contributions	15,000	15,000	-	(15,000)
Total revenues	<u>25,000</u>	<u>39,500</u>	<u>24,506</u>	<u>(14,994)</u>
Expenditures				
Public works				
Administration	50,000	50,000	-	(50,000)
Other	25,000	25,000	-	(25,000)
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total expenditures	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>
Net change in fund balance	(55,000)	(40,500)	24,506	65,006
Fund balance - beginning of year	<u>179,215</u>	<u>179,215</u>	<u>179,215</u>	<u>-</u>
Fund balance - end of year	<u>\$ 124,215</u>	<u>\$ 138,715</u>	<u>\$ 203,721</u>	<u>\$ 65,006</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Center City Authority Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,864	\$ 3,864	\$ -	\$ (3,864)
Local contributions	-	200,000	100,000	(100,000)
Interest income	141	700	1,126	426
Total revenues	4,005	204,564	101,126	(103,438)
Expenditures				
Public works				
Other	3,814	225,700	104,530	(121,170)
Net change in fund balance	191	(21,136)	(3,404)	17,732
Fund balance - beginning of year	50,109	50,109	50,109	-
Fund balance - end of year	\$ 50,300	\$ 28,973	\$ 46,705	\$ 17,732

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Stormwater Management Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 18,900	\$ 18,545	\$ 15,783	\$ (2,762)
Interest income	6,000	17,480	20,390	2,910
Other revenue	-	330	330	-
Total revenues	<u>24,900</u>	<u>36,355</u>	<u>36,503</u>	<u>148</u>
Expenditures				
Public works				
Administration	16,721	16,721	16,721	-
Open drain maintenance	42,283	79,152	76,344	(2,808)
Storm sewer maintenance	280,208	260,428	167,838	(92,590)
Inspection expenses	21,222	22,000	46,527	24,527
Storm sewer repair	57,968	59,696	32,263	(27,433)
Purchased services	301,284	311,515	306,396	(5,119)
Reserve for contingencies	25,000	25,000	-	(25,000)
Total public works	744,686	774,512	646,089	(128,423)
Capital outlay	<u>315,000</u>	<u>392,000</u>	<u>92,090</u>	<u>(299,910)</u>
Total expenditures	<u>1,059,686</u>	<u>1,166,512</u>	<u>738,179</u>	<u>(428,333)</u>
Deficiency of revenues under expenditures	(1,034,786)	(1,130,157)	(701,676)	428,481
Other financing sources				
Transfers in	<u>959,284</u>	<u>969,515</u>	<u>972,796</u>	<u>3,281</u>
Net change in fund balance	(75,502)	(160,642)	271,120	431,762
Fund balance - beginning of year	<u>1,171,078</u>	<u>1,171,078</u>	<u>1,171,078</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,095,576</u>	<u>\$ 1,010,436</u>	<u>\$ 1,442,198</u>	<u>\$ 431,762</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Grace A. Dow Memorial Library Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,068,607	\$ 2,084,672	\$ 2,084,870	\$ 198
State grants	368,001	377,787	381,312	3,525
Local contributions	55,000	455,000	454,759	(241)
Charges for services	463,869	497,503	503,446	5,943
Interest income	5,600	23,800	24,749	949
Other revenue	2,600	2,687	1,815	(872)
Total revenues	<u>2,963,677</u>	<u>3,441,449</u>	<u>3,450,951</u>	<u>9,502</u>
Expenditures				
Library and community television				
Personal services	3,099,054	2,995,184	2,940,607	(54,577)
Supplies	480,766	528,142	509,174	(18,968)
Other charges	734,302	678,732	598,364	(80,368)
Capital outlay	105,000	265,331	175,892	(89,439)
Total expenditures	<u>4,419,122</u>	<u>4,467,389</u>	<u>4,224,037</u>	<u>(243,352)</u>
Deficiency of revenues under expenditures	(1,455,445)	(1,025,940)	(773,086)	252,854
Other financing sources				
Transfers in	1,455,445	1,263,818	1,100,399	(163,419)
Net change in fund balance	-	237,878	327,313	89,435
Fund balance - beginning of year	<u>277,122</u>	<u>277,122</u>	<u>277,122</u>	<u>-</u>
Fund balance - end of year	<u>\$ 277,122</u>	<u>\$ 515,000</u>	<u>\$ 604,435</u>	<u>\$ 89,435</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Community Development Block Grant Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal grants	\$ 355,758	\$ 482,033	\$ 306,425	\$ (175,608)
Other revenue	15,000	45,008	57,330	12,322
Total revenues	<u>370,758</u>	<u>527,041</u>	<u>363,755</u>	<u>(163,286)</u>
Expenditures				
Community and economic development				
Administration	43,000	50,500	49,968	(532)
Residential home rehabs	102,950	170,800	98,073	(72,727)
Public facilities improvements	84,837	150,236	104,395	(45,841)
Public services project	27,497	27,497	27,493	(4)
Affordable housing	25,000	25,000	14,081	(10,919)
Removal of architectural barriers	5,000	5,000	4,998	(2)
Reserve for contingencies	10,000	10,000	-	(10,000)
Total expenditures	<u>298,284</u>	<u>439,033</u>	<u>299,008</u>	<u>(140,025)</u>
Excess of revenues over expenditures	72,474	88,008	64,747	(23,261)
Other financing uses				
Transfers out	<u>(38,000)</u>	<u>(88,008)</u>	<u>(65,107)</u>	<u>22,901</u>
Net change in fund balance	34,474	-	(360)	(360)
Fund balance - beginning of year	<u>69,360</u>	<u>69,360</u>	<u>69,360</u>	<u>-</u>
Fund balance - end of year	<u>\$ 103,834</u>	<u>\$ 69,360</u>	<u>\$ 69,000</u>	<u>\$ (360)</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Homeland Security Grant Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Federal grants	\$ -	\$ 323,003	\$ -	\$ (323,003)
Expenditures				
Community and economic development				
Personal services	-	10,325	-	(10,325)
Other services and charges	-	312,678	7,459	(305,219)
Total community and economic development	-	323,003	7,459	(315,544)
Net change in fund balance	-	-	(7,459)	(7,459)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ (7,459)	\$ (7,459)

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Dial-A-Ride Transportation Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Federal grants	\$ 723,242	\$ 772,444	\$ 747,788	\$ (24,656)
Other State grants	881,286	842,726	826,631	(16,095)
Charges for services	127,744	130,744	129,443	(1,301)
Other revenue	-	-	317	317
Total revenues	<u>1,732,272</u>	<u>1,745,914</u>	<u>1,704,179</u>	<u>(41,735)</u>
Expenditures				
Transportation				
Operations	1,685,755	1,642,408	1,538,317	(104,091)
Administration	198,541	195,941	190,084	(5,857)
Dispatching	397,635	372,488	354,407	(18,081)
Reserve for contingencies	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total transportation	2,291,931	2,220,837	2,082,808	(138,029)
Capital outlay	<u>83,922</u>	<u>145,426</u>	<u>145,426</u>	<u>-</u>
Total expenditures	<u>2,375,853</u>	<u>2,366,263</u>	<u>2,228,234</u>	<u>(138,029)</u>
Deficiency of revenues under expenditures	(643,581)	(620,349)	(524,055)	96,294
Other financing sources				
Transfers in	<u>643,581</u>	<u>620,349</u>	<u>516,910</u>	<u>(103,439)</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
Budgetary Comparison Schedule
Downtown Development Authority Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 522,510	\$ 585,761	\$ 583,456	\$ (2,305)
Other state grants	-	8,196	8,196	-
Local contributions	16,500	24,553	25,353	800
Interest income	1,300	4,350	5,962	1,612
Other revenue	5,000	3,000	1,938	(1,062)
Total revenues	<u>545,310</u>	<u>625,860</u>	<u>624,905</u>	<u>(955)</u>
Expenditures				
Community and economic development				
Personal services	196,264	195,360	209,397	14,037
Supplies	2,000	1,500	1,466	(34)
Other charges	313,091	388,162	364,073	(24,089)
Total expenditures	<u>511,355</u>	<u>585,022</u>	<u>574,936</u>	<u>(10,086)</u>
Excess of revenues over expenditures	<u>33,955</u>	<u>40,838</u>	<u>49,969</u>	<u>9,131</u>
Other financing sources (uses)				
Transfers in	10,000	10,000	10,000	-
Transfers out	(45,000)	(45,000)	(45,000)	-
Total other financing sources and uses	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balance	(1,045)	5,838	14,969	9,131
Fund balance - beginning of year	<u>359,286</u>	<u>359,286</u>	<u>359,286</u>	<u>-</u>
Fund balance - end of year	<u>\$ 358,241</u>	<u>\$ 365,124</u>	<u>\$ 374,255</u>	<u>\$ 9,131</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Midland Community Television Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local contributions	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Charges for services	750,050	709,000	696,794	(12,206)
Interest income	6,600	18,900	21,547	2,647
Other revenue	-	1,003	1,002	(1)
Total revenues	<u>757,650</u>	<u>729,903</u>	<u>719,343</u>	<u>(10,560)</u>
Expenditures				
Library and community television				
Personal services	454,284	436,833	396,976	(39,857)
Supplies	14,600	14,600	14,342	(258)
Other charges	167,356	166,730	135,574	(31,156)
Reserve for contingencies	15,000	15,000	-	(15,000)
Total library and community television	651,240	633,163	546,892	(86,271)
Capital outlay	28,000	-	-	-
Total expenditures	<u>679,240</u>	<u>633,163</u>	<u>546,892</u>	<u>(86,271)</u>
Net change in fund balance	78,410	96,740	172,451	75,711
Fund balance - beginning of year	<u>1,441,174</u>	<u>1,441,174</u>	<u>1,441,174</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,519,584</u>	<u>\$ 1,537,914</u>	<u>\$ 1,613,625</u>	<u>\$ 75,711</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Special Activities Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Other state grants	\$ 9,000	\$ 9,000	\$ 7,902	\$ (1,098)
Local contributions	24,150	32,150	41,298	9,148
Interest income	50	600	749	149
Other revenue	47,000	43,000	34,415	(8,585)
Total revenues	<u>80,200</u>	<u>84,750</u>	<u>84,364</u>	<u>(386)</u>
Expenditures				
General government				
Supplies	31,000	40,000	4,455	(35,545)
Other charges	41,000	46,120	64,003	17,883
Total expenditures	<u>72,000</u>	<u>86,120</u>	<u>68,458</u>	<u>(17,662)</u>
Excess (deficiency) of revenues over (under) expenditures	8,200	(1,370)	15,906	17,276
Other financing uses				
Transfers out	(10,000)	(11,450)	(2,297)	9,153
Net change in fund balance	(1,800)	(12,820)	13,609	26,429
Fund balance - beginning of year	57,471	57,471	57,471	-
Fund balance - end of year	<u>\$ 55,671</u>	<u>\$ 44,651</u>	<u>\$ 71,080</u>	<u>\$ 26,429</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Midland Housing Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Interest income	\$ 1,600	\$ 4,900	\$ 5,670	\$ 770
Other revenue	-	1,200	1,900	700
Total revenues	<u>1,600</u>	<u>6,100</u>	<u>7,570</u>	<u>1,470</u>
Expenditures				
Community and economic development				
Warranty maintenance	<u>12,750</u>	<u>6,100</u>	<u>38</u>	<u>(6,062)</u>
Net change in fund balance	(11,150)	-	7,532	7,532
Fund balance - beginning of year	<u>245,959</u>	<u>245,959</u>	<u>245,959</u>	<u>-</u>
Fund balance - end of year	<u>\$ 234,809</u>	<u>\$ 245,959</u>	<u>\$ 253,491</u>	<u>\$ 7,532</u>

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes	\$ 539,080	\$ 537,949	\$ 538,000	\$ 51
Other state grants	95,341	102,682	244,278	141,596
Interest income	3,600	8,000	12,371	4,371
Total revenues	<u>638,021</u>	<u>648,631</u>	<u>794,649</u>	<u>146,018</u>
Expenditures				
Debt service				
Principal retirement	1,450,000	1,450,000	1,450,000	-
Interest and fiscal charges	<u>112,250</u>	<u>112,400</u>	<u>112,420</u>	<u>20</u>
Total expenditures	<u>1,562,250</u>	<u>1,562,400</u>	<u>1,562,420</u>	<u>20</u>
Deficiency of revenues under expenditures	<u>(924,229)</u>	<u>(913,769)</u>	<u>(767,771)</u>	<u>145,998</u>
Other financing sources (uses)				
Transfers in	1,751,011	1,751,011	1,751,011	-
Transfers out	<u>(823,191)</u>	<u>(823,191)</u>	<u>(823,191)</u>	<u>-</u>
Total other financing sources and uses	<u>927,820</u>	<u>927,820</u>	<u>927,820</u>	<u>-</u>
Net change in fund balance	3,591	14,051	160,049	145,998
Fund balance - beginning of year	<u>73,607</u>	<u>73,607</u>	<u>73,607</u>	<u>-</u>
Fund balance - end of year	<u>\$ 77,198</u>	<u>\$ 87,658</u>	<u>\$ 233,656</u>	<u>\$ 145,998</u>

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Fund Descriptions
Year Ended June 30, 2019

Enterprise Funds

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

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

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

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

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

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Net Position
June 30, 2019

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
Assets					
Current assets					
Cash and cash equivalents	\$ 991,672	\$ 1,718,460	\$ 194,913	\$ 45,331	\$ 2,950,376
Investments	-	-	376,845	-	376,845
Receivables - net of allowances					
Customers	13,203	1,020	4,082	-	18,305
Accounts and contracts	-	-	-	18,624	18,624
Accrued interest	2,171	3,883	-	72	6,126
Inventories	-	-	32,998	-	32,998
Prepaid items	-	-	32,308	-	32,308
Total current assets	<u>1,007,046</u>	<u>1,723,363</u>	<u>641,146</u>	<u>64,027</u>	<u>3,435,582</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation	6,209,729	6,153,363	4,370,121	874,846	17,608,059
Capital assets not being depreciated	13,765	538,000	309,720	536,223	1,397,708
Total noncurrent assets	<u>6,223,494</u>	<u>6,691,363</u>	<u>4,679,841</u>	<u>1,411,069</u>	<u>19,005,767</u>
Total assets	<u>7,230,540</u>	<u>8,414,726</u>	<u>5,320,987</u>	<u>1,475,096</u>	<u>22,441,349</u>
Deferred outflows of resources					
Deferred amount relating to net pension liability - MERS	141,878	178,102	-	6,037	326,017
Deferred amount relating to net OPEB liability	32,297	39,168	-	1,031	72,496
Total deferred outflows of resources	<u>174,175</u>	<u>217,270</u>	<u>-</u>	<u>7,068</u>	<u>398,513</u>

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Net Position
June 30, 2019

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
Liabilities					
Current liabilities					
Accounts payable	\$ 8,880	\$ 36,079	\$ 66,612	\$ 650	\$ 112,221
Accrued and other liabilities	-	-	28,648	-	28,648
Deposits	41,667	34,201	85,922	-	161,790
Unearned revenue	-	-	66,697	-	66,697
Total current liabilities	<u>50,547</u>	<u>70,280</u>	<u>247,879</u>	<u>650</u>	<u>369,356</u>
Noncurrent liabilities					
Current portion of noncurrent liabilities	14,225	37,024	27,575	-	78,824
Long-term debt net of current portion	16,941	831	40,691	-	58,463
Net pension liability	941,724	1,182,164	-	40,073	2,163,961
Net OPEB liability	<u>423,718</u>	<u>513,871</u>	<u>-</u>	<u>13,523</u>	<u>951,112</u>
Total noncurrent liabilities	<u>1,396,608</u>	<u>1,733,890</u>	<u>68,266</u>	<u>53,596</u>	<u>3,252,360</u>
Total liabilities	<u>1,447,155</u>	<u>1,804,170</u>	<u>316,145</u>	<u>54,246</u>	<u>3,621,716</u>
Deferred Inflows of Resources					
Deferred amount relating to net OPEB liability	<u>13,821</u>	<u>16,762</u>	<u>-</u>	<u>441</u>	<u>31,024</u>
Net position					
Net investment in capital assets	6,223,494	6,691,363	4,611,575	1,411,069	18,937,501
Unrestricted (deficit)	<u>(279,755)</u>	<u>119,701</u>	<u>393,267</u>	<u>16,408</u>	<u>249,621</u>
Total net position	<u>\$ 5,943,739</u>	<u>\$ 6,811,064</u>	<u>\$ 5,004,842</u>	<u>\$ 1,427,477</u>	<u>\$ 19,187,122</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, 2019

