

The background of the entire page is a photograph of a scenic river. In the foreground, a large, white, two-story boat with a white canopy and railings is on the water. The boat has several windows and a small sign that says "PRINCESS". In the background, a large, reddish-brown arch bridge spans the river. The bridge has a wooden deck and railings, and many people are walking across it. The sky is blue with some clouds, and the water reflects the boat and the bridge.

**Comprehensive
Annual Financial Report**
Fiscal Year Ended June 30, 2013

City of Midland, Michigan
Comprehensive Annual Financial Report
with Supplemental Information
For the Fiscal Year Ended
June 30, 2013

Prepared by the Finance Department

Table of Contents

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

Table of Contents

<u>Section</u>		<u>Page</u>
3	Basic Financial Statements	
	Fiduciary Funds	
	Statement of Net Position	3 – 16
	Statement of Changes in Net Position	3 – 17
	Notes to Financial Statements	3 – 18
4	Required Supplementary Information	
	Budgetary Comparison Schedule	
	General Fund	4 – 1
	Major Street Fund	4 – 3
	Schedule of Funding Progress – Police and Fire Retirement System	4 – 5
	Schedule of Employer Contributions – Police and Fire Retirement System	4 – 6
	Schedule of Funding Progress – Other Post Employment Benefits	4 – 7
	Schedule of Employer Contributions – Other Post Employment Benefits	4 – 8
	Note to Required Supplemental Information	4 – 9
5	Other Supplemental Information	
	Nonmajor Governmental Funds	
	Fund Descriptions	5 – 1
	Combining Balance Sheet	5 – 3
	Combining Statement of Revenues, Expenditures and Changes in Fund Balance	5 – 4
	Budgetary Comparison Schedule	
	Local Street Fund	5 – 5
	Center City Authority Fund	5 – 7
	Stormwater Management Fund	5 – 8
	Dial-A-Ride Fund	5 – 9
	Grace A. Dow Memorial Library Fund	5 – 10
	Downtown Development Authority Fund	5 – 11
	Community Development Block Grant Fund	5 – 12
	Midland Community Television Fund	5 – 13
	Special Activities Fund	5 – 14
	Midland Housing Fund	5 – 15
	Debt Service Fund	5 – 16

Section

Table of Contents

Page

5

Other Supplemental Information

Nonmajor Proprietary Funds

Fund Descriptions

Combining Statement of Net Position

Combining Statement of Revenues, Expenses, and Changes in Net Position

Combining Statement of Cash Flows

5 – 17

5 – 18

5 – 19

5 – 21

Fiduciary Funds

Fund Descriptions

Pension and Other Employee Benefit Trust Funds – Statement of Plan Net Position

Pension and Other Employee Benefit Trust Funds – Statement of Changes in Plan Net Position

Agency Funds – Combining Statement of Fiduciary Net Position

5 – 22

5 – 23

5 – 24

5 – 25

Internal Service Funds

Fund Descriptions

Combining Statement of Net Position

Combining Statement of Revenues, Expenses, and Changes in Net Position

Combining Statement of Cash Flows

5 – 27

5 – 28

5 – 29

5 – 30

6

Statistical Section (Unaudited)

Section Description

Financial Trends

Net Position by Component

Changes in Governmental Net Position

Changes in Business-type Net Position

Fund Balances – Governmental Funds

Changes in Fund Balances – Governmental Funds

Revenue Capacity

Taxable Value and Assessed Value of Taxable Property

Direct and Overlapping Property Tax Rates

Principal Property Taxpayers

Property Tax Levies and Collections

6 – 1

6 – 2

6 – 3

6 – 4

6 – 6

6 – 8

6 – 9

6 – 11

6 – 12

6 – 13

6 – 15

6 – 16

Table of Contents

Section

Page

6

Statistical Section (Unaudited)