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
Operating revenue					
Use and admission charges	\$ -	\$ -	\$ 974,383	\$ 98,959	\$ 1,073,342
Rental income	1,312,532	1,467,420	-	-	2,779,952
Sale of meals	223,869	528,867	-	-	752,736
Other revenue	150,084	137,663	5,595	10,404	303,746
	<u>1,686,485</u>	<u>2,133,950</u>	<u>979,978</u>	<u>109,363</u>	<u>4,909,776</u>
Total operating revenue					
Operating expenses					
Operations	1,427,819	2,014,435	1,088,508	55,216	4,585,978
Maintenance	-	-	-	130,377	130,377
Other expenses	-	-	-	2,205	2,205
Depreciation	314,920	284,672	180,991	36,880	817,463
	<u>1,742,739</u>	<u>2,299,107</u>	<u>1,269,499</u>	<u>224,678</u>	<u>5,536,023</u>
Total operating expenses					
Operating loss	<u>(56,254)</u>	<u>(165,157)</u>	<u>(289,521)</u>	<u>(115,315)</u>	<u>(626,247)</u>
Nonoperating revenue (expense)					
Interest income	14,042	25,558	8,015	202	47,817
Interest expense	-	-	(138,148)	-	(138,148)
	<u>14,042</u>	<u>25,558</u>	<u>(130,133)</u>	<u>202</u>	<u>(90,331)</u>
Total nonoperating revenues					
Loss before contributions and transfers	(42,212)	(139,599)	(419,654)	(115,113)	(716,578)

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, 2019

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
Capital contributions	\$ -	\$ 9,184	\$ 86,000	\$ -	\$ 95,184
Transfers in	<u>66,557</u>	<u>-</u>	<u>250,000</u>	<u>60,000</u>	<u>376,557</u>
Change in net position	24,345	(130,415)	(83,654)	(55,113)	(244,837)
Net position - beginning of year	<u>5,919,394</u>	<u>6,941,479</u>	<u>5,088,496</u>	<u>1,482,590</u>	<u>19,431,959</u>
Net position - end of year	<u>\$ 5,943,739</u>	<u>\$ 6,811,064</u>	<u>\$ 5,004,842</u>	<u>\$ 1,427,477</u>	<u>\$ 19,187,122</u>

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
Cash flows from operating activities					
Receipts from customers	\$ 1,684,327	\$ 2,132,113	\$ 983,177	\$ 109,936	\$ 4,909,553
Payments to suppliers	(1,050,874)	(1,191,783)	(490,596)	(131,115)	(2,864,368)
Payments to employees	(511,370)	(775,096)	(568,557)	(50,362)	(1,905,385)
Net cash provided (used) by operating activities	<u>122,083</u>	<u>165,234</u>	<u>(75,976)</u>	<u>(71,541)</u>	<u>139,800</u>
Cash flows from noncapital financing activities					
Transfers from other funds	<u>66,557</u>	<u>-</u>	<u>250,000</u>	<u>60,000</u>	<u>376,557</u>
Cash flows from capital and related financing activities					
Capital contributions	-	9,184	86,000	-	95,184
Purchases/construction of capital assets	(61,041)	(44,912)	(54,739)	-	(160,692)
Principal and interest paid on long-term debt	-	-	(164,808)	-	(164,808)
Net cash provided (used) by capital and related financing activities	<u>(61,041)</u>	<u>(35,728)</u>	<u>(133,547)</u>	<u>-</u>	<u>(230,316)</u>
Cash flows from investing activities					
Interest received	<u>14,042</u>	<u>25,558</u>	<u>143,368</u>	<u>202</u>	<u>183,170</u>
Net change in cash and cash equivalents	141,641	155,064	183,845	(11,339)	469,211
Cash and cash equivalents - beginning of year	<u>850,031</u>	<u>1,563,396</u>	<u>11,068</u>	<u>56,670</u>	<u>2,481,165</u>
Cash and cash equivalents - end of year	<u>\$ 991,672</u>	<u>\$ 1,718,460</u>	<u>\$ 194,913</u>	<u>\$ 45,331</u>	<u>\$ 2,950,376</u>
Noncash investing activities - changes in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (135,353)</u>	<u>\$ -</u>	<u>\$ (135,353)</u>

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating loss	\$ (56,254)	\$ (165,157)	\$ (289,521)	\$ (115,315)	\$ (626,247)
Adjustments to reconcile operating loss to net cash from operating activities					
Depreciation expense	314,920	284,672	180,991	36,880	817,463
Noncash portion related to net pension liability - MERS	(34,884)	182,850	-	10,827	158,793
Noncash portion related to net OPEB liability	(16,069)	(16,593)	-	(80)	(32,742)
Changes in assets and liabilities					
Receivables (net)	(2,158)	(1,837)	3,199	573	(223)
Inventories	-	-	797	-	797
Prepaid items	-	-	(18,939)	-	(18,939)
Deferred outflows relating to net pension liability - MERS	(59,910)	(97,625)	-	(3,628)	(161,163)
Deferred outflows relating to net OPEB liability	(32,027)	(38,842)	-	(1,022)	(71,891)
Accounts payable	1,900	17,714	7,512	548	27,674
Accrued and other liabilities	(166)	1,718	5,623	-	7,175
Deposits	16,817	9,801	32,167	-	58,785
Unearned revenue	-	-	2,195	-	2,195
Deferred inflows relating to net pension liability - MERS	(22,758)	(26,843)	-	(729)	(50,330)
Deferred inflows relating to net OPEB liability	12,672	15,376	-	405	28,453
Net cash provided (used) by operating activities	<u>\$ 122,083</u>	<u>\$ 165,234</u>	<u>\$ (75,976)</u>	<u>\$ (71,541)</u>	<u>\$ 139,800</u>

City of Midland, Michigan
Other Supplementary Information
Fiduciary Funds
Fund Descriptions
Year Ended June 30, 2019

Trust Fund

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

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

Agency Funds

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

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

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

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

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

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

City of Midland, Michigan
Other Supplementary Information
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds
Statement of Plan Net Position
June 30, 2019

	<u>Police and Fire Pension</u>
Assets	
Cash and cash equivalents	\$ 2,273,679
Investments	
Common stock	32,130,757
Preferred stock	711,323
Bonds	19,090,683
International funds	9,978,609
Alternative investments	3,545,162
Receivables	
Accrued interest and other	<u>77,340</u>
 Total assets	 <u>67,807,553</u>
 Net position	
Net position restricted for pensions	<u>\$ 67,807,553</u>

City of Midland, Michigan
Other Supplementary Information
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds
Statement of Changes in Plan Net Position
For the Year Ended June 30, 2019

	<u>Police and Fire Pension</u>
Additions	
Contributions	
Employer	\$ 2,703,865
Plan members	<u>625,929</u>
Total contributions	<u>3,329,794</u>
Investment earnings	
Net gain on fair value of assets	2,603,160
Interest	420,429
Dividends	<u>1,040,295</u>
Total investment earnings	4,063,884
Less investment expense	<u>(405,660)</u>
Net investment earnings	3,658,224
Other expense	<u>(187,594)</u>
Total additions	6,800,424
Deductions	
Benefits paid, including refunds of member contributions	<u>5,294,958</u>
Change in net position	1,505,466
Net positions restricted for pensions - beginning of year	<u>66,302,087</u>
Net positions restricted for pensions - end of year	<u>\$ 67,807,553</u>

City of Midland, Michigan
Other Supplementary Information
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Payroll Fund				
Assets				
Cash and cash equivalents	\$ 471,672	\$ 48,278,916	\$ 48,214,909	\$ 535,679
Prepays	101,433	103,700	101,433	103,700
Total assets	<u>\$ 573,105</u>	<u>\$ 48,382,616</u>	<u>\$ 48,316,342</u>	<u>\$ 639,379</u>
Liabilities				
Accrued payroll liabilities	<u>\$ 573,105</u>	<u>\$ 49,455,551</u>	<u>\$ 49,389,277</u>	<u>\$ 639,379</u>
Midland Downtown Business Association Fund				
Assets				
Cash and cash equivalents	\$ 26,087	\$ 65,267	\$ 57,002	\$ 34,352
Accrued interest and other	48	331	298	81
Total assets	<u>\$ 26,135</u>	<u>\$ 65,598</u>	<u>\$ 57,300</u>	<u>\$ 34,433</u>
Liabilities				
Accounts payable	\$ -	\$ 40,502	\$ 40,502	\$ -
Due to other units of government	26,135	34,433	26,135	34,433
Total liabilities	<u>\$ 26,135</u>	<u>\$ 74,935</u>	<u>\$ 66,637</u>	<u>\$ 34,433</u>
DDA Facade Improvement Fund				
Assets				
Cash and cash equivalents	\$ 10,834	\$ 81,710	\$ 42,702	\$ 49,842
Receivables				
Accounts and contracts	20,925	1,703	6,914	15,714
Accrued interest and other	18	291	200	109
Total assets	<u>\$ 31,777</u>	<u>\$ 83,704</u>	<u>\$ 49,816</u>	<u>\$ 65,665</u>
Liabilities				
Accounts payable	\$ -	\$ 40,998	\$ 40,998	\$ -
Due to foundations	31,777	65,665	31,777	65,665
Total liabilities	<u>\$ 31,777</u>	<u>\$ 106,663</u>	<u>\$ 72,775</u>	<u>\$ 65,665</u>

City of Midland, Michigan
Other Supplementary Information
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ 271,573	\$ 97,206,193	\$ 97,058,809	\$ 418,957
Receivables				
Accounts and contracts	-	99,564,437	99,564,437	-
Total assets	<u>\$ 271,573</u>	<u>\$ 196,770,630</u>	<u>\$ 196,623,246</u>	<u>\$ 418,957</u>
Liabilities				
Due to other units of government	<u>\$ 271,573</u>	<u>\$ 98,239,123</u>	<u>\$ 98,091,739</u>	<u>\$ 418,957</u>
Center City Façade Improvements Fund				
Assets				
Cash and cash equivalents	\$ 78,008	\$ 106,622	\$ 71,803	\$ 112,827
Receivables				
Accounts and contracts	21,000	10,000	6,000	25,000
Accrued interest and other	133	337	422	48
Total assets	<u>\$ 99,141</u>	<u>\$ 116,959</u>	<u>\$ 78,225</u>	<u>\$ 137,875</u>
Liabilities				
Accounts payable	\$ -	\$ 71,803	\$ 71,803	\$ -
Due to foundations	99,141	137,875	99,141	137,875
Total liabilities	<u>\$ 99,141</u>	<u>\$ 209,678</u>	<u>\$ 170,944</u>	<u>\$ 137,875</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 858,174	\$ 145,738,708	\$ 145,445,225	\$ 1,151,657
Accounts and contracts	41,925	99,576,140	99,577,351	40,714
Accrued interest and other	199	959	920	238
Prepays	101,433	103,700	101,433	103,700
Total assets	<u>\$ 1,001,731</u>	<u>\$ 245,419,507</u>	<u>\$ 245,124,929</u>	<u>\$ 1,296,309</u>
Liabilities				
Accounts payable	\$ -	\$ 153,303	\$ 153,303	\$ -
Accrued payroll liabilities	573,105	49,455,551	49,389,277	639,379
Due to foundations	130,918	203,540	130,918	203,540
Due to other units of government	297,708	98,273,556	98,117,874	453,390
Total liabilities	<u>\$ 1,001,731</u>	<u>\$ 148,085,950</u>	<u>\$ 147,791,372</u>	<u>\$ 1,296,309</u>

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Fund Descriptions
Year Ended June 30, 2019

Internal Service Funds

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

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

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

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

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

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, 2019

	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	\$ 1,957,958	\$ 119,703	\$ 3,285,836	\$ 1,179,657	\$ -	\$ 1,306,769	\$ 4,209,585	\$ 2,089,727	\$ 168,229	\$ 14,317,464
Receivables - net of allowances										
Special assessments, current	-	-	-	-	-	-	-	54,809	-	54,809
Accounts and contracts	811	-	21,179	-	-	1,444	-	-	-	23,434
Accrued interest	4,630	261	6,979	2,663	-	-	9,023	4,895	384	28,835
Inventories	-	470,615	270,860	-	-	-	-	-	-	741,475
Prepaid items	-	-	-	-	-	9,680	943,359	-	-	953,039
Total current assets	1,963,399	590,579	3,584,854	1,182,320	-	1,317,893	5,161,967	2,149,431	168,613	16,119,056
Noncurrent assets										
Special assessments receivable	-	-	-	-	-	-	-	191,505	-	191,505
Capital assets not being depreciated	-	-	-	55,000	-	-	-	-	-	55,000
Capital assets, net of accumulated depreciation	81,874	-	7,808,437	1,411,292	-	-	-	-	262,129	9,563,732
Total noncurrent assets	81,874	-	7,808,437	1,466,292	-	-	-	191,505	262,129	9,810,237
Total assets	2,045,273	590,579	11,393,291	2,648,612	-	1,317,893	5,161,967	2,340,936	430,742	25,929,293
Deferred outflows of resources										
Deferred amount relating to net pension liability - MERS	229,419	-	547,386	5,031	-	-	-	-	-	781,836
Deferred amount relating to net OPEB liability	47,414	-	115,444	1,031	-	-	-	-	-	163,889
Total deferred outflows of resources	276,833	-	662,830	6,062	-	-	-	-	-	945,725
Total assets and deferred outflows of resources	2,322,106	590,579	12,056,121	2,654,674	-	1,317,893	5,161,967	2,340,936	430,742	26,875,018
Liabilities										
Current liabilities										
Accounts payable	-	26,516	14,101	171,693	-	185	8,064	-	108	220,667
Deposits	-	-	-	-	-	-	1,500	-	-	1,500
Estimated healthcare claims	-	-	-	-	-	-	331,275	-	-	331,275
Total current liabilities	-	26,516	14,101	171,693	-	185	340,839	-	108	553,442

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Combining Statement of Net Position
June 30, 2019

	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
Noncurrent liabilities										
Current portion of noncurrent liabilities	\$ 46,495	\$ -	\$ 67,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,895
Long-term debt net of current portion	97,075	-	41,440	-	-	-	-	-	-	138,515
Net pension liability	1,522,787	-	3,633,317	33,394	-	-	-	-	-	5,189,498
Net OPEB liability	622,055	-	1,514,568	13,523	-	-	-	-	-	2,150,146
Total noncurrent liabilities	2,288,412	-	5,256,725	46,917	-	-	-	-	-	7,592,054
Total liabilities	2,288,412	26,516	5,270,826	218,610	-	185	340,839	-	108	8,145,496
Deferred inflows of resources										
Deferred amount relating to net OPEB liability	20,291	-	49,404	441	-	-	-	-	-	70,136
Total liabilities and deferred inflows of resources	2,308,703	26,516	5,320,230	219,051	-	185	340,839	-	108	8,215,632
Net position										
Net investment in capital assets	81,874	-	7,808,437	1,466,292	-	-	-	-	262,129	9,618,732
Unrestricted (deficit)	(68,471)	564,063	(1,072,546)	969,331	-	1,317,708	4,821,128	2,340,936	168,505	9,040,654
Total net position	\$ 13,403	\$ 564,063	\$ 6,735,891	\$ 2,435,623	\$ -	\$ 1,317,708	\$ 4,821,128	\$ 2,340,936	\$ 430,634	\$ 18,659,386

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, 2019

	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	\$ 980,400	\$ -	\$ -	\$ -	\$ -	\$ 533,291	\$ 10,457,066	\$ -	\$ -	\$ 11,970,757
Rental income	-	-	4,741,741	408,015	-	-	-	-	31,909	5,181,665
Other revenue	720	769,846	422,460	9,565	-	500,787	575,571	-	-	2,278,949
Total operating revenue	981,120	769,846	5,164,201	417,580	-	1,034,078	11,032,637	-	31,909	19,431,371
Operating expenses										
Operations	831,413	704,751	3,266,114	255,485	-	756,777	11,061,939	11,882	20,570	16,908,931
Depreciation	26,822	-	1,482,344	115,870	-	-	-	-	6,895	1,631,931
Total operating expenses	858,235	704,751	4,748,458	371,355	-	756,777	11,061,939	11,882	27,465	18,540,862
Operating income (loss)	122,885	65,095	415,743	46,225	-	277,301	(29,302)	(11,882)	4,444	890,509
Nonoperating revenue										
Interest income	31,735	2,151	46,682	17,708	-	-	59,357	39,313	2,529	199,475
Gain on disposition of assets	-	-	26,214	-	-	-	-	-	-	26,214
Total nonoperating revenues	31,735	2,151	72,896	17,708	-	-	59,357	39,313	2,529	225,689
Income before contributions and transfers	154,620	67,246	488,639	63,933	-	277,301	30,055	27,431	6,973	1,116,198
Capital contributions	-	-	76,589	-	-	-	-	-	-	76,589
Transfers out	-	-	-	-	-	-	-	(39,314)	-	(39,314)
Change in net position	154,620	67,246	565,228	63,933	-	277,301	30,055	(11,883)	6,973	1,153,473
Net position - beginning of year	(141,217)	496,817	6,170,663	2,371,690	2,039,646	1,040,407	4,791,073	2,352,819	423,661	19,545,559
Transfer	-	-	-	-	(2,039,646)	-	-	-	-	(2,039,646)
Net position - beginning of year (restated)	(141,217)	496,817	6,170,663	2,371,690	-	1,040,407	4,791,073	2,352,819	423,661	17,505,913
Net position - end of year	\$ 13,403	\$ 564,063	\$ 6,735,891	\$ 2,435,623	\$ -	\$ 1,317,708	\$ 4,821,128	\$ 2,340,936	\$ 430,634	\$ 18,659,386

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	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	\$ 720	\$ 769,901	\$ 5,171,957	\$ 416,752	\$ -	\$ 600,735	\$ 573,363	\$ 63,797	\$ 31,802	\$ 7,629,027
Receipts from other funds	979,300	-	-	-	-	533,291	10,457,066	-	-	11,969,657
Payments to suppliers	(722,130)	(850,771)	(648,011)	(68,800)	-	(835,756)	(11,194,976)	(11,882)	(18,612)	(14,350,938)
Payments to employees	(397,506)	-	(1,818,295)	(15,348)	-	-	-	-	(1,954)	(2,233,103)
Net cash provided (used) by operating activities	(139,616)	(80,870)	2,705,651	332,604	-	298,270	(164,547)	51,915	11,236	3,014,643
Cash flows from noncapital financing activities										
Transfers to other funds	-	-	-	-	-	-	-	(39,314)	-	(39,314)
Cash flows from capital and related financing activities										
Capital contributions	-	-	76,589	-	-	-	-	-	-	76,589
Purchases/construction of capital assets	(63,149)	-	(2,562,730)	(249,928)	-	-	-	-	(10,469)	(2,886,276)
Proceeds from sale of capital assets	-	-	228,625	-	-	-	-	-	-	228,625
Net cash used by capital and related financing activities	(63,149)	-	(2,257,516)	(249,928)	-	-	-	-	(10,469)	(2,581,062)
Cash flows from investing activities										
Interest received	31,735	2,151	46,682	17,708	-	-	59,357	39,313	2,529	199,475
Net change in cash and cash equivalents	(171,030)	(78,719)	494,817	100,384	-	298,270	(105,190)	51,914	3,296	593,742
Cash and cash equivalents - beginning of year	2,128,988	198,422	2,791,019	1,079,273	611,207	1,008,499	4,314,775	2,037,813	164,933	14,334,929
Transfer	-	-	-	-	(611,207)	-	-	-	-	(611,207)
Cash and cash equivalents - beginning of year (restated)	2,128,988	198,422	2,791,019	1,079,273	-	1,008,499	4,314,775	2,037,813	164,933	13,723,722
Cash and cash equivalents - end of year	\$ 1,957,958	\$ 119,703	\$ 3,285,836	\$ 1,179,657	\$ -	\$ 1,306,769	\$ 4,209,585	\$ 2,089,727	\$ 168,229	\$ 14,317,464
Reconciliation of operating income (loss) to net cash provided (used) by operating activities										
Operating income (loss)	\$ 122,885	\$ 65,095	\$ 415,743	\$ 46,225	\$ -	\$ 277,301	\$ (29,302)	\$ (11,882)	\$ 4,444	\$ 890,509
Adjustments to reconcile operating income (loss) to net cash from operating activities										
Depreciation and amortization expense	26,822	-	1,482,344	115,870	-	-	-	-	6,895	1,631,931
Noncash portion related to net pension liability - MERS	(58,547)	-	684,986	4,148	-	-	-	-	-	630,587
Noncash portion related to net OPEB liability	(62,562)	-	(99,496)	(79)	-	-	-	-	-	(162,137)
Changes in assets and liabilities										
Receivables (net)	(1,100)	55	7,756	(828)	-	99,948	(2,208)	63,797	(107)	167,313
Inventories	-	(144,561)	39,047	-	-	-	-	-	-	(105,514)
Prepaid items	-	-	634,607	-	-	(3,096)	(147,107)	-	-	484,404
Deferred outflows relating to net pension liability - MERS	(97,030)	-	(310,805)	(2,622)	-	-	-	-	-	(410,457)
Deferred outflows relating to net OPEB liability	(46,994)	-	(114,453)	(1,023)	-	-	-	-	-	(162,470)
Accounts payable	(7,000)	(1,459)	7,788	171,238	-	(75,883)	7,674	-	4	102,362
Accrued and other liabilities	2,608	-	(6,962)	-	-	-	6,396	-	-	2,042
Deferred inflows relating to net pension liability - MERS	(37,201)	-	(80,093)	(730)	-	-	-	-	-	(118,024)
Deferred inflows relating to net OPEB liability	18,503	-	45,189	405	-	-	-	-	-	64,097
Net cash provided (used) by operating activities	\$ (139,616)	\$ (80,870)	\$ 2,705,651	\$ 332,604	\$ -	\$ 298,270	\$ (164,547)	\$ 51,915	\$ 11,236	\$ 3,014,643

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.

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 Ten Fiscal Years

	As of June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	\$ 87,999,853	\$ 87,613,288	\$ 88,511,573	\$ 86,664,194	\$ 89,585,040	\$ 93,387,248	\$102,825,938	\$ 105,476,160	\$ 111,872,266	\$ 114,399,112
Restricted	7,550,391	8,459,716	8,206,252 (1)	14,341,343	12,864,614	12,887,661	16,548,177	23,962,098	14,682,508	16,349,913
Unrestricted (deficit)	(6,248,653)	(3,785,796)	1,210,553	2,790,283	(39,825,932) (2)	(39,810,693)	(43,957,581)	(41,138,285)	(62,334,206)	(59,919,688)
Total net position	<u>89,301,591</u>	<u>92,287,208</u>	<u>97,928,378</u>	<u>103,795,820</u>	<u>62,623,722</u>	<u>66,464,216</u>	<u>75,416,534</u>	<u>88,299,973</u>	<u>64,220,568</u>	<u>70,829,337</u>
Business-type activities:										
Net investment in capital assets	98,022,672	100,609,436	100,402,758	100,885,163	101,563,419	103,416,149	106,991,242	110,277,347	112,740,412	116,272,803
Restricted	25,000	25,000	3,263,589 (1)	3,397,088	3,455,307	-	2,300,000	1,000,000	-	-
Unrestricted	29,793,084	31,156,750	29,981,732	31,710,327	17,167,995 (2)	22,608,670	24,026,275	26,221,464	17,698,297	17,105,929
Total net position	<u>127,840,756</u>	<u>131,791,186</u>	<u>133,648,079</u>	<u>135,992,578</u>	<u>122,186,721</u>	<u>126,024,819</u>	<u>133,317,517</u>	<u>137,498,811</u>	<u>130,438,709</u>	<u>133,378,732</u>
Primary government in total:										
Net investment in capital assets	186,022,525	188,222,724	188,914,331	187,549,357	191,148,459	196,803,397	209,817,180	215,753,507	224,612,678	230,671,915
Restricted	7,575,391	8,484,716	11,469,841 (1)	17,738,431	16,319,921	12,887,661	18,848,177	24,962,098	14,682,508	16,349,913
Unrestricted (deficit)	23,544,431	27,370,954	31,192,285	34,500,610	(22,657,937) (2)	(17,202,023)	(19,931,306)	(14,916,821)	(44,635,909)	(42,813,759)
Total net position	<u>\$ 217,142,347</u>	<u>\$ 224,078,394</u>	<u>\$ 231,576,457</u>	<u>\$ 239,788,398</u>	<u>\$ 184,810,443</u>	<u>\$ 192,489,035</u>	<u>\$ 208,734,051</u>	<u>\$ 225,798,784</u>	<u>\$ 194,659,277</u>	<u>\$ 204,208,069</u>

Source: City's Comprehensive Annual Financial Report

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

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

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
General government	\$ 4,063,142	\$ 3,738,504	\$ 5,130,440	\$ 4,952,386	\$ 4,371,200	\$ 4,203,419	\$ 5,898,120	\$ 5,018,299	\$ 3,945,301	\$ 4,339,267
Public safety	14,806,966	15,305,454	14,954,815	15,679,391	15,596,565	16,623,855	19,183,327	19,216,981	15,615,959	23,093,632
Public works	9,632,256	8,258,151	8,853,319	9,416,912	9,188,965	8,409,654	10,776,785	10,248,793	10,551,422	11,272,708
Sanitation	2,419,772	2,475,323	2,492,955	2,398,083	3,017,452	3,245,915	3,261,473	3,559,725	3,723,037	3,604,803
Community and economic development	1,070,986	578,321	1,116,838	567,424	991,057	1,083,657	1,169,189	721,798	786,020	917,207
Parks and recreation	4,063,153	4,466,591	5,029,397	5,126,073	4,715,868	5,196,202	6,634,939	6,070,849	5,593,907	5,789,376
Library and community television	4,515,161	4,414,619	4,374,397	4,471,374	4,860,097	4,887,711	5,196,160	4,981,722	4,622,205	4,596,572
Airport	473,735	378,055	257,459	418,304	421,280	361,345	369,144	338,803	395,820	379,854
Transportation	1,739,854	1,738,124	1,772,164	1,901,342	1,836,649	1,961,687	2,144,140	2,194,919	2,167,574	2,149,192
Interest on long-term debt	702,517	668,251	633,430	589,971	586,291	506,836	441,174	287,828	247,880	198,906
Total governmental activities	<u>43,487,542</u>	<u>42,021,393</u>	<u>44,615,214</u>	<u>45,521,260</u>	<u>45,585,424</u>	<u>46,480,281</u>	<u>55,074,451</u>	<u>52,639,717</u>	<u>47,649,125</u>	<u>56,341,517</u>
Program revenues										
Charges for services										
Public safety	55,158	56,364	74,391	102,133	118,052	86,745	92,027	78,332	81,089	413,043
Public works	721,551	1,196,193	968,728	1,049,135	1,041,080	996,278	1,129,663	1,102,087	1,376,864	1,280,292
Sanitation	217,317	35,935	34,295	34,756	33,345	38,274	38,893	41,009	51,978	51,940
Community and economic development	4,451	3,725	4,875	5,100	233,717	4,475	32,345	18,772	22,310	22,578
Parks and recreation	293,757	347,276	390,375	421,685	410,641	412,815	441,471	455,477	445,940	445,146
Library and community television	1,347,405	1,337,765	1,368,016	1,359,160	1,365,146	1,395,346	1,390,818	1,289,034	1,207,060	1,200,240
Airport	196,841	248,531	322,813	258,776	269,631	210,738	197,867	197,618	214,555	218,370
Transportation	135,949	129,788	123,280	118,839	144,588	108,435	114,230	120,657	127,408	129,443
Total charges for services	<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>	<u>3,253,106</u>	<u>3,437,314</u>	<u>3,302,986</u>	<u>3,527,204</u>	<u>3,761,052</u>
Operating grants and contributions	\$ 4,766,634	\$ 4,841,547	5,679,405	5,397,059	6,907,656	5,993,971	7,786,912	15,742,014	16,194,139	17,397,570
Capital grants and contributions	1,388,911	727,076	1,986,926	4,309,370	2,304,230	1,630,546	10,411,312	8,140,836	3,379,941	4,037,589
Total program revenue	<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>	<u>10,877,623</u>	<u>21,635,538</u>	<u>27,185,836</u>	<u>23,101,284</u>	<u>25,196,211</u>
Net (expense) revenue	<u>(34,359,568)</u>	<u>(33,097,193)</u>	<u>(33,662,110)</u>	<u>(32,465,247)</u>	<u>(32,757,338)</u>	<u>(35,602,658)</u>	<u>(33,438,913)</u>	<u>(25,453,881)</u>	<u>(24,547,841)</u>	<u>(31,145,306)</u>

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues:										
Property taxes	31,971,428	31,549,496	\$ 33,846,512	\$ 33,949,025	\$ 35,309,085	\$ 35,240,503	\$ 35,222,815	\$ 31,324,060	\$ 31,403,680	\$ 31,617,781
Other tax related revenue	2,072,970	2,117,699	2,108,016	2,012,014	2,289,586	2,197,581	4,411,948	4,311,906	3,792,616	4,204,469
Intergovernmental	2,918,791	2,918,791	3,187,163	3,262,543	3,343,960	3,399,564	3,396,505	3,579,913	3,670,447	3,838,969
Unrestricted investment earnings	106,025	72,980	59,313	44,690	48,014	42,812	87,527	146,017	345,483	905,355
Gain on sale of capital assets	344,211	12,416	303,677	-	271,934	258,664	407,713	-	-	-
Miscellaneous revenues	666,042	765,507	755,552	862,213	728,404	717,628	751,393	673,962	945,272	776,895
Transfers	(1,650,312)	(1,038,466)	(841,992)	(1,797,796)	(1,783,790)	(2,413,600)	(1,886,637)	(1,698,538)	(1,478,177)	(1,549,748)
Total general revenues and transfers	<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>	<u>39,443,152</u>	<u>42,391,264</u>	<u>38,337,320</u>	<u>38,679,321</u>	<u>39,793,721</u>
Change in governmental net position	<u>\$ 2,069,587</u>	<u>\$ 3,301,230</u>	<u>\$ 5,756,131</u>	<u>\$ 5,867,442</u>	<u>\$ 7,449,855</u>	<u>\$ 3,840,494</u>	<u>\$ 8,952,351</u>	<u>\$ 12,883,439</u>	<u>\$ 14,131,480</u>	<u>\$ 8,648,415</u>

Source: City's Comprehensive Annual Financial Report

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenue										
Water customer fees	\$ 9,041,009	\$ 9,383,395	\$ 10,141,703	\$ 10,223,565	\$ 10,259,149	\$ 10,590,971	\$ 10,492,849	\$ 10,762,236	\$ 11,147,668	\$ 10,927,441
Wastewater customer fees	5,244,636	5,488,692	5,470,243	5,659,485	5,741,780	5,825,591	5,965,747	6,199,304	6,348,383	6,411,536
Landfill use and admission charges	3,362,957	3,867,944	3,289,167	3,322,110	2,903,936	2,924,072	3,680,791	4,227,394	3,139,840	4,222,927
Civic Arena use and admission charges	1,077,498	1,061,241	962,949	1,000,933	1,089,540	1,099,398	1,175,430	1,082,087	1,107,240	1,083,109
Other use and admission charges	1,150,138	990,554	1,074,941	845,084	915,279	894,559	963,241	952,867	1,010,151	1,073,342
Rentals	2,882,931	2,912,059	2,906,171	2,902,606	2,937,966	3,064,928	3,054,138	2,947,509	2,950,242	3,170,852
Fines and forfeits	141,762	166,900	169,804	169,476	176,468	188,185	177,295	192,065	180,619	185,448
Other revenue	305,571	2,073,180	1,103,365	1,133,074	1,156,174	2,407,044	1,683,832	1,644,587	1,484,367	1,413,381
Total operating revenue	23,206,502	25,943,965	25,118,343	25,256,333	25,180,292	26,994,748	27,193,323	28,008,049	27,368,510	28,488,036
Operating expenses										
Water	3,750,511	3,800,821	3,945,792	4,117,868	3,987,108	4,035,899	3,965,772	3,319,710	3,482,423	4,164,196
Wastewater	1,396,730	1,363,214	1,309,094	1,265,702	1,269,146	1,310,491	1,332,227	1,455,021	1,260,607	2,085,982
Landfill	2,515,598	2,514,219	2,577,617	2,735,828	2,777,228	2,850,976	2,771,233	2,801,933	3,313,808	4,208,874
Civic Arena	967,769	958,301	812,943	811,745	831,961	836,794	872,428	824,965	854,251	800,525
Other operating	3,978,810	4,342,252	4,640,670	4,530,073	4,578,775	4,609,079	5,052,771	4,562,245	4,693,451	4,585,978
Administration	2,357,378	2,308,525	2,351,223	2,322,441	2,421,548	2,452,806	2,643,855	2,264,873	2,414,227	2,404,122
Maintenance	4,550,779	4,712,824	4,436,506	4,910,689	5,517,411	5,365,141	5,017,184	5,586,719	6,172,175	6,242,836
Other expenses	6,380	74,613	67,688	92,809	74,727	462,608	678,706	100,823	49,246	83,776
Depreciation	4,021,646	3,967,213	4,356,092	4,655,137	4,619,802	4,678,458	4,890,750	4,953,097	5,128,071	6,047,545
Total operating expenses	23,545,601	24,041,982	24,497,625	25,442,292	26,077,706	26,602,252	27,224,926	25,869,386	27,368,259	30,623,834
Operating income (loss)	(339,099)	1,901,983	620,718	(185,959)	(897,414)	392,496	(31,603)	2,138,663	251	(2,135,798)