Debt Capacity	6 – 17
Ratios of Outstanding Debt	6 – 18
Ratios of General Bonded Debt Outstanding	6 – 19
Direct and Overlapping Debt	6 – 20
Legal Debt Margin	6 – 21
Pledge-Revenue Coverage	6 – 22
Demographic and Economic Information	6 – 23
Demographic and Economic Statistics	6 – 24
Principal Employers	6 – 25
Full-time Government Employees	6 – 26
Operating Information	6 – 27
Operating Indicators	6 – 28
Capital Asset Statistics	6 – 30



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December 10, 2013

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, 2013 is hereby submitted. As required by City Charter and state laws, the basic financial statements as identified in the table of contents were audited by Yeo & Yeo, Certified Public Accountants. Their unqualified opinion is located at the front of the financial section of this report. An unqualified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor’s examination has disclosed no conditions that cause them to believe that the financial statements are not fairly presented in all material respects.

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

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

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

In addition, during the year an audit was performed in accordance the requirements of the *Single Audit Act Amendments of 1996 (P.L. 104-456)*. The auditor’s reports related to the single audit are issued under separate cover.

PROFILE OF THE CITY

The City of Midland was incorporated in 1887 and is located near the center of the eastern portion of Michigan’s Lower Peninsula, approximately 120 miles northwest of Detroit. It encompasses approximately 36 square miles of land area and is home to a population of 42,000.

The City Charter calls for a council-manager form of government. The governing body consists of five council members who are elected on a non-partisan basis, one from each of the City's five wards who in turn choose one of their five to serve as mayor. The City Manager is appointed independently by the City Council and is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing heads of the various departments and all other City employees. An organization chart is included to better illustrate the City's governmental structure.

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

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

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

- **100 Best Communities for Young People in America**
For the fifth year in a row, Greater Midland was once again recognized by America's Promise as one of the 100 Best Communities for Young People in America.

- **America's Top 100 Safest Cities**
The City of Midland was ranked as the 71st safest City in America with over 25,000 or people as ranked by NeighborhoodScouts.com
- **Award of Excellence – Citizen's Academy**
The City-County Communication Communications & Marketing Association recognized the City's annual Citizen's Academy for its excellence in citizen engagement.
- **The Best Places In Michigan for Job Seekers**
The City was rated as the second-best City in Michigan for job seekers by Nerdwallet.com.
- **Community for a Lifetime**
The City was recognized by the Michigan Office of Services to the Aging as a Community for a Lifetime due to the City's efforts to be a more age-friendly community.

ECONOMIC CONDITION AND OUTLOOK

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. Its tax base is 41% residential and 59% commercial, industrial and utility. The three largest taxpayers, The Dow Chemical Company, Dow Corning Corporation, and Midland Cogeneration Venture (MCV) account for 35% of the City's total taxable value. The City continues to attract new commercial businesses with new restaurant, retail, and office developments at various stages of completion. However, the past few years has brought forth a wave of commercial tax appeals that has offset some of the gains of these new developments.

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

The City's jobless rate increased slightly during the past year from 5.7% for 2012 to 6.1% for the current year, but still compares favorably to the State's average rate of 9.4%, as well as with the national average of 7.8%.

LONG TERM FINANCIAL PLANNING

The City has dealt with significant financial challenges since the economic fallout of 2008. The City's net taxable value for the current year ended was 13% less than for the year ended June 30, 2008. In 2008 the assumed rate of return on cash and equivalents was 5.25% compared to .2% for the current year ended. To respond to these challenges, the City, using multi-year planning, has been able to eliminate 30 full-time positions, mostly through attrition, without eliminating any uniformed public safety positions. As cost savings were not sufficient to balance the budget annually, the City's millage rate has increased over this period from 12.24 mills in 2008 to 14.79 mills in 2012. The millage rate remained at 14.79 in 2013. During this time, all core services have been maintained, and all debt obligations and actuarial determined annual funding requirements for the City's two defined benefit pension plans, and one defined benefit post-employment health care plan have been funded at 100%. The City has maintained its credit ratings of AA with Standard and Poors, and Aa2 with Moodys, and has maintained a General Fund fund balance goal of \$5 million.