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nonoperating revenue (expenses)										
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,708	\$ -	\$ -	\$ -
State grant	-	-	-	-	-	-	3,118	-	160,217	-
Interest income (losses)	219,266	212,289	94,324	44,213	211,615	37,561	73,919	188,124	186,398	436,760
Contractual revenues	847,664	504,154	453,978	683,454	796,982	430,590	461,288	280,471	348,595	172,821
Gain(loss) on disposition of assets	12,195	(16,356)	(978)	62,766	(36,337)	(24,827)	(7,522)	23,750	61,715	(4,536)
Other revenue	623,984	-	7,335	304,625	122	-	10,106	-	570	-
Interest expense	(776,434)	(683,148)	(618,300)	(531,576)	(500,999)	(443,740)	(294,006)	(257,346)	(267,929)	(409,235)
Other expenses	(128,889)	-	-	-	-	-	-	-	-	-
Total non-operating revenues (expenses)	<u>670,185</u>	<u>16,939</u>	<u>(63,641)</u>	<u>563,482</u>	<u>471,383</u>	<u>(416)</u>	<u>265,611</u>	<u>234,999</u>	<u>489,566</u>	<u>195,810</u>
Income (loss) - before contributions and transfers	331,086	1,918,922	557,077	377,523	(426,031)	392,080	234,008	2,373,662	489,817	(1,939,988)
Capital contributions	452,000	813,196	858,000	386,559	1,459,632	526,929	5,662,030	425,874	652,035	987,884
Operating transfers in	1,661,116	1,160,466	1,440,432	1,949,796	1,949,647	2,523,600	1,993,609	1,806,730	1,538,177	1,549,748
Operating transfers out	(10,804)	(122,000)	(598,440)	(152,000)	(165,857)	(110,000)	(106,972)	(108,192)	(60,000)	-
Change in net position	<u>2,433,398</u>	<u>3,770,584</u>	<u>2,257,069</u>	<u>2,561,878</u>	<u>2,817,391</u>	<u>3,332,609</u>	<u>7,782,675</u>	<u>4,498,074</u>	<u>2,620,029</u>	<u>597,644</u>
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.	4,537,681	179,846	(324,263)	(217,379)	(88,776)	505,489	(489,977)	(316,780)	(488,852)	302,733
Change in net position of business-type activities	\$ 6,971,079	\$ 3,950,430	\$ 1,932,806	\$ 2,344,499	\$ 2,728,615	\$ 3,838,098	\$ 7,292,698	\$ 4,181,294	\$ 2,131,177	\$ 900,377
Total primary government changes in net position	\$ 9,040,666	\$ 7,251,660	\$ 7,688,937	\$ 8,211,941	\$ 10,178,470	\$ 7,678,592	\$ 16,245,049	\$ 17,064,733	\$ 16,262,657	\$ 9,548,792

Source: City's Comprehensive Annual Financial Report

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Non-spendable	\$ -	\$ 136,717	\$ 133,810	\$ 112,293	\$ 131,276	\$ 112,689	\$ 109,727	\$ 69,925	\$ 77,971	\$ 105,121
Reserved/restricted	608,739	-	-	-	-	-	-	-	-	-
Committed	-	1,202,239	3,316,281	3,475,477	4,070,246	4,715,292	5,132,253	8,581,454	9,021,076	9,271,024
Assigned	-	570,175	441,498	724,234	1,587,549	2,521,867	1,811,616	1,975,527	2,686,787	1,968,215
Unreserved/unassigned	6,489,409	5,381,543	4,847,648	4,673,073	5,381,936	5,569,212	5,548,543	5,639,310	7,926,345	11,779,325
Total general fund	7,098,148	7,290,674	8,739,237	8,985,077	11,171,007	12,919,060	12,602,139	16,266,216	19,712,179	23,123,685
All other governmental funds:										
Non-spendable	-	544,266	260,964	262,318	263,948	377,847	233,492	3,592	14,748	268,579
Reserved/restricted	3,455,381	1,991,078	8,321,213	14,079,025	11,403,386	11,126,587	15,048,316	17,969,914	20,619,285	23,232,207
Committed	-	4,980,494	787,232	745,674	1,805,573	913,441	453,891	1,566,371	-	421,938
Assigned	-	2,280,930	2,474,649	1,505,368	1,529,650	2,185,102	2,209,352	2,207,475	2,612,252	2,634,885
Unreserved/unassigned	5,255,550	-	-	-	(295,629)	-	-	-	-	(7,459)
Total all governmental funds	\$ 15,809,079	\$ 17,087,442	\$ 20,583,295	\$ 25,577,462	\$ 25,877,935	\$ 27,522,037	\$ 30,547,190	\$ 38,013,568	\$ 42,958,464	\$ 49,673,835

Notes:

- The City changed its accounting for trust deeds resulting in a restatement of the be
- GASB #54 was adopted in fiscal year 2011 which changed fund balance classification to depict the relative strength of spending constraints. Previou
- The City adopted GASB 63 and 65 during fiscal year 2012-13. Beginning fund balances were restated to reflect the implemer

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue										
Taxes	\$ 32,958,572	\$ 32,601,169	\$ 34,821,993	\$ 33,949,025	\$ 35,309,085	\$ 35,240,503	\$ 35,222,815	\$31,324,060	\$31,403,680	\$31,617,781
Other tax related revenue	1,085,826	1,066,026	1,132,535	2,012,014	2,289,586	2,197,581	4,411,948	4,311,906	3,792,616	4,204,469
Licenses and permits	589,383	826,957	697,201	687,480	705,846	615,087	780,344	760,582	826,676	885,657
Federal grants	720,821	639,710	768,916	583,218	512,378	1,790,873	1,506,675	812,980	762,963	1,068,834
Intergovernmental - other	6,999,278	7,172,217	9,285,967	8,980,832	8,082,919	8,440,204	9,796,443	17,491,895	19,085,743	20,717,651
Charges for services	3,955,473	3,903,492	3,895,197	3,738,361	3,781,899	3,934,671	3,959,152	3,918,037	4,115,727	4,164,577
Use and admission charges	202,759	256,399	266,000	282,393	304,482	289,388	320,406	340,977	359,536	359,670
Interest income	106,028	72,980	59,313	44,671	50,441	44,947	87,527	146,017	345,483	905,355
Contributions and other revenues	1,671,296	2,041,456	2,043,569	4,787,548	3,666,261	2,361,388	2,250,039	5,340,085	5,479,693	4,081,296
Total revenue	<u>48,289,436</u>	<u>48,580,406</u>	<u>52,970,691</u>	<u>55,065,542</u>	<u>54,702,897</u>	<u>54,914,642</u>	<u>58,335,349</u>	<u>64,446,539</u>	<u>66,172,117</u>	<u>68,005,290</u>
Expenditures										
Current:										
General government	6,416,283	6,361,299	6,965,868	6,712,848	6,129,936	6,456,864	6,974,805	6,921,098	6,387,388	6,659,851
Public safety	14,867,678	15,779,974	15,182,480	15,724,988	15,942,908	15,826,112	16,553,084	17,176,276	17,984,990	18,404,650
Public works	5,988,481	5,850,900	5,361,940	5,858,277	5,860,312	5,744,942	6,017,698	5,552,957	5,851,922	6,242,788
Sanitation	2,480,790	2,491,420	2,542,662	2,450,295	3,116,963	3,214,241	3,058,597	3,538,019	3,985,581	3,817,907
Community and economic development	1,077,207	579,551	1,116,817	566,585	987,265	1,072,069	1,146,158	714,613	799,143	933,156
Parks and recreation	3,971,848	4,262,675	4,773,512	4,888,990	4,625,415	4,832,184	5,313,123	5,669,618	5,717,471	5,703,912
Library and community television	4,270,662	4,161,210	4,132,462	4,079,055	4,465,518	4,185,644	4,257,415	4,497,794	4,599,276	4,595,037
Airport	285,333	326,472	429,792	362,084	357,187	313,461	288,406	272,336	311,268	311,360
Transportation	1,693,097	1,629,824	1,715,709	1,819,483	1,776,592	1,822,045	1,869,850	1,990,729	2,095,573	2,082,808
Other functions	1,216	-	-	-	-	-	-	-	-	-
Capital outlay	3,400,930	3,287,839	4,596,798	4,125,670	7,701,939	6,765,986	6,695,692	7,324,069	10,555,931	9,479,512
Debt service										
Principal retirement	930,000	965,000	1,000,000	1,040,000	1,085,000	1,130,000	1,175,000	1,365,000	1,400,000	1,450,000
Interest and fiscal charges	686,907	652,854	618,243	582,106	546,394	501,793	455,878	200,244	166,825	112,420
Bond issuance costs	-	-	-	-	-	-	62,413	-	-	-
Total expenditures	<u>46,070,432</u>	<u>46,349,018</u>	<u>48,436,283</u>	<u>48,210,381</u>	<u>52,595,429</u>	<u>51,865,341</u>	<u>53,868,119</u>	<u>55,222,753</u>	<u>59,855,368</u>	<u>59,793,401</u>
Excess of revenue over (under) expenditures	<u>2,219,004</u>	<u>2,231,388</u>	<u>4,534,408</u>	<u>6,855,161</u>	<u>2,107,468</u>	<u>3,049,301</u>	<u>4,467,230</u>	<u>9,223,786</u>	<u>6,316,749</u>	<u>8,211,889</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Proceeds from sale of capital assets	\$ 373,270	\$ 12,416	\$ 303,677	\$ -	\$ 292,266	\$ 275,233	\$ 418,550	\$ 24,076	\$ 17,961	\$ 13,916
Issuance of debt	-	-	-	-	-	-	7,725,000	-	-	-
Bond discount	-	-	-	-	-	-	(7,662,587)	-	-	-
Operating transfers in	6,112,146	5,475,599	5,365,648	5,775,177	5,447,117	5,950,157	6,821,336	8,009,720	7,484,854	7,516,277
Operating transfers out	(7,228,724)	(6,441,040)	(6,707,880)	(7,636,171)	(7,546,379)	(7,630,589)	(8,744,376)	(9,791,204)	(8,874,668)	(9,026,711)
Total other financing sources (uses)	<u>(743,308)</u>	<u>(953,025)</u>	<u>(1,038,555)</u>	<u>(1,860,994)</u>	<u>(1,806,996)</u>	<u>(1,405,199)</u>	<u>(1,442,077)</u>	<u>(1,757,408)</u>	<u>(1,371,853)</u>	<u>(1,496,518)</u>
Net change in fund balances	1,475,696	1,278,363	3,495,853	4,994,167	300,472	1,644,102	3,025,153	7,466,378	4,944,896	6,715,371
Fund balances - beginning of year	<u>14,333,383</u>	<u>15,809,079</u>	<u>17,087,442</u>	<u>20,583,295</u>	<u>25,577,463</u>	<u>25,877,935</u>	<u>27,522,037</u>	<u>30,547,190</u>	<u>38,013,568</u>	<u>42,958,464</u>
Fund Balances - end of year	<u>\$ 15,809,079</u>	<u>\$ 17,087,442</u>	<u>\$ 20,583,295</u>	<u>\$ 25,577,462</u>	<u>\$ 25,877,935</u>	<u>\$ 27,522,037</u>	<u>\$ 30,547,190</u>	<u>\$ 38,013,568</u>	<u>\$ 42,958,464</u>	<u>\$ 49,673,835</u>
Debt service as a percentage of noncapital expenditures	3.82%	3.85%	3.70%	3.70%	3.62%	3.73%	3.39%	3.24%	3.11%	3.06%

Notes:

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

Source: City's Comprehensive Annual Financial Report

Revenue Capacity

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

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

Taxable Value by Property Type:

Real property:

Tax Year	Residential	Commercial	Industrial	Personal Property	IFT	Total Taxable	Tax Rate (mills)	Total Assessed Value	Taxable Value as a % of Assessed
2009	\$ 979,020,097	\$ 297,391,800	\$ 437,612,915	\$ 443,958,900	\$ 186,616,300	\$ 2,344,600,012	13.94	\$ 2,390,601,500	98.08%
2010	951,562,970	316,006,033	611,162,938	424,376,400	215,828,097	2,518,936,438	13.94	2,563,694,950	98.25%
2011	952,144,178	327,111,317	638,919,909	444,685,633	210,469,800	2,573,330,837	14.79	2,619,321,633	98.24%
2012	958,884,435	330,886,336	257,136,486	654,870,458	201,655,272	2,403,432,987	14.79	2,441,872,370	98.43%
2013	959,609,754	333,110,965	274,004,530	758,978,000	193,860,700	2,519,563,949	15.08	2,558,592,000	98.47%
2014	969,556,079	349,087,802	279,241,087	734,932,000	182,995,100	2,515,812,068	15.04	2,561,941,100	98.20%
2015	979,134,599	373,540,395	277,562,138	728,568,800	181,073,100	2,539,879,032	15.00	2,588,238,100	98.13%
2016	986,448,372	394,200,841	241,364,884	486,355,000	116,558,800	2,224,927,897	15.00	2,278,525,829	97.65%
2017	993,851,626	402,148,186	240,503,879	437,558,340	98,127,863	2,172,189,894	15.14	2,250,258,916	96.53%
2018	1,000,018,559	414,494,926	237,728,629	425,873,600	76,644,966	2,154,760,680	15.14	2,231,400,003	96.57%

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

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

Source: City Assessing Department

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

Millage Rates - Direct City Taxes				Overlapping Taxes														
Tax Year	General Operating	Debt	Total Direct Taxes*	City				Bay/Arenac Intermediate School District	Midland Intermediate School District	School: Homestead	School: Non-homestead	School: Commercial Property	School: Homestead Bullock Creek	School: Non-homestead Bullock Creek	School: Commercial Property Bullock			
	(1)			Midland County	Bay County	Delta College	State Education			Midland	Midland	Midland	Creek	Creek	Bullock	(2)		
2009	13.6700	0.2700	13.9400	8.8355	10.8138	2.0427	6.0000	(3)	4.9233	2.6756	2.7890	18.5000	8.7890	(2)	7.0000	25.0000	13.0000	(2)
2010	13.6700	0.2700	13.9400	8.8355	10.7138	2.0427	6.0000	(3)	4.9233	2.6756	2.7091	18.5000	8.7091	(2)	7.0000	25.0000	13.0000	(2)
2011	14.5000	0.2900	14.7900	8.8355	10.8138	2.0427	6.0000	(3)	4.9233	2.6756	2.0909	18.5000	8.0909	(2)	7.0000	25.0000	13.0000	(2)
2012	14.5000	0.2900	14.7900	8.8355	11.4638	2.0427	6.0000	(3)	4.9233	2.6756	1.9499	18.0000	7.9499	(2)	7.0000	25.0000	13.0000	(2)
2013	14.8000	0.2800	15.0800	9.1355	11.4638	2.0427	6.0000	(3)	4.9233	2.6756	1.7914	18.0000	6.7914	(2)	7.0000	25.0000	13.0000	(2)
2014	14.7600	0.2800	15.0400	8.8880	11.4638	2.0427	6.0000	(3)	4.9233	2.6756	1.7400	18.0000	8.7400	(2)	7.0000	25.0000	13.0000	(2)
2015	14.7400	0.2600	15.0000	9.9605	11.4638	2.0427	6.0000	(3)	4.9233	2.6756	4.7266	20.9500	10.7266	(2)	7.0000	25.0000	13.0000	(2)
2016	14.7409	0.2591	15.0000	9.9855	11.6138	2.0427	6.0000	(3)	4.9233	2.6756	4.5614	20.8800	10.5614	(2)	7.0000	25.0000	13.0000	(2)
2017	14.8781	0.2604	15.1385	10.2355	11.2138	2.0427	6.0000	(3)	4.9233	2.6756	4.4300	20.7200	10.4300	(2)	7.0000	25.0000	13.0000	(2)
2018	14.8779	0.2606	15.1385	10.4355	11.2138	2.0427	6.0000	(3)	4.9233	2.6756	4.4014	20.7200	10.4014	(2)	7.0000	25.0000	13.0000	(2)

* includes voter approved debt millage

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

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

Source: City Assessing Department

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

Tax Year	Overlapping Taxes				Total Tax Rate															
	School: Homestead		School: Non-homestead	School: Commercial Property	Non-homestead		Non-homestead Commercial	Non-homestead Industrial		Homestead Bullock Creek	Non-homestead Bullock Creek	Non-homestead Commercial	Non-homestead Industrial	Homestead		Non-homestead	Non-homestead Commercial	Non-homestead Industrial		
	Bay City	Bay City	Bay City	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Midland	Bay City	Bay City	Bay City	Bay City	Bay City		
2009	2.3500	20.3500	8.3500	(2) 36.2828	51.9938	42.2828	(2) 30.2828	(3) 40.4938	58.4938	46.4938	(2) 34.4938	(3) 40.0698	58.0698	46.0698	(2) 34.0698	(3) 40.4198	58.4198	46.4198	(2) 34.4198	(3) 40.4198
2010	2.8000	20.8000	8.8000	(2) 36.2029	51.9938	42.2029	(2) 30.2029	(3) 40.4938	58.4938	46.4938	(2) 34.4938	(3) 40.4198	58.4198	46.4198	(2) 34.4198	(3) 40.4198	58.4198	46.4198	(2) 34.4198	(3) 40.4198
2011	2.9900	20.9900	8.9900	(2) 36.4347	52.8438	42.4347	(2) 30.4347	(3) 41.3438	59.3438	47.3438	(2) 35.3438	(3) 41.5598	59.5598	47.5598	(2) 35.5598	(3) 41.5598	59.5598	47.5598	(2) 35.5598	(3) 41.5598
2012	2.9900	20.9900	8.9900	(2) 36.2937	52.3438	42.2937	(2) 30.2937	(3) 41.3438	59.3438	47.3438	(2) 35.3438	(3) 42.2098	60.2098	48.2098	(2) 36.2098	(3) 42.2098	60.2098	48.2098	(2) 36.2098	(3) 42.2098
2013	2.9900	20.9900	8.9900	(2) 36.7252	52.9338	41.7252	(2) 30.7252	(3) 41.9338	59.9338	47.9338	(2) 35.9338	(3) 42.4998	60.4998	48.4998	(2) 36.4998	(3) 42.4998	60.4998	48.4998	(2) 36.4998	(3) 42.4998
2014	2.9900	20.9900	8.9900	(2) 36.3863	52.6463	43.3863	(2) 30.3863	(3) 41.6463	59.6463	47.6463	(2) 35.6463	(3) 42.4598	60.4598	48.4598	(2) 36.4598	(3) 42.4598	60.4598	48.4598	(2) 36.4598	(3) 42.4598
2015	2.9900	20.9900	8.9900	(2) 40.4054	56.6288	46.4054	(2) 34.4054	(3) 42.6788	60.6788	48.6788	(2) 36.6788	(3) 42.4198	60.4198	48.4198	(2) 36.4198	(3) 42.4198	60.4198	48.4198	(2) 36.4198	(3) 42.4198
2016	2.9900	20.9900	8.9900	(2) 40.2652	56.5838	46.2652	(2) 34.2652	(3) 42.7038	60.7038	48.7038	(2) 36.7038	(3) 42.5698	60.5698	48.5698	(2) 36.5698	(3) 42.5698	60.5698	48.5698	(2) 36.5698	(3) 42.5698
2017	2.9900	20.9900	8.9900	(2) 40.5223	56.8123	46.5223	(2) 34.5223	(3) 43.0923	61.0923	49.0923	(2) 37.0923	(3) 42.3083	60.3083	48.3083	(2) 36.3083	(3) 42.3083	60.3083	48.3083	(2) 36.3083	(3) 42.3083
2018	2.9900	20.9900	8.9900	(2) 40.6937	57.0123	46.6937	(2) 34.6937	(3) 43.2923	61.2923	49.2923	(2) 37.2923	(3) 42.3083	60.3083	48.3083	(2) 36.3083	(3) 42.3083	60.3083	48.3083	(2) 36.3083	(3) 42.3083

* includes voter approved debt millage

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

(2) Public Act 37 of 2007 amended MCL 380.1211 to exempt Commercial Personal Property from up to 12 mills of local school district operating millage.
 (3) Public Act 38 of 2007 amended MCL 211.903, to exempt all property classified as Industrial Personal Property from payment of the State Education Tax (SET).
 Public Act 37 of 2007 amended MCL 380.1211 to exempt Industrial Personal Property from up to 18 mills of school operating millage.

Source: City Assessing Department

City of Midland, Michigan
Principal Property Tax Payers

Taxpayer	2019 Taxable Value	Percentage of total	2010 Taxable Value	Percentage of total	2010 rank
1 Dow/Dow Dupont	\$ 259,441,550	12.34%	\$ 500,687,164	21.74%	2
2 Midland Cogeneration Venture	201,885,200	9.60%	421,042,200	18.28%	1
3 Consumers Energy Company	32,655,464	1.55%	19,811,708	0.72%	4
4 Midland Downtown Partners LLC	19,523,918	0.93%	-	-	-
5 DDP Specialty Electronic Materials	18,212,100	0.87%	-	-	-
6 Tarbert Properties LLC	10,185,300	0.48%	-	-	-
7 Cabot Corporation	10,119,771	0.48%	-	-	-
8 Midland Country Club	9,949,900	0.47%	-	-	-
9 Midland Mall Realty Holdings	9,365,300	0.45%	-	-	-
10 H Hotel	9,244,984	0.44%	9,481,433	0.41%	6
Total	<u>\$ 580,583,487</u>	<u>27.61%</u>	<u>\$ 951,022,505</u>	<u>41.15%</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 *	Total Adjusted Levy	Collected within the Fiscal Year of the Levy	Percentage of Original Levy Collected	Collections in Subsequent Years	Total Collections to Date	Percentage of Total Collections to Adjusted Tax Levy
2010	\$ 30,629,774	\$ (6,167)	\$ 30,623,607	\$ 30,623,319	99.98%	\$ (824)	\$ 30,622,495	100.00%
2011	32,973,831	(498)	32,973,333	30,314,659	91.94%	2,658,664	32,973,323	100.00%
2012	35,569,456	(2,844,831)	32,724,625	32,715,296	91.98%	(8,732)	32,706,564	99.94%
2013	32,972,444	(89,110)	32,883,334	32,761,640	99.36%	112,994	32,874,634	99.97%
2014	33,821,073	(67,171)	33,753,902	33,743,484	99.77%	1,870	33,745,354	99.97%
2015	33,813,675	(24,802)	33,788,873	33,737,447	99.77%	45,262	33,782,709	99.98%
2016	34,264,769	(229,172)	34,035,597	34,027,775	99.31%	1,855	34,029,630	99.98%
2017	30,664,023	(403,604)	30,260,419	30,252,846	98.66%	1,442	30,254,288	99.98%
2018	30,363,382	(35,822)	30,327,560	30,302,342	99.80%	10,595	30,312,937	99.95%
2019	30,630,015	(136,435)	30,493,580	30,478,555	99.51%	-	30,478,555	99.95%

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

Source: City Treasurer's Office

Debt Capacity

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

City of Midland, Michigan
Ratios of Outstanding Debt

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
General obligation bonds	\$ 15,754,036	\$ 20,771,216	\$ 19,559,396	\$ 18,408,507	\$ 17,092,657	\$ 15,721,807	\$ 14,980,000	\$ 13,350,000	\$ 11,680,000	\$ 6,000,000
Capital leases	614,097	409,524	209,187	-	-	-	-	-	-	-
Total governmental activities	<u>16,368,133</u>	<u>21,180,740</u>	<u>19,768,583</u>	<u>18,408,507</u>	<u>17,092,657</u>	<u>15,721,807</u>	<u>14,980,000</u>	<u>13,350,000</u>	<u>11,680,000</u>	<u>6,000,000</u>
Business-type activities										
General obligation bonds	17,379,872	16,344,992	15,245,399	14,779,063	13,474,063	12,184,064	10,754,064	9,264,064	7,814,063	10,219,063
Revenue bonds	-	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	120,703	94,927	68,266
Total business-type activities	<u>17,379,872</u>	<u>16,344,992</u>	<u>15,245,399</u>	<u>14,779,063</u>	<u>13,474,063</u>	<u>12,184,064</u>	<u>10,754,064</u>	<u>9,384,767</u>	<u>7,908,990</u>	<u>10,287,329</u>
Total debt of the government	<u>\$ 33,748,005</u>	<u>\$ 37,525,732</u>	<u>\$ 35,013,982</u>	<u>\$ 33,187,570</u>	<u>\$ 30,566,720</u>	<u>\$ 27,905,871</u>	<u>\$ 25,734,064</u>	<u>\$ 22,734,767</u>	<u>\$ 19,588,990</u>	<u>\$ 16,287,329</u>
Total population (1)	40,807	41,863	41,863	42,020	42,202	42,181	42,200	42,096	41,950	41,800
Total debt per capita	\$ 827	\$ 896	\$ 836	\$ 790	\$ 724	\$ 662	\$ 610	\$ 540	\$ 467	\$ 390
Total per capita personal income (2)	\$ 29,946	\$ 30,803	\$ 30,574	\$ 32,185	\$ 31,540	\$ 31,627	\$ 30,715	\$ 31,343	\$ 32,039	\$ 34,147
Total debt per capita personal income	\$ 1,153	\$ 1,243	\$ 1,145	\$ 1,031	\$ 969	\$ 882	\$ 838	\$ 725	\$ 611	\$ 477
Total taxable value	\$ 2,157,983,712	\$ 2,303,108,341	\$ 2,362,861,037	\$ 2,201,777,715	\$ 2,325,703,249	\$ 2,332,816,968	\$ 2,358,805,932	\$ 2,108,369,097	\$ 2,078,340,133	\$ 2,082,641,028
Ratio of total debt to taxable value	1.56%	1.63%	1.48%	1.51%	1.31%	1.20%	1.09%	1.08%	0.94%	0.78%

(1) Estimates provided by City Planning Department

(2) US Bureau of Census

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

City of Midland, Michigan
Ratios of General Bonded Debt Outstanding

Fiscal Year	General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Business Type Debt	Net General Bonded and Business Type Debt	Debt Per Capita	Per Capita Income	% of Personal Income
2010	\$ 15,754,036	\$ 2,157,983,712	0.730%	40,807 (1)	\$ 17,379,872	\$ 29,999,944	\$ 735	\$ 29,946 (2)	2.45%
2011	20,771,216	2,303,108,341	0.902%	41,863 (1)	16,344,992	33,883,116	809.38	30,803 (2)	2.63%
2012	19,559,396	2,362,861,037	0.828%	41,863 (1)	15,245,399	31,490,293	752.22	30,574 (2)	2.46%
2013	18,408,507	2,201,777,715	0.836%	42,020 (1)	14,779,063	29,815,482	709.55	32,185 (2)	2.20%
2014	17,092,657	2,325,703,249	0.735%	42,202 (1)	13,474,063	27,111,413	642.42	31,540 (2)	2.04%
2015	15,721,807	2,332,816,968	0.674%	42,181 (1)	12,184,064	24,391,315	578.25	31,627 (2)	1.83%
2016	14,980,000	2,358,805,932	0.635%	42,200 (1)	10,754,064	22,148,810	524.85	30,715 (2)	1.71%
2017	13,350,000	2,108,369,097	0.633%	42,096 (2)	9,264,064	19,012,116	451.64	31,343 (2)	1.44%
2018	11,680,000	2,078,340,133	0.562%	41,950 (2)	7,814,063	15,879,843	378.54	32,039 (2)	1.18%
2019	6,000,000	2,082,641,028	0.288%	41,800 (2)	10,219,063	12,482,134	298.62	34,147 (2)	0.87%

(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	\$ 6,000,000	100.00%	\$ 6,000,000
Overlapping debt:			
Bay City School District	52,640,000	0.26%	136,864
Bullock Creek School District	11,180,000	3.99%	446,082
Midland School District	81,265,000	80.64%	65,532,096
Bay County	2,762,494	0.16%	4,420
Midland County	28,572,914	58.80%	16,800,873
Bay-Arenac Intermediate School District	<u>1,845,000</u>	0.14%	<u>2,583</u>
Total overlapping debt	<u>178,265,408</u>		<u>82,922,918</u>
Total	<u>\$ 184,265,408</u>		<u>\$ 88,922,918</u>

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

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 239,060,150	\$ 256,369,495	\$ 261,932,163	\$ 244,187,237	\$ 255,859,200	\$ 256,194,110	\$ 258,823,810	\$ 227,852,583	\$ 225,025,892	\$ 223,140,000
Total net debt applicable to limit	<u>33,133,908</u>	<u>37,116,208</u>	<u>34,804,795</u>	<u>33,187,570</u>	<u>30,566,720</u>	<u>27,905,871</u>	<u>25,734,064</u>	<u>22,614,064</u>	<u>19,494,063</u>	<u>16,219,063</u>
Legal debt margin	<u>\$ 205,926,242</u>	<u>\$ 219,253,287</u>	<u>\$ 227,127,368</u>	<u>\$ 210,999,667</u>	<u>\$ 225,292,480</u>	<u>\$ 228,288,239</u>	<u>\$ 233,089,746</u>	<u>\$ 205,238,519</u>	<u>\$ 205,531,829</u>	<u>\$ 206,920,937</u>
Total net debt applicable to the limit as a percentage of debt limit	13.86%	14.48%	13.29%	13.59%	11.95%	10.89%	9.94%	9.92%	8.66%	7.27%

Legal Debt Margin Calculation for Fiscal Year 2019

Debt limit:	
2018 state equalized valuation	\$ 2,231,400,003
Debt limit (10% of state equalized valuation) (1)	x <u>10.00%</u>
Total debt limit	<u>223,140,000</u>
Debt applicable to debt limit:	
Total bonded debt	16,219,063
Less: deductions allowed by law:	<u>-</u>
Total amount of debt applicable to debt limit	<u>16,219,063</u>
Legal debt margin	<u>\$ 206,920,937</u>

Limitations on borrowing

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

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

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

City of Midland, Michigan
Pledged-Revenue Coverage

Fiscal Year	Water Revenue Bonds							Coverage
	Gross Revenues	Operating Expenses	Net Revenues	Debt service			Total	
				Principal	Interest			
2010	\$ 11,216,050	\$ 8,017,287	\$ 3,198,763	\$ -	\$ -	\$ -	\$ -	
2011	11,499,995	8,180,881	3,319,114	-	-	-	-	
2012	11,535,436	9,457,224	2,078,212	-	-	-	-	
2013	11,723,866	9,915,667	1,808,199	-	-	-	-	
2014	12,037,632	10,344,900	1,692,732	-	-	-	-	
2015	11,824,433	10,386,152	1,438,281	-	-	-	-	
2016	11,986,070	10,045,632	1,940,438	-	-	-	-	
2017	12,018,253	9,774,005	2,244,248	-	-	-	-	
2018	12,718,643	10,287,038	2,431,605	-	-	-	-	
2019	12,334,435	11,118,303	1,216,132	-	-	-	-	