The years ahead will continue to be challenging. There is no indication on the horizon that investment rates will increase so

interest earnings will continue to be of no help. The State's plan for eliminating certain commercial and manufacturing personal property will begin with the 12/31/13 valuations. As a result, the City expects to lose about \$150,000 in revenue for fiscal year 2014/15. In August of 2014 a general election will determine the fate of the State's personal property tax restructuring plan. Should it pass, the City expects to lose annually between \$800,000 and \$1 million of revenue, once the plan is fully phased in.

MAJOR INITIATIVES

For the next fiscal year ending June 30, 2014, City Council provided the following budget directives, for which the City Budget was created to support:

- *Maintain public services at the highest level possible under current economic and budget conditions.*
- *Increase the millage rate supporting general operations by no more than .5 mills.*
- *The unreserved fund balance of the General Fund shall be maintained at \$5.1 million.*
- *Pursue efforts to reduce accumulated liabilities resulting from the closure of its civilian defined benefits pension plan.*
- *Pursue efforts to relocate the Currie Golf Course driving range to the north side of Currie Parkway.*

BUDGET CONTROLS

The annual budget serves as the foundation for the City's financial planning and control. No later than the second Monday of April of each year, the City Manager presents a

proposed budget to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than the fourth Monday in May. The Council approves appropriations on the functional basis, which is the legal level of control. Department heads may transfer funds within their function at their discretion up to \$6,000 before requiring City Manager approval. The City Manager can approve all budget transfers except those between different functions, and any transfer from a reserve for contingency account in excess of \$25,000, which require City Council approval.

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

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Midland for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 24th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently

organized comprehensive annual financial report, which satisfies both GAAP and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

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

Respectfully submitted,



Jon Lynch
City Manager



David A. Keenan
Assistant City Manager
for Fiscal Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

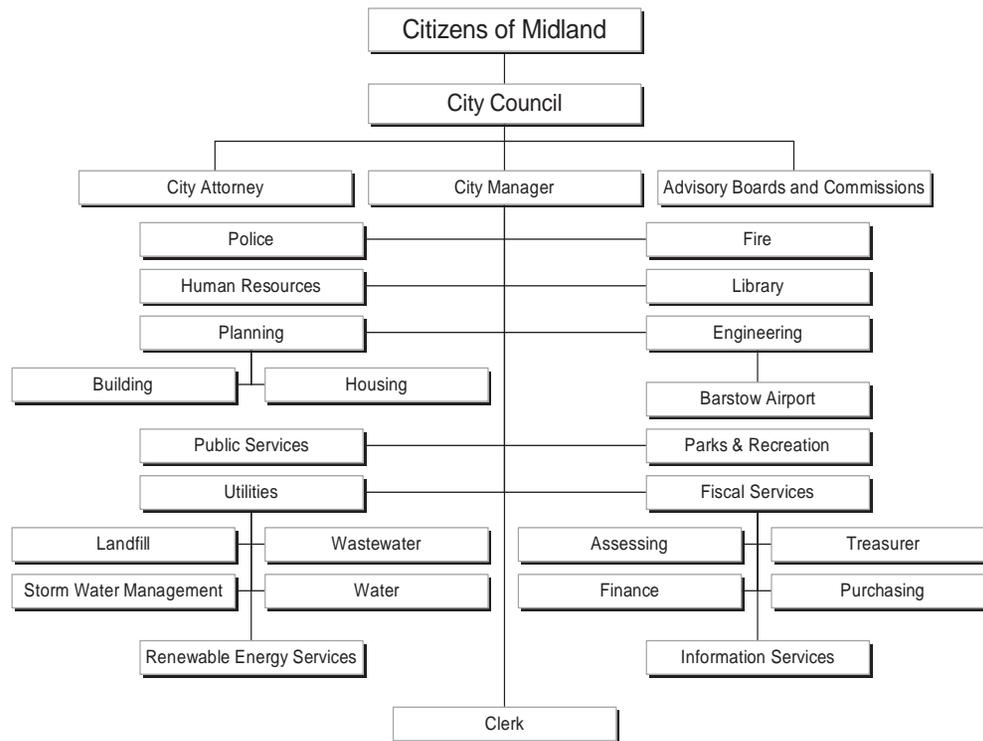
**City of Midland
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