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)
2010	40,807 (1)	25,723	(2) 29,946	36.5	7.5
2011	41,863 (1)	26,776	(2) 30,803	36.8	6.6
2012	41,863 (1)	26,446	(2) 30,574	36.5	5.7
2013	42,020 (1)	27,811	(2) 32,185	37.6	6.1
2014	42,202 (1)	27,575	(2) 31,540	37.4	5.0
2015	42,181 (1)	28,316	(2) 31,627	37.3	4.2
2016	42,200 (1)	29,749	(2) 30,715	37.4	3.4
2017	42,096 (2)	30,531	(2) 31,343	38.9	3.3
2018	41,950 (2)	29,732	(2) 32,039	38.6	3.4
2019	41,800 (2)	31,695	(2) 34,147	38.7	3.2

(1) Estimates provided by City Planning Department

(2) U.S. Bureau of the Census

City of Midland, Michigan
Principal Employers

Taxpayer	2019 Employees (2)(3)	Percentage of Total	2010 Employees	Percentage of Total	2010 Rank
1 MidMichigan Health	4,406	20.78%	3,200	13.89%	2
2 Dow Inc.	4,000	18.87%	(1)	(1)	(1)
3 DuPont	1,200	5.66%	(1)	(1)	(1)
4 Midland Public School District	898	4.24%	1,100	4.77%	4
5 Corteva Agriscience	800	3.77%	(1)	(1)	(1)
6 Chemical Bank	550	2.59%	460	2.00%	5
7 City of Midland	492	2.32%	460	2.00%	6
8 Greater Midland	410	1.93%	(1)	(1)	(1)
9 Three Rivers Corporation	410	1.93%	(1)	(1)	(1)
10 County of Midland	350	1.65%	330	1.43%	8

(1) Information not available

(2) Source: Midland Tomorrow, 2019

(3) Full-time equivalents

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
City Manager	4	3	4	2	2	2	2	2	2	2
City Clerk	4	4	4	4	4	4	4	4	4	4
City Treasurer	4	4	4	4	4	4	4	4	4	4
Assessing	5	4	4	4	4	4	4	4	4	4
City Attorney	3	3	3	3	3	3	3	2	2	2
Finance	8	8	8	8	8	8	8	9	8	8
Human Resources/Risk Management	4	4	4	4	4	4	4	4	4	4
Purchasing	1	1	1	1	1	1	1	-	-	-
Public safety:										
Police	51	50	50	50	50	50	50	50	50	50
Fire	46	46	46	46	46	46	46	46	46	46
Building inspection	6	6	6	6	6	6	6	6	6	6
Planning	4	4	4	4	4	4	4	4	4	4
Public works:										
Engineering	14	12	12	12	12	12	12	12	12	12
Public Works	34	33	31	30	30	29	27	29	29	29
Sanitation	5	5	5	5	5	7	7	5	5	5
Parks and recreation	29	25	26	26	26	24	26	25	25	25
Grace A. Dow Library	20	19	19	18	18	18	18	18	18	18
Downtown Development Authority	1	-	-	-	1	1	1	1	1	1
Dial-A-Ride	6	6	5	5	5	5	6	6	6	6
Civic Arena	2	2	2	2	2	2	2	2	2	2
Landfill	9	9	9	9	10	10	10	10	11	11
Senior Housing										
Washington Woods	6	6	6	6	6	6	6	6	6	5
Riverside Place	6	6	6	6	6	6	6	5	5	5
Currie Municipal Golf Course	4	7	7	7	7	-	-	-	-	-
Wastewater	20	20	20	20	20	20	20	20	20	20
Water	35	34	34	33	33	33	32	32	32	32
Midland Community Television	3	3	3	3	3	3	3	3	3	3
Equipment Revolving	15	15	15	15	13	13	13	13	13	13
Municipal Service Center	1	1	1	1	1	-	-	-	-	-
Information Services - Operations	6	6	6	5	5	5	5	5	5	5
Geographic Information Systems	2	1	1	-	-	-	-	-	-	-
Total	358	347	346	339	339	330	330	327	327	326

Source: City of Midland Annual Budget

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Building permits issued	3,023	3,789	3,594	3,020	2,727	2,504	3,055	3,151	3,540	3,547
Building inspections conducted (1)	7,211	5,959	3,377	3,502	3,404	4,174	3,303	2,616	3,229	4,300
Public safety										
Police										
Physical arrests	1,069	1,425	1,182	1,018	1,524	1,240	1,236	1,127	924	726
Traffic violations	4,679	4,009	4,294	4,549	3,989	3,988	3,905	3,805	2,516	3,402
Investigations/complaints	13,883	13,833	13,840	13,683	13,915	13,436	14,294	14,087	12,968	12,229
Fire										
Fire runs	109	82	97	118	70	80	86	64	87	77
Rescue/medical	3,018	2,999	3,018	3,127	3,141	3,147	3,192	3,474	3,354	3,466
Hazardous	322	458	339	317	391	333	292	421	386	279
All other calls	1,002	1,165	1,299	1,359	1,361	1,376	1,320	1,441	1,478	1,415
Public works										
Street maintenance (millions of dollars)	\$ 1.73	\$ 1.93	\$ 1.56	\$ 1.65	\$ 2.20	\$ 1.94	\$ 1.91	\$ 2.21	\$ 2.42	\$ 2.56
Sidewalk maintenance (thousands of dollars)	\$ 364.99	\$ 218.50	\$ 121.47	\$ 117.48	\$ 148.40	\$ 143.06	\$ 268.88	\$ 169.70	\$ 117.91	\$ 137.68
Refuse collected (compacted cubic yards)	52,364	49,482	46,343	42,420	54,157	57,006	48,589	57,528	56,303	49,230
Brush and heavy item (cubic yards)	51,306	52,073	54,039	43,591	58,300	54,527	56,722	52,475	61,081	52,177
Fall leaf collection (cubic yards)(2)	17,970	15,421	17,616	16,956	16,050	16,728	15,598	18,650	15,025	21,600
Parks and recreation										
Softball teams supported	263	260	236	201	204	195	196	202	190	189
Picnic reservations (sheltered and open area)	603	621	626	543	550	546	613	684	605	615
Library										
Volumes in collection	262,065	257,203	256,631	253,104	249,169	248,849	242,440	238,196	241,313	211,072
Circulation (books borrowed)	860,380	846,487	814,529	789,851	745,669	721,496	710,047	669,424	591,957	658,694
Airport (take-offs and landings)	9,083	9,424	9,578	8,061	7,851	7,465	7,850	10,571	10,685	7,114
Landfill										
Vehicle traffic	31,235	31,947	28,817	28,201	28,863	29,349	32,294	34,987	36,732	34,534
Tons per day	483	699	556	615	526	489	742	917	477	503
Senior housing apartment complexes										
Washington Woods										
Occupancy	99.0%	96.0%	94.0%	98.0%	96.0%	95.9%	91.0%	83.0%	83.0%	91.0%
Percent turnover	15%	24%	29%	28%	28%	22%	11%	22%	19%	17%
Average age of residents	83	81	80	80	79	78	78	78	79	79
Riverside Place										
Occupancy	100%	100%	100%	100%	100%	99%	99%	98%	98%	98%
Percent turnover	21%	25%	24%	26%	26%	33%	33%	23%	15%	16%
Average age of residents	87	87	87	86	85	86	86	85	86	85

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

<u>Function/ Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public transportation (passengers served)	129,491	126,846	129,674	113,893	107,181	103,306	103,610	112,274	110,848	109,350
Sewer										
Average daily sewage treatment (MGD)	6.58	7.23	6.14	7.41	6.72	6.27	7.98	8.19	7.65	8.35
Annual sewage treatment (MG)	2,393.76	2,640.53	2,419.16	2,703.48	2,450.27	2,287.28	2,921.85	2,990.56	2,790.31	3,047.14
Water										
Finished water pumped (MG)										
Domestic	3,375.07	3,445.52	3,479.23	3,348.42	3,261.59	3,100.10	3,246.75	3,286.57	3,352.63	3,175.00
Industrial	3,561.20	3,695.13	4,172.44	3,790.94	3,752.69	3,894.11	4,057.97	4,161.28	4,193.66	4,118.03
Total	6,936.27	7,140.65	7,651.67	7,139.36	7,014.28	6,994.21	7,304.72	7,447.85	7,546.29	7,293.03

NA - Information not available

MG - Million gallons

MGD - Million gallons/day

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

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

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

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

Function/ Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	13	13	14	15	15	15	15	14	14	14
Detective vehicles	4	4	4	4	4	5	5	5	5	5
SWAT van	1	1	1	1	1	1	1	1	1	1
Administrative and warrant officer vehicle	4	2	3	3	3	3	3	3	3	3
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire response vehicles	6	6	6	6	6	6	6	6	6	6
Emergency response vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
Major streets (miles)	77	82	82	82	82	82	86	86	87	87
Local streets (miles)	156	151	151	152	152	153	150	150	149	143
State highways (miles)	16	16	16	16	16	16	16	16	16	16
Sidewalks (miles)	355	355	356	357	357	357	358	359	359	359
Traffic signals (city owned)	72	74	74	76	76	77	77	71	72	73
Refuse collection trucks	13	13	15	14	14	14	13	16	15	15
Parks and recreation										
Acreage	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Regional park and recreation areas	8	8	8	8	8	8	8	8	8	8
Community parks	7	7	7	7	7	7	7	7	7	7
Block and district parks	55	55	55	55	55	55	55	55	55	55
Golf courses										
9-hole municipal par-3	1	1	1	1	1	1	1	1	1	1
18-hole municipal	2	2	2	2	2	2	2	2	2	2
Golf course clubhouse	2	2	2	2	2	2	2	2	2	2
Ice arena (a)	1	1	1	1	1	1	1	1	1	1
Swimming pool	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Spray ground facilities (h)	2	2	2	2	2	2	2	2	2	2
Library branches	1	1	1	1	1	1	1	1	1	1
Airport										
Runways	2	2	2	2	2	2	2	2	2	2
Terminal building (b)	1	1	1	1	1	1	1	1	1	1
City-owned hangars (leased)	14	14	14	14	14	14	14	15	15	15

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

Function/ Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public transportation-Dial-A-Ride buses	14	14	14	14	14	14	14	14	14	14
Landfill										
Current airspace (compacted cubic yards) (c)(f)(g)	2,347,971	2,205,036	2,041,275	1,859,132	1,736,958	1,613,185	1,424,672	1,231,816	1,062,155	967,697
Total future airspace (compacted cubic yards) (d)	8,323,460	8,180,525	8,016,764	7,834,621	7,712,447	7,588,674	7,400,161	7,207,305	7,037,644	6,943,186
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)	197	197	197	197	197	197	199	199	199	200
Storm sewers (miles)	174	174	174	175	175	175	176	176	176	175
Treatment capacity (million gallons/day)	18	18	18	18	18	18	18	18	18	18
Water (e)										
Water mains (miles)	360	384	385	398	400	402	405	399	402	405
Fire hydrants	3,205	3,240	3,254	3,273	3,309	3,336	3,402	3,412	3,445	3,448
Storage capacity (million gallons)	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Treatment plant capacity (million gallons/day)										
Potable water	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8
Industrial grade water	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Total	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

NA - Information not available

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

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

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

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

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

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

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

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

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

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

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

December 18, 2019

Management and the City Council
City of Midland, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Midland (the City) as of and for the year ended June 30, 2019, and have issued our report dated December 18, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

We discussed these matters with various personnel in the City during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the footnotes of the financial statements. The City has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2018:

- No. 83, *Certain Asset Retirement Obligations*. The Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

We noted no transactions entered into by the City during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Estimate	Management's basis
Incurred but not reported health benefits	Historical claims and information provided by third party provider.
Other post employment benefits and the related deferred outflows and inflows of resources	Information provided by actuarial valuation report.
Landfill closure and postclosure costs	Based on landfill capacity to date and estimated costs set forth by the State and Federal governments.
Compensated absences	Based on accumulated vacation and sick days and salary and wage rates in effect.
Useful lives of capital assets	Based on length of time management believes those assets will provide some economic benefit in the future.
Net pension liability and the related deferred outflows and inflows of resources	Information provided by actuarial valuation report

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

The financial statement disclosures are neutral, consistent and clear.

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

Regulatory Update

Pension and OPEB Reporting – Form 5572

Public Act 202 of 2017 required governments to prepare additional reporting for pension and OPEB plans using Form 5572 (due 6 months after the end of your fiscal year). A memo was issued September 25, 2018 by Treasury regarding the application of uniform assumptions. For the purpose of reporting Form 5572, Treasury requires uniform assumptions to be included on Form 5572 for fiscal years ending 2019, if the audited financial statements were based on an actuarial valuation issued after December 31, 2018. Reporting of pension and OPEB liabilities under the uniform assumptions is required no later than fiscal years ending 2020 in all other cases. The full memo can be found at the following address:

https://www.michigan.gov/documents/treasury/Uniform_Assumption_Memo_signed_639123_7.pdf

Uniform assumptions will be used by Treasury to increase comparability of pension and OPEB plans from one municipality to the next. Treasury recommends all actuarial valuations issued after December 31, 2018 include the provisions of the uniform assumptions. It is important to consider whether using the uniform assumptions for the measurement of your municipality's pension or OPEB liabilities are appropriate under GAAP, or whether the liabilities should be calculated using two sets of assumptions. If using two sets of assumptions is appropriate, both amounts will be reported to Treasury.



ry has issued the following as the uniform assumptions for 2019:

Assumption	Uniform Assumption
Investment Rate of Return	Maximum of 7.00%
Discount Rate	Blended discount rate calculated using GASB Statements No. 68 and 75 methodology For periods in which projected plan assets are Sufficient to make Projected Benefit Payments: <u>Maximum of 7.00%</u> For periods in which projected plan assets are Not Sufficient to make Projected Benefit Payments: 3.00%
Salary Increase	A minimum of 3.50% or based on an actuarial experience study conducted within the last five years.
Mortality Table	A version of the RP-2014 Mortality Table or based on an actuarial experience study conducted within the last five years.
Healthcare Inflation (for Medical and Drug) ¹	Non-Medicare: Initial rate of 8.50% decreasing .25% per year to a 4.50% long-term rate Medicare: Initial rate of 7.00% decreasing .25% per year to a 4.50% long-term rate
Amortization of the Unfunded Actuarial Accrued liability	Local units must amortize the unfunded actuarial accrued liability (UAAL) over a maximum closed period of: <ul style="list-style-type: none"> • Pension Systems: 20 Years • Retiree Healthcare Systems: 30 Years Closed plans must use a level dollar amortization method. Open plans may use a level dollar or percent of pay amortization method.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management’s Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with

determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Emphasis of Matter in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Prior Period Adjustment

As described in Note 21 to the financial statements, a prior period adjustment was made to transfer beginning net assets from the Renewable Energy Fund to the Sanitary Landfill Fund. Our opinion is not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to the management's discussion and analysis, municipal employees retirement system schedules, other postemployment benefit schedules, and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the list of Principal Officials, which accompany the financial statements but are not RSI. Such information has 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 it.

The City's audited financial statements are included in their comprehensive annual financial report. Our responsibility for the other information contained in the comprehensive annual financial report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate the other information contained in the introductory section and statistical section. However, we read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, was materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Restriction on Use

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

Yeo & Yeo, P.C.

Midland, Michigan

City of Midland, Michigan

Single Audit Report

June 30, 2019



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

Management and City Council
City of Midland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Midland, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Midland, Michigan's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Midland, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Midland, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Midland, Michigan's internal control.

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

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

As part of obtaining reasonable assurance about whether City of Midland, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Midland, Michigan
December 18, 2019

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and City Council
City of Midland, Michigan

Report on Compliance for Each Major Federal Program

We have audited City of Midland, Michigan's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Midland, Michigan's major federal programs for the year ended June 30, 2019. City of Midland, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Midland, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Midland, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Midland, Michigan's compliance.

In our opinion, the City of Midland, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Transportation Fund (Dial-A-Ride)

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Midland, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Midland, Michigan's basic financial statements. We issued our report thereon dated December 18, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards required by the Uniform Guidance and Transportation Fund (Dial-A-Ride) Schedules 1, 1A, 2, 2A, 2B, 3A, 3B, 4E, 4R, 4N, 5, and 6 required by the Michigan Department of Transportation are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information

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 schedule of expenditure of federal awards and Transportation Fund (Dial-A-Ride) Schedules 1, 1A, 2, 2A, 2B, 3A, 3B, 4E, 4R, 4N, 5, and 6 are fairly stated in all material respects in relation to the basic financial statements as a whole. The Transportation Fund (Dial-A-Ride) unaudited Schedule 4N has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion of provide any assurance on it.

Yeo & Yeo, P.C.

Midland, Michigan
December 18, 2019

City of Midland, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

	CFDA Number	Federal or Pass-Through Grant Number	Award Amount	Federal Expenditures	Current Year Cash Transferred to Subrecipients
U.S. Department of Housing and Urban Development					
Community Development Block Grant Entitlement Cluster					
Community Development Block Grant Entitlement	14.218	B-17-MC-26-0037	\$ 233,830	\$ 138,581	\$ 138,581
Community Development Block Grant Entitlement		B-18-MC-26-0037	261,584	167,844	167,844
Total Community Development Block Grant Entitlement Cluster			<u>495,414</u>	<u>306,425</u>	<u>306,425</u>
U.S. Department of Justice					
Passed through the Office of Justice Programs					
Bulletproof Vest Partnership Program	16.607	2016BUBX	9,600	3,575	-
		2018BUBX	4,745	3,590	-
			<u>14,345</u>	<u>7,165</u>	<u>-</u>
U.S. Department of Transportation					
Passed through the Michigan Department of Transportation					
Airport Improvement Program	20.106	B-26-0066-1916	33,309	29,883	-
Airport Improvement Program		B-26-0066-2017	195,190	13,145	-
Airport Improvement Program		B-26-0066-2018	234,900	180	-
			<u>463,399</u>	<u>43,208</u>	<u>-</u>
Highway Planning and Construction	20.205	2017-5034	278,983	278,288	-
Highway Planning and Construction		2017-5052	276,384	29,758	-
			<u>555,367</u>	<u>308,046</u>	<u>-</u>
Passed through the Michigan Department of Transportation via the Midland Area Transportation Study					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research					
Planning Assistance	20.505	2018-0026/Z4	38,875	10,152	-
Planning Assistance		2019-0026/Z4	33,775	23,828	-
Planning Assistance		2019-0026	33,710	1,643	-
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			<u>106,360</u>	<u>35,623</u>	<u>-</u>
Federal Transit Cluster					
Federal Transit Formula Grants	20.507	MI-2017-019-00	712,719	450,916	-
Federal Transit Formula Grants		MI-2018-012-00	782,465	153,834	-
Total Federal Transit Formula Grants			<u>1,495,184</u>	<u>604,750</u>	<u>-</u>
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs					
No Emissions Programs	20.526	MI-2017-019-00	64,419	57,770	-
No Emissions Programs		MI-2018-012-00	81,397	58,570	-
			<u>145,816</u>	<u>116,340</u>	<u>-</u>
Total Federal Transit Cluster			<u>1,641,000</u>	<u>721,090</u>	<u>-</u>
Total U.S. Department of Transportation			<u>2,766,126</u>	<u>1,107,967</u>	<u>-</u>
U.S. Department of Homeland Security					
Passed through the Michigan State Policy Emergency Management and Homeland Security Division					
Homeland Security Grant Program	97.067	EMW-2018-SS-00042	963,525	7,459	-
Total expenditures of federal awards			<u>\$ 4,239,410</u>	<u>\$ 1,429,016</u>	<u>\$ 306,425</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Midland, Michigan
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Midland, Michigan under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Midland, Michigan, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Midland, Michigan.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

City of Midland has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Federal revenue per the financial statements	\$ 1,068,834
Prior year deferred revenue - unavailable	(23,447)
Deferred revenue - unavailable	32,374
City-wide revenue for projects	<u>351,255</u>
Total expenditures of federal awards	<u>\$ 1,429,016</u>

City of Midland, Michigan
Schedule of Findings and Questioned Costs
June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.507 & 20.526	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

City of Midland, Michigan
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION II – *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2019.

SECTION III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.

City of Midland, Michigan
Summary Schedule of Prior Audit Findings
June 30, 2019

SECTION IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2018.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2018.

Supplementary Information
Transportation Fund (Dial-A-Ride)

City of Midland, Michigan
Schedule 1
Transportation Fund (Dial-A-Ride)
Schedule of Local Revenues
For The Year Ended June 30, 2019

	July 1, 2018 to September 30, 2018	October 1, 2018 to June 30, 2019	Totals
Customer fares	\$ 27,379	\$ 94,529	\$ 121,908
Other local contracts/reimbursements	6,214	1,321	7,535
Sale of equipment	-	7,462	7,462
Total	\$ 33,593	\$ 103,312	\$ 136,905

City of Midland, Michigan
Schedule 1A
Transportation Fund (Dial-A-Ride)
Schedule of Local Revenues
Based on September 30, 2018 Year End

	October 1, 2017 to June 30, 2018	July 1, 2018 to September 30, 2018	Totals
Customer fares	\$ 96,152	\$ 27,379	\$ 123,531
Other local contracts/reimbursements	2,072	6,214	8,286
Total	<u>\$ 98,224</u>	<u>\$ 33,593</u>	<u>\$ 131,817</u>

**City of Midland, Michigan
Schedule 2
Transportation Fund (Dial-A-Ride)
Expenditures of Federal and State Awards
For The Year Ended June 30, 2019**

Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Award Amount	Current Year's Expenditures			Prior Years' Expenditures	Excess Eligible Expenditures	Award Amount Remaining
				Total	Federal	State			
U.S. Department of Transportation									
Direct Assistance									
Federal Transit Operating Grant -- Section 5307	20.507	MI-2017-019	\$ 640,719	\$ 414,916	\$ 414,916	\$ -	\$ 225,803	\$ -	\$ -
Federal Transit Operating Grant-- Section 5307	20.507	MI-2018-012	692,465	137,834	137,834	-	-	-	554,631
Other Capital- Preventive Maintenance -- Section 5307	20.507	MI-2017-019	90,000	45,000	36,000	9,000	45,000	-	-
Other Capital- Preventive Maintenance -- Section 5307	20.507	MI-2018-012	112,500	20,000	16,000	4,000	45,000	-	47,500
Passed through Michigan Department of Transportation									
Federal Transit Capital Grants									
Capital Grant--Section 5339 (80/20) (2017)	20.526	MI-2017-019	80,524	72,213	57,770	14,443	-	-	8,311
Capital Grant--Section 5339 (80/20) (2017)	20.526	MI-2018-012	3,398	3,398	2,719	679	-	-	-
Capital Grant--Section 5339 (80/20) (2018)	20.526	MI-2018-012	98,348	69,815	55,851	13,964	-	-	28,533
Passed through Michigan Department of Transportation via the Midland Area Transportation Study									
Planning Assistance - Section 5303 (FY 2017)	20.505	2018-0026/Z4	38,875	10,152	10,152	-	27,337	-	1,386
Planning Assistance - Section 5303 (FY 2018)	20.505	2019-0026/Z4	33,775	23,828	23,828	-	-	-	9,947
Total U.S. Department of Transportation			1,790,604	797,156	755,070	42,086	343,140	-	650,308
Michigan Department of Transportation									
Operating Assistance - Act 51 - FY 2018									
Adjust PY reported for award adjustments	N/A		792,353	173,767	-	173,767	616,208	-	2,378
			9,580	9,580	-	9,580	-	-	-
Operating Assistance - Act 51 - FY 2019			808,401	587,292	-	587,292	-	-	221,109
Total Michigan Department of Transportation			1,610,334	770,639	-	770,639	616,208	-	223,487
Total			\$ 3,400,938	\$ 1,567,795	\$ 755,070	\$ 812,725	\$ 959,348	\$ -	\$ 873,795

City of Midland, Michigan
Schedule 2A
Transportation Fund (Dial-A-Ride)
Federal and State Awards Operating Revenue Only
For Year Ended June 30, 2019

	July 1, 2018 to September 30, 2018	October 1, 2018 to June 30, 2019	Totals
Michigan Department of Transportation			
Local Bus Operating (Act 51)	\$ 173,767	\$ 587,292	\$ 761,059
Section 5307 Capital used for Preventive Maintenance match	3,000	10,000	13,000
Adjust prior year reported for award adjustments	9,580	-	9,580
Total Michigan Department of Transportation	186,347	597,292	783,639
Federal Transit Administration			
Section 5307	135,000	417,750	552,750
Section 5307 Capital used for Preventive Maintenance	12,000	40,000	52,000
Passed through Michigan Department of Transportation via the Midland Area Transportation Study Planning Assistance - Section 5303	10,152	23,828	33,980
Total	\$ 343,499	\$ 1,078,870	\$ 1,422,369

Revenue reconciliation to financial statements below

State grants

State revenues from above	\$ 186,347	\$ 597,292	\$ 783,639
Section 5339 capital assistance match	-	29,086	29,086
Subtotal - state grants	\$ 186,347	\$ 626,378	812,725
Prior year grants received during fiscal year			13,906
Total financials statements state revenue			\$ 826,631

Federal grants

Federal revenues from above	\$ 157,152	\$ 481,578	\$ 638,730
Section 5339 capital assistance	-	116,340	116,340
Subtotal - federal grants	\$ 157,152	\$ 597,918	755,070
Not received within 60 days of year-end - deferred			(29,111)
Prior year deferred recognized in current year			21,829
Total financials statements federal revenue			\$ 747,788

City of Midland, Michigan
Schedule 2B
Transportation Fund (Dial-A-Ride)
Federal and State Awards Operating Revenue Only
Operating Revenue Only
Based on a September 30, 2018 Year End

	October 1, 2017 to June 30, 2018	July 1, 2018 to September 30, 2018	Totals
Michigan Department of Transportation			
Local Bus Operating (Act 51)	\$ 616,208	\$ 173,767	\$ 789,975
Section 5307 Capital use for Preventive Maintenance	9,000	3,000	12,000
Adjust prior year reported for award adjustments	-	9,580	9,580
	<u>625,208</u>	<u>186,347</u>	<u>811,555</u>
U.S. Department of Transportation			
Operating Assistance - Section 5307	405,000	135,000	540,000
Section 5307 Capital used for Preventive Maintenance	36,000	12,000	48,000
Planning Assistance - Section 5303	27,038	10,152	37,190
	<u>468,038</u>	<u>157,152</u>	<u>625,190</u>
Total	<u>\$ 1,093,246</u>	<u>\$ 343,499</u>	<u>\$ 1,436,745</u>

City of Midland, Michigan
Schedule 3A
Transportation Fund (Dial-A-Ride)
Operating Expenses Split Between a June 30 and September 30 Year End
For the Year Ended June 30, 2019

	July 1, 2018 to September 30, 2018	October 1, 2018 to June 30, 2019	Totals
Labor	\$ 213,432	\$ 806,646	\$ 1,020,078
Fringe benefits	108,245	391,504	499,749
Services	84,393	284,934	369,327
Materials and supplies	35,906	101,681	137,587
Utilities	163	451	614
Insurance	4,242	12,725	16,967
Miscellaneous	11,561	6,969	18,530
Operating leases	4,978	14,978	

City of Midland, Michigan
Schedule 3B
Transportation Fund (Dial-A-Ride)
Operating Expenses Split Between a June 30 and September 30 Year End
For the Year Ended June 30, 2019

Based on a September 30, 2018 Year End

	October 1, 2017 to June 30, 2018	July 1, 2018 to September 30, 2018	Totals
Labor	\$ 798,242	\$ 213,432	\$ 1,011,674
Fringe benefits	409,616	108,245	517,861
Services	280,483	84,393	364,876
Materials and supplies	106,758	35,906	142,664
Utilities	660	163	823
Insurance	12,737	4,242	16,979
Miscellaneous	5,545	11,561	17,106
Operating leases	14,498	4,978	19,476
Total financial statement expenses	1,628,539	462,920	2,091,459
Depreciation	147,481	-	147,481
Total expenses	\$ 1,776,020	\$ 462,920	\$ 2,238,940

No costs for the purchase of transportation vehicles funded by federal and state grants, nor any depreciation related thereto are included as eligible expenses on these schedules. Further, capital grants were only used for capital purchases. No operating expenses were paid with capital grants.

Certain costs for rent, vehicle storage rent, and administration included in these schedules, as well as the City's financial statements, are allocated in accordance with plans on file with the Office of Passenger Transportation (OPT). All other costs are charged directly.

The Transportation Fund is a Special Revenue Fund on the financial statements, so no depreciation is reported at the fund-based level. Depreciation is calculated and maintained for the government-wide statements in accordance with GASB 34. Depreciation expense included as eligible only includes assets purchased with local funds where the useful life of the asset has been approved by OPT.

City of Midland, Michigan
Schedule 3B
Transportation Fund (Dial-A-Ride)
Operating Expenses Split Between a June 30 and September 30 Year End
For the Year Ended June 30, 2019

Pension and OPEB Obligations
Based on a September 30, 2018 Year End

	October 1, 2017 to June 30, 2018	July 1, 2018 to September 30, 2018	Totals
Annual required contribution for OPEB	\$ 72,149	\$ 18,935	\$ 91,084
Amounts contributed:			
Payments of current premiums	<u>72,149</u>	<u>18,935</u>	<u>91,084</u>
Increase (decrease) in net OPEB obligation	-	-	-
OPEB obligation - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
OPEB obligation - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	October 1, 2017 to June 30, 2018	July 1, 2018 to September 30, 2018	Totals
Annual required contribution for pension	\$ 134,618	\$ 36,692	\$ 171,310
Amounts contributed:			
Payments of current premiums	<u>134,618</u>	<u>36,692</u>	<u>171,310</u>
Increase (decrease) in net pension obligation	-	-	-
Pension obligation - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Pension obligation - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Transportation Fund is a Special Revenue Fund in the financial statements of the City, so no GASB 68 activity is reported at the fund-based level. GASB 68 activity is calculated and maintained for the government-wide statements in accordance with GASB 34. All of the calculated activity that was attributable to Dial-A-Ride was recorded in a fund that is only used for Government-Wide financial statement preparation. No GASB 68 activity was reported in the Dial-A-Ride expenses and all pension expenses reported are for current year expenses only in accordance with the annual required contributions (ARC).

The Transportation Fund is a Special Revenue Fund in the financial statements of the City, so no GASB 75 activity is reported at the fund-based level. GASB 75 activity is calculated and maintained for the government-wide statements in accordance with GASB 34. All of the calculated activity that was attributable to Dial-A-Ride was recorded in a fund that is only used for Government-Wide financial statement preparation. No GASB 75 activity was reported in the Dial-A-Ride expenses and all OPEB expenses reported are for current year expenses only in accordance with the annual required contributions (ARC).

City of Midland, Michigan
Schedule 4E
Transportation Fund (Dial-A-Ride)
Nonurban Regular Service Expense Report
For the Year Ended September 30, 2018

Code	Description	Operations	Maintenance	General & Administration	Total
501:	Labor				
50101	Operators' salaries and wages	\$ 770,695	\$ -	\$ -	\$ 770,695
50102	Other salaries and wages	-	-	101,275	101,275
50103	Dispatchers' salaries and wages	139,704	-	-	139,704
502:	Fringe Benefits				
50200	Fringe benefits - other	174,345	-	54,636	228,981
50210	Fringe benefits - DC pension	21,915	-	11	21,926
50220	Fringe benefits - DB pension	132,235	-	39,075	171,310
50240	Fringe benefits - DC OPEB	4,556	-	4	4,560
50250	Fringe benefits - DB OPEB	69,780	-	21,304	91,084
503:	Services				
50302	Advertising fees	-	-	4,560	4,560
50305	Audit fees	-	-	2,750	2,750
50399	Other	-	166,754	190,812	357,566
504:	Material and Supplies				
50401	Fuel and lubricants	131,876	-	-	131,876
50499	Other materials and supplies	10,788	-	-	10,788
505:	Utilities				
50500	Utilities - telephone	823	-	-	823
506:	Insurance				
50603	Liability insurance	16,979	-	-	16,979
509:	Miscellaneous Expenses				
50902	Travel, meetings and training	10,754	-	-	10,754
50999	Other misc expenses	6,352	-	-	6,352
512:	Operating Leases and Rentals				
51200	Operating leases and rentals	19,476	-	-	19,476
513:	Depreciation				
51300	Depreciation	147,481	-	-	147,481
550:	Ineligible Expenses				
55007	Ineligible depreciation	147,108	-	-	147,108
55008	Other ineligible expenses (refund/reimbursement, ineligible council)	638	-	-	638
55011	Ineligible preventive maintenance	-	60,000	-	60,000
570:	Ineligible Expenses				
57099	Other ineligible Federal/State/Local (Section 5303 expenses)	-	-	45,476	45,476
	Total expenses	1,657,759	166,754	414,427	2,238,940
	Total ineligible expenses	147,746	60,000	45,476	253,222
	Total eligible expenses	\$ 1,510,013	\$ 106,754	\$ 368,951	\$ 1,985,718

City of Midland, Michigan
Schedule 4R
Transportation Fund (Dial-A-Ride)
Nonurban Regular Service Revenue Report
Based on a September 30, 2018 Year End

Code	Description	Amount
401:	Farebox revenue	
40100	Customer fares	\$ 123,531
409:	Local Revenue	
40910	Local operating assistance	417,156
40999	Other local contracts/reimbursements	8,286
411:	State Formula and Contracts	
41101	State operating assistance (with revised %)	799,555
41111	Preventive maintenance (20% state share)	12,000
413:	Federal Contracts	
41302	Federal Section 5307 operating (operating funds only)	540,000
41311	Preventive maintenance (80% federal share)	48,000
41399	Other Federal transit contracts and reimbursements	37,190
	Total revenues	<u>\$ 1,985,718</u>

Any eligible expenses associated with the Federal and State Capital Contract Reimbursement for Operating Expenses for assets less than \$5,000 have been properly subtracted from total expenses as ineligible under PTMS code 57604 Other Ineligible Operating Expense Paid by Capital Contract.