City of Midland, Michigan Organizational Chart



City of Midland, Michigan
List of Principal Officials
June 30, 2013

City Council

Ward I	Thomas Adams
Mayor - Ward II	Maureen Donker
Ward III	J. Dee Brooks
Ward IV	Diane Brown
Ward V	Marty Wazbinski

Administrative Staff

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



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Independent Auditors' Report

Management and City Council
City of Midland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Midland, Michigan as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise of the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Midland, Michigan as of June 30, 2013 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 Supplemental 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 Supplemental 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 supplemental 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 supplemental 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 supplemental information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of City of Midland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Midland, Michigan's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

December 10, 2013
Saginaw, Michigan

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2013

This section of the City of Midland's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2013. Please read it in conjunction with the transmittal letter, which was provided earlier in this report, and the financial statements which begin on page 3 -1 of this report.

FINANCIAL HIGHLIGHTS

- The City's combined total net position are reported as \$239.8 million for the fiscal year ended June 30, 2013, compared to \$231.5 last fiscal year as restated.
- In the City's governmental activities, revenues generated \$53.2 million while expenses totaled \$47.3 million.
- In the City's business-type activities, revenues generated \$28.5 million while expenses totaled \$26.1 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$71.6 million, up \$1.5 million from last fiscal year. The City spent more on public safety and public services than in 2012, and less on community development. The cost of maintaining the City's water supply system and sanitary landfill continue to increase.
- Total net position increased by \$8.2 million.
- Due to a change in accounting rules relating to bond issuance costs, beginning net position was reduced by \$114,961 and \$75,913 in the governmental activities and business-type activities, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2013

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

The City of Midland has three types of funds:

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

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

The City maintains 14 individual governmental funds. Separate information is presented for the General Fund and the Major Street Fund, both of which are considered to be "major" funds. Data from the other 12 governmental funds, considered to be "nonmajor" funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

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

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

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

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2013

Notes to the Financial Statements

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

Other information

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

THE CITY OF MIDLAND AS A WHOLE

The City's total combined net position for the fiscal year ended June 30, 2013 is \$239.8 million, made up of \$136.0 million in business-type activities, and \$103.8 million in governmental activities.

Combined unrestricted net position, the part of net position that can be used to finance day-to-day operations, is \$36.9 million. Business-type activities unrestricted total is \$32.4 million, while governmental activities is \$4.6 million.

The following table shows comparisons of total assets, total liabilities, and total net position (in millions) in a condensed format as of June 30, 2013 and 2012.

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 38.5	\$ 31.6	\$ 42.8	\$ 40.6	\$ 81.3	\$ 72.2
Capital assets	92.0	94.3	115.0	115.7	207.0	210.0
Total assets	<u>130.5</u>	<u>125.9</u>	<u>157.8</u>	<u>156.3</u>	<u>288.3</u>	<u>282.2</u>
Deferred outflows of resources	-	-	0.7	-	0.7	-
Current liabilities	4.9	4.6	4.4	4.3	9.3	8.9
Long-term liabilities	21.8	23.4	18.1	18.4	39.9	41.8
Total liabilities	<u>26.7</u>	<u>28.0</u>	<u>22.5</u>	<u>22.7</u>	<u>49.2</u>	<u>50.7</u>
Net position:						
Net investment in capital assets	86.7	88.5	100.9	100.4	187.6	188.9
Restricted	14.3	8.3	3.4	3.3	17.7	11.6
Unrestricted	2.8	1.1	31.7	29.9	34.5	31.0
Total net position	<u>\$ 103.8</u>	<u>\$ 97.9</u>	<u>\$ 136.0</u>	<u>\$ 133.6</u>	<u>\$ 239.8</u>	<u>\$ 231.5</u>

The City's combined total net position increased by \$8.3 million during the current fiscal year. Governmental activities increased by \$5.9 million while business-type activities increased by \$2.4 million.

Governmental Activities

The City's total governmental revenue is reported at \$55.1 million, an increase of \$2.1 million from the prior year. This increase was due to a nonrecurring \$3 million capital grant for the Grace A. Dow Memorial Library.

Total expenses, including transfers, increased by \$2 million, largely due to higher service delivery costs for public safety and public services.

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2013

Business-type Activities

Net position for business-type activities increased by \$2.4 million during the year ended June 30, 2013, compared to a \$1.9 million increase last year.

Total revenue, including transfers, increased by \$1.1 million, mainly in charges for services in the Water Distribution and Wastewater Collection operations.

The following table shows the comparison of the change in net position (in millions) in a condensed format as of June 30, 2013 and 2012.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program Revenue:						
Charges for services	\$ 3.3	\$ 3.3	\$ 25.5	\$ 25.2	\$ 28.8	\$ 28.5
Operating grants and contributions	5.4	5.7	-	-	5.4	5.7
Capital grants and contributions	4.3	2.0	0.7	0.9	5.0	2.9
General Revenue:						
Property taxes	36.0	35.9	-	-	36.0	35.9
Intergovernmental	3.3	3.2	-	-	3.3	3.2
Investment earnings	-	0.1	-	0.1	-	0.2
Other revenue	0.9	0.9	0.5	0.4	1.4	1.3
Total revenue	<u>53.2</u>	<u>51.1</u>	<u>26.7</u>	<u>26.6</u>	<u>79.9</u>	<u>77.7</u>

Program Expenses	\$ 4.4	\$ 4.3	\$ -	\$ -	\$ 4.4	\$ 4.3
General government	15.7	14.9	-	-	15.7	14.9
Public safety	9.4	9.0	-	-	9.4	9.0
Public works	2.4	2.5	-	-	2.4	2.5
Sanitation	0.6	1.1	-	-	0.6	1.1
Community development	5.1	4.9	-	-	5.1	4.9
Parks and recreation	4.5	4.4	-	-	4.5	4.4
Library and community television	0.4	0.3	-	-	0.4	0.3
Airport	1.9	1.8	-	-	1.9	1.8
Transportation	1.1	1.4	-	-	1.1	1.4
Other	-	-	10.0	9.7	10.0	9.7
Water	-	-	5.9	5.9	5.9	5.9
Wastewater	-	-	3.5	3.2	3.5	3.2
Landfill	-	-	1.3	1.3	1.3	1.3
Civic Arena	-	-	3.8	3.7	3.8	3.7
Senior housing	-	-	1.4	1.5	1.4	1.5
Golf course	-	-	0.2	0.2	0.2	0.2
Parking system	<u>45.5</u>	<u>44.6</u>	<u>26.1</u>	<u>25.5</u>	<u>71.6</u>	<u>70.1</u>
Total expenses						
Increase in net position before transfers	7.7	6.5	0.6	1.1	8.3	7.6
Transfers	<u>(1.8)</u>	<u>(0.8)</u>	<u>1.8</u>	<u>0.8</u>	<u>-</u>	<u>-</u>
Change in net position	5.9	5.7	2.4	1.9	8.3	7.6
Net position - beginning	97.9	92.3	133.6	131.8	231.5	224.1
Accounting change	-	(0.1)	-	(0.1)	-	(0.2)
Net position - ending	<u>\$ 103.8</u>	<u>\$ 97.9</u>	<u>\$ 136.0</u>	<u>\$ 133.6</u>	<u>\$ 239.8</u>	<u>\$ 231.5</u>