Any eligible expenses associated with Gains from Sales of Capital Assets do not need to be subtracted out as ineligible as they were minimal in nature and not charged to Dial-A-Ride as an expense.

City of Midland, Michigan
Schedule 4N
Nonurban Regular Service Nonfinancial Report (Unaudited)
For the Year Ended September 30, 2018

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle hours	29,401	1,919	987	32,307
611	Vehicle miles	388,321	26,653	13,049	428,023
615	Passengers - regular	30,296	1,647	687	32,630
616	Passengers - elderly	8,545	925	588	10,058
617	Passengers - persons with disabilities	53,800	2,206	885	56,891
618	Passengers - elderly persons with disabilities	10,733	1,071	568	12,372
622	Total demand response passengers	103,374	5,849	2,728	111,951
625	Days operated	250	52	52	354

Vehicle Information

Code	Description	Quantity
655	Total demand response vehicles	14
656	Demand response vehicles with lifts	14
658	Total transit vehicles	14

Miscellaneous Information

Code	Description	Quantity
660	Diesel/gasoline gallons consumed	62,701
661	Total Transit Agency Employees (Full-Time Equivalents)	30

The methodology used for compiling this data has been reviewed and the recording method has been found to be adequate and reliable.

City of Midland, Michigan
Schedule 5
Transportation Fund (Dial-A-Ride)
Operating Assistance Calculation
Based on a September 30, 2018 Year End

	<u>Nonurban</u>
Total expenses	<u>\$ 2,238,940</u>
Less ineligible expenses	
Depreciation	\$ 147,108
Ineligible Council expense	638
Section 5303 expenses	45,476
Ineligible preventive maintenance paid by capital contract	<u>60,000</u>
Total ineligible expenses per R & E manual	<u>\$ 253,222</u>
Total state eligible expenses	<u>\$ 1,985,718</u>
x reimbursement percentage	<u>40.2653%</u>
State operating assistance	<u>\$ 799,555</u>
Federal Section 5307 operating assistance	<u>\$ 540,000</u>
Other Federal transit contracts and reimbursements	<u>\$ 37,190</u>

City of Midland, Michigan
Schedule 6
Transportation Fund (Dial-A-Ride)
Comments and Recommendations
Year Ended June 30, 2019

There are no comments and recommendations for the year ended June 30, 2019.

Item Attachment Documents:

5. Accept a gift from the Patricia and David Kepler Foundation for Main Street Streetscape entrance way feature. TISDALE

SUMMARY REPORT TO CITY MANAGER
for City Council Meeting of January 13, 2020

SUBJECT: Accepting a gift from the Patricia and David Kepler Foundation for
Downtown Midland Entrance Way Feature

INITIATED BY: Selina Tisdale, Director of Community Affairs

RESOLUTION

SUMMARY: This resolution accepts a gift of a Downtown Midland Entrance Way
Feature from the Patricia and David Kepler Foundation.

ITEMS ATTACHED:

1. Letter of transmittal
2. Resolution

COUNCIL ACTION:

1. 3/5 vote required to approve resolution



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January 8, 2020

C. Bradley Kaye, AICP CFM
City Manager
City of Midland, Michigan

Dear Mr. Kaye:

A companion project to the 2017 downtown Midland streetscape construction was that of adding amenities to our new downtown. These amenities were identified as desirable and useful features donated by the community, community members and/or businesses and organizations who wanted to contribute to the finishing touches of downtown Midland's beautiful new streetscape.

Among the items on the streetscape amenities wish list was that of a gateway element at Main Street and M-20 that would identify this location as an entrance way into downtown Midland.

The Patricia and David Kepler Foundation has generously gifted the amenities fund with \$160,000 to construct the entrance way feature at the corner of Main Street and M-20.

The entrance way feature consists of two lighted 10' high gateway monuments located on the northeast and southeast corners of Main Street accompanied by a four-foot high "Downtown Midland" lighted monument sign on the southeast corner. Construction materials include reinforced glass, masonry brick and metal with a patina finish as commonly found in downtown structures.

In anticipation of an entrance way feature being added, design concepts, placement and electrical access were incorporated into the sidewalk construction to accommodate installation of the monuments at this location.

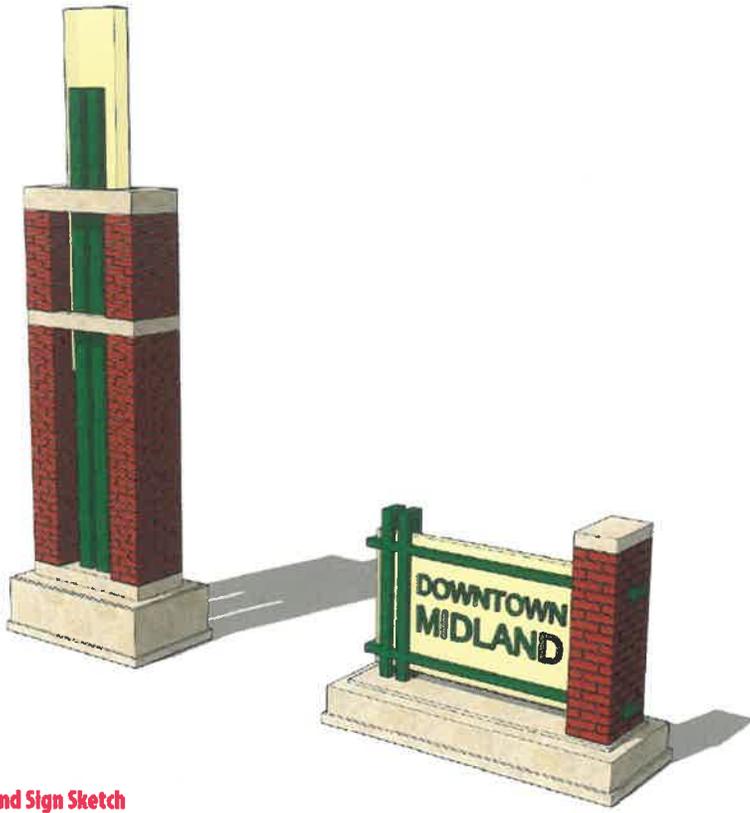
The work will be completed by the streetscape contractor, Fisher Contracting Co., with funds being held in the Streetscape Amenities Fund of the Midland Area Community Foundation.

Design engineering plans are being finalized with construction slated to begin as soon as weather allows. Construction will take four to six weeks to complete.

The resolution before you tonight recognizes and accepts this generous gift and downtown addition from the Patricia and David Kepler Foundation.

Respectfully submitted,

Selina Crosby Tisdale
City of Midland Community Affairs Director



Column and Sign Sketch





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BY COUNCILMAN

WHEREAS, the downtown Midland streetscape construction project planned for the addition of several streetscape amenities including fireplaces, pergolas, flexible furnishings, gaming tables and entrance way features into downtown Midland; and

WHEREAS, the Patricia and David Kepler Foundation has generously donated \$160,000 for the addition of an entrance way feature at Main Street and M-20 to welcome visitors to downtown Midland; and

WHEREAS, streetscape contractor Fisher Contracting Co. has been retained to construct the entrance way feature; now therefore

RESOLVED, that City Council graciously accepts this very generous gift from the Patricia and David Kepler Foundation for a downtown Midland entrance way feature and approves Fisher Construction Co. to proceed with construction of the entrance way features on Main Street.

YEAS:

NAYS:

ABSENT:

I, Erica Armstrong, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yea vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 13, 2020.

Erica Armstrong, City Clerk

Item Attachment Documents:

6. City Council Budget Objectives for FY 2020-21. KAYE

SUMMARY REPORT TO CITY MANAGER
for City Council Meeting of January 13, 2020

SUBJECT: City Council Budget Objectives for FY 2020-21

INITIATED BY: City Manager

RESOLUTION SUMMARY: This resolution approves the City Council Budget Objectives for FY 2020-21

ITEMS ATTACHED:

1. Letter to City Council.
2. Resolution.

CITY COUNCIL ACTION:

1. 3/5 vote required to approve resolution.

C. Bradley Kaye, AICP CFM
City Manager



Date: January 8, 2020

STAFF REPORT TO THE CITY COUNCIL
CITY COUNCIL BUDGET OBJECTIVES FOR FY 20-21

REPORT

During the annual City Council planning retreat of January 4, 2020, Councilmen reviewed current and future financial concerns. At the conclusion of that session Council expressed its expectations regarding the basic approach to be taken in developing the Fiscal Year 2020-2021 budget. Following is a basic summary of those expectations:

Budget Directives

The City Council anticipates that the following directives will be addressed as staff prepares the FY 2020/21 budget:

- Public services will be maintained at the highest level financially feasible under current economic and budget conditions.
- \$100,000 of additional funding (approximately .05 mills) will be budgeted to the Stormwater Fund to be used for flood response programs and activities.
- \$500,000 of additional funding (approximately .25 mills) will be budgeted to the Wastewater Fund to be used for flood response programs and activities.
- Approximately \$394,000 of additional funding will be required to satisfy the Act 345 Pension Plan annual required contribution. This will increase the Act 345 Pension component of the City’s millage rate by approximately .1957 mills. This millage increase will not cause there to be equal offsetting reductions in the other millage components, thus potentially causing an increase to the City’s total millage rate.
- \$1,600,000 from each of the May 2019 and May 2020 personal property tax reimbursement will be utilized for budget stabilization purposes.
- The anticipated maximum millage rate for the FY 2020-2021 is 15.5460 mills, or an increase of .4075 mills.
- It is anticipated that \$750,000 in budget savings will be made available during the budget process to help balance the 2020-2021 budget. Any savings found in excess of that amount shall be directed to the building improvements for City Hall.

General Directive

City Council in 2019-2020 directed that thorough intentional reviews of all city departments operating structures and priorities be undertaken for the purpose of maximizing departmental efficiencies. This initiative is underway and will be continued into 2020-2021.

This report broadly outlines the direction Council wishes to convey to staff with regard to development of the Fiscal Year 2020-2021 budget.

Respectfully Submitted,

A handwritten signature in black ink that reads "C. Bradley Kaye". The signature is written in a cursive, flowing style.

C. Bradley Kaye, AICP CFM
City Manager



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BY COUNCILMAN

WHEREAS, on January 4, 2020 the City Council conducted a planning retreat for the purpose of discussing current and future financial concerns; and

WHEREAS, at the conclusion of that session Council expressed their expectations regarding the basic approach to be taken in developing the Fiscal Year 2020-2021 budget; and

WHEREAS, during their regular meeting of January 13th the City Council reviewed and affirmed those expectations embodied in a report of January 13, 2020 titled: *City Council Budget Objectives for FY 20-21*; now therefore

RESOLVED, that the report *City Council Budget Objectives for FY 20-21* is hereby received.

YEAS:

NAYS:

ABSENT:

I, Erica Armstrong, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yea vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 13, 2020.

Erica Armstrong, City Clerk

Item Attachment Documents:

7. * Municipal Service Center Roof Replacement - Bid No. 4049. MURPHY

SUMMARY REPORT TO MANAGER
for City Council Meeting of January 13, 2020

SUBJECT: Municipal Service Center Roof

INITIATED BY: Department of Public Services

RESOLUTION SUMMARY: This resolution authorizes a purchase order in the amount of \$360,030.00 for a new roof for the Municipal Service Center, and authorizes the City Manager to approve changes to the purchase order not to exceed \$5,000.

ITEMS ATTACHED:

1. Letter of Transmittal
2. Bid Tabulation
3. Resolution

COUNCIL ACTION:

1. 3/5 vote required to approve resolution

Karen Murphy
City of Midland Department of Public Services



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January 8, 2020

C. Bradley Kaye, AICP CFM
City Manager
City of Midland
Midland, Michigan

Dear Mr. Kaye:

The Municipal Service Center was built in 1975 and the current rubber membrane roof was installed in 1999. The current roof had a life expectancy of twenty years and is now twenty-one years old. Over the past few years following heavy rain events, a contractor would need to be called in to repair leaks throughout the building. Yearly inspections have been performed on the roof with continual signs of deterioration at the rubber seams and the rubber membrane noted with each inspection.

Sealed bids were publicly opened and read by the Accounting Manager on Tuesday, December 17, 2019 for Bid No. 4049, "Service Center Office and Garage Reroofing". Seven bids were received with all vendors meeting specifications. The bids are detailed on the accompanying bid tabulation.

This was a planned replacement and there are sufficient funds in the FY 2019-20 Municipal Service Center Fund's Capital Outlay budget to cover the reroofing of the Service Center. Therefore, we recommend that the Accounting Manager be authorized to issue a purchase order to the lowest bidder who met specifications, Kawkawlin Roofing Company of Kawkawlin, Michigan, in the amount of \$360,030.00 for the reroofing of the Service Center Office and Garage at the Municipal Service Center. Given the nature of a roofing project, we anticipate there may be additional work/materials required during the installation of the new roof so we are also requesting that the City Manager be authorized to approve change orders to the purchase order not to exceed \$5,000.

Respectfully submitted,

Karen Murphy
Department of Public Services

Christina Evans
Accounting Manager

CITY OF MIDLAND, MICHIGAN

TABULATION FOR BID #4049

Service Center Office and Garage Reroofing

December 17, 2019: 2:00 pm

Bidder	Amount
Kawkawlin Roofing Company	\$360,030.00
KJP Roofing and Maintenance	\$440,000.00
Thomas Brown & Son Roofing Co.	\$481,906.00
Bri-Car Roofing & Sheet Metal, Inc	\$483,286.00
Brandle Roofing and Sheet Metal Co.	\$516,900.00
Mid-Michigan Roofing, LLC	\$539,784.00
Quality Roofing, Inc	\$688,500.00



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BY COUNCILMAN

WHEREAS, sealed proposals were advertised and received on December 17, 2019 in accord with Article II of Chapter 2 of the Midland Code of Ordinances for Bid No. 4049, Service Center Office and Garage Reroofing; and

WHEREAS, sufficient funding for this project is included in the FY 2019-20 Municipal Service Center Fund's Capital Outlay budget for the reroofing of Service Center Office and Garage at the Municipal Service Center; now therefore

RESOLVED, that the Accounting Manager is authorized to issue a purchase order to the lowest bidder, Kawkawlin Roofing Co. of Kawkawlin, Michigan, in the amount of \$360,030.00 for the Service Center Office and Garage Reroofing at the Municipal Service Center; and

RESOLVED FURTHER, that the City Manager is authorized to approve changes to the purchase order up to a total of \$5,000 for any unforeseen changes during the installation process.

YEAS:

NAYS:

ABSENT:

I, Erica Armstrong, City Clerk, City of Midland, Counties of Bay and Midland, State of Michigan, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by a yeas vote of all the Councilmen present at a regular meeting of the City Council held Monday, January 13, 2020.

Erica Armstrong, City Clerk