THE CITY OF MIDLAND'S FUNDS

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

The General Fund is the City's largest fund and one of two governmental funds that is considered a major fund. It pays for most of the City's governmental services. Its major components of revenue are property taxes and state shared revenue. The single largest government service provided is public safety, accounting for over 40% of General Fund expenditures. For the year ended June 30, 2013, General Fund financing sources exceed its financing uses by

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2013

\$245,840, increasing its ending fund balance to \$9 million. The City's second major governmental fund, the Major Street Fund was able to increase its ending fund balance by \$619,894, due to obtaining state grants to fund some of its capital projects, and a very mild winter that required reduced levels of snow and ice control.

General Fund Budgetary Highlights

The General Fund adopted budget included using \$1.8 million of available fund balance over the City Council's target balance of \$5.1 million to prevent reductions in service delivery or an increase to the millage rate. Council amended the General Fund budget in May to reflect a slightly better position, decreasing fund balance by \$1.7 million.

At year-end, actual revenue was within ½% of budget, being slightly over by \$185,422. Actual expenditures were \$1.8 million less than budget. About \$.7 million of the expenditure savings is delayed expenditures that will be encumbered into 2013-14, while the balance is due to additional savings realized during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2013, the City of Midland had \$207 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 \$210 million. Additional information about the City's capital assets is presented in Note 1 and Note 6 of the Notes to Financial Statements.

At June 30, 2013, the City of Midland's total bonded indebtedness was \$33.2 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 10 of the Notes to Financial Statements.

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

CURRENT ECONOMIC EVENTS

The City of Midland continues to be a place of interest to commercial and residential developers. Despite the announcement of layoffs last winter by two of the City's larger employers, the housing market continues to slowly recover with new housing developments underway. Multiple national chain restaurants have opened locations in Midland, and a 225,000 square foot mixed-use redevelopment in the Downtown district will soon be opening, doubling the number of jobs in the Downtown Midland area. While this facility was constructed using eligible Brownfield tax incentives, two other 50,000 square foot office buildings (one is complete and one is under construction), will also bring new jobs to the Downtown area, and neither development will include the use of tax incentives.

The State of Michigan has begun the process to eliminate personal property tax on eligible commercial and industrial properties. The August 2014 general election will determine the fate of this plan, but the City expects to lose approximately \$150,000 of revenue in 2015. Should the plan be fully implemented the City could lose between \$800,000 and \$1 million of revenue, annually, once fully phased in.

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

City of Midland, Michigan
Management's Discussion and Analysis
June 30, 2013

REQUESTS FOR INFORMATION

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

City of Midland, Michigan
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 39,523,953	\$ 16,389,247	\$ 55,913,200
Investments	-	249,961	249,961
Receivables			
Taxes	394,221	-	394,221
Trust deeds	1,254,318	-	1,254,318
Customers	418,090	-	418,090
Special assessments	508,671	11,967	520,638
Accounts and contracts	908,281	3,048,555	3,956,836
Accrued interest	5,074	2,082	7,156
Due from other units of government	1,794,679	-	1,794,679
Internal balances	(8,266,812)	8,266,812	-
Inventories	775,488	664,724	1,440,212
Prepaid items	560,932	-	560,932
Restricted assets			
Cash and investments	-	3,372,088	3,372,088
Assets held for resale	225,000	-	225,000
Other assets			
Investment in joint venture	378,471	10,834,228	11,212,699
Capital assets not being depreciated	7,027,865	3,906,104	10,933,969
Capital assets, net of accumulated depreciation	85,019,836	111,101,439	196,121,275
Total assets	<u>130,528,067</u>	<u>157,847,207</u>	<u>288,375,274</u>
Deferred outflows of resources			
Deferred charge on defeasance	-	656,683	656,683
Total assets and deferred outflows of resources	<u>130,528,067</u>	<u>158,503,890</u>	<u>289,031,957</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 2,373,789	\$ 2,837,997	\$ 5,211,786
Accrued and other liabilities	1,049,428	21,475	1,070,903
Due to other units of government	1,425	-	1,425
Deposits	55,847	60,000	115,847
Unearned revenue	1,421,779	69,672	1,491,451
Payable from restricted assets			
Accrued interest	-	66,153	66,153
Current portion of noncurrent liabilities	-	1,305,000	1,305,000
Guarantee deposits	-	66,105	66,105
Noncurrent liabilities			
Due within one year	2,850,731	426,623	3,277,354
Due in more than one year	18,979,248	17,658,287	36,637,535
Total liabilities	<u>26,732,247</u>	<u>22,511,312</u>	<u>49,243,559</u>
Net position			
Net investment in capital assets	86,664,194	100,885,163	187,549,357
Restricted (expendable) for:			
Major street	4,523,738	-	4,523,738
Local street	3,765,639	-	3,765,639
Center city authority	5,020	-	5,020
Grace A. Dow memorial library	2,888,678	-	2,888,678
Downtown development authority	831,807	-	831,807
Community development block grant	100,533	-	100,533
Midland Housing	186,391	-	186,391
Special activities	124,922	-	124,922
Cemetery operations	1,914,615	-	1,914,615
Debt service	-	3,372,088	3,372,088
Emergency repair	-	25,000	25,000
Unrestricted	<u>2,790,283</u>	<u>31,710,327</u>	<u>34,500,610</u>
Total net position	<u>\$ 103,795,820</u>	<u>\$ 135,992,578</u>	<u>\$ 239,788,398</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary government						
Governmental activities						
General government	\$ 4,379,126	\$ -	\$ 2,500	\$ -	\$ (4,376,626)	\$ (4,376,626)
Public safety	15,679,391	102,133	119,718	-	(15,457,540)	(15,457,540)
Public works	9,416,912	1,049,135	3,612,545	1,309,370	(3,445,862)	(3,445,862)
Sanitation	2,398,083	34,756	-	-	(2,363,327)	(2,363,327)
Community and economic development	567,424	5,100	380,742	-	(181,582)	(181,582)
Parks and recreation	5,126,073	421,685	197,987	-	(4,506,401)	(4,506,401)
Library and community television	4,471,374	1,359,160	85,467	3,000,000	(26,747)	(26,747)
Airport	418,304	258,776	-	-	(159,528)	(159,528)
Transportation	1,901,342	118,839	998,100	-	(784,403)	(784,403)
Property tax appeals	573,260	-	-	-	(573,260)	(573,260)
Interest on long-term debt	589,971	-	-	-	(589,971)	(589,971)
Total governmental activities	<u>45,521,260</u>	<u>3,349,584</u>	<u>5,397,059</u>	<u>4,309,370</u>	<u>(32,465,247)</u>	<u>(32,465,247)</u>
Business-type activities						
Water	10,012,152	11,294,267	-	183,700	-	1,465,815
Wastewater	5,926,059	5,675,905	-	188,000	-	(62,154)
Sanitary Landfill	3,550,543	3,328,044	-	134	-	(222,365)
Civic Arena	1,351,292	1,001,252	-	27,559	-	(322,481)
Senior Housing	3,769,124	3,358,723	7,705	-	-	(402,696)
Currie Municipal Golf Course	1,391,481	761,016	-	296,920	-	(333,545)
Parking	190,596	84,983	-	-	-	(105,613)
Total business-type activities	<u>26,191,247</u>	<u>25,504,190</u>	<u>7,705</u>	<u>696,313</u>	<u>-</u>	<u>16,961</u>
Total primary government	<u>\$ 71,712,507</u>	<u>\$ 28,853,774</u>	<u>\$ 5,404,764</u>	<u>\$ 5,005,683</u>	<u>(32,465,247)</u>	<u>16,961</u>
General revenues						
Property taxes, levied for general purposes					28,148,670	28,148,670
Property taxes, levied for library					2,211,308	2,211,308
Property taxes, levied for Downtown Development Authority					513,708	513,708
Property taxes, levied for debt service					665,004	665,004
Property taxes, levied for pension savings					2,410,335	2,410,335
Other tax related revenue					2,012,014	2,012,014
State shared revenue, unrestricted					3,262,543	3,262,543
Unrestricted investment earnings					44,690	43,548
Gain on sale of capital assets					-	62,766
Miscellaneous					862,213	423,428
Transfers					(1,797,796)	1,797,796
Total general revenues and transfers					<u>38,332,689</u>	<u>2,327,538</u>
Change in net position					<u>5,867,442</u>	<u>2,344,499</u>
Net position - beginning of year					98,043,339	133,723,992
Change in accounting principle					(114,961)	(75,913)
Net position - beginning of year (restated)					<u>97,928,378</u>	<u>133,648,079</u>
Net position - end of year					<u>\$ 103,795,820</u>	<u>\$ 135,992,578</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Balance Sheet
June 30, 2013

	General	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 8,200,087	\$ 4,447,133	\$ 11,119,567	\$ 23,766,787
Receivables - net of allowances for uncollectibles:				
Taxes	352,033	-	42,188	394,221
Trust deeds	47,222	-	1,207,096	1,254,318
Customers	-	-	229,343	229,343
Accounts and contracts	330,086	6,732	465,928	802,746
Accrued interest	1,516	535	1,400	3,451
Due from other units of government	1,078,299	500,816	215,564	1,794,679
Due from other funds	-	-	112,983	112,983
Inventories	65,071	-	37,318	102,389
Assets held for resale	-	225,000	-	225,000
	<u>10,074,314</u>	<u>5,180,216</u>	<u>13,431,387</u>	<u>28,685,917</u>
Total assets	<u>\$ 10,074,314</u>	<u>\$ 5,180,216</u>	<u>\$ 13,431,387</u>	<u>\$ 28,685,917</u>
Liabilities				
Accounts payable	\$ 507,118	\$ 246,516	\$ 205,997	\$ 959,631
Due to other funds	-	-	112,983	112,983
Due to other units of government	1,425	-	-	1,425
Deposits	28,292	-	27,555	55,847
Unearned revenue	1,116	-	1,420,663	1,421,779
	<u>537,951</u>	<u>246,516</u>	<u>1,767,198</u>	<u>2,551,665</u>
Total liabilities	<u>537,951</u>	<u>246,516</u>	<u>1,767,198</u>	<u>2,551,665</u>
Deferred inflows of resources				
Grants	-	-	5,504	5,504
State shared revenue	551,286	-	-	551,286
	<u>551,286</u>	<u>-</u>	<u>5,504</u>	<u>556,790</u>
Total deferred inflows of resources	<u>551,286</u>	<u>-</u>	<u>5,504</u>	<u>556,790</u>
	<u>1,089,237</u>	<u>246,516</u>	<u>1,772,702</u>	<u>3,108,455</u>
Total liabilities and deferred inflows of resources	<u>1,089,237</u>	<u>246,516</u>	<u>1,772,702</u>	<u>3,108,455</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Balance Sheet
June 30, 2013

	General	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances				
Non-spendable				
Inventories	\$ 65,071	\$ -	\$ 37,318	\$ 102,389
Trust deeds	47,222	-	-	47,222
Assets held for resale	-	225,000	-	225,000
Restricted for				
Major street	-	4,298,738	-	4,298,738
Local street	-	-	3,765,639	3,765,639
City center authority	-	-	5,020	5,020
Grace A. Dow memorial library	-	-	2,888,678	2,888,678
Downtown development authority	-	-	831,807	831,807
Community development block grant	-	-	100,533	100,533
Midland Housing	-	-	149,073	149,073
Special activities	-	-	124,922	124,922
Permanent fund - cemetery activities	-	-	1,914,615	1,914,615
Committed				
Contingencies	1,500,000	-	-	1,500,000
Future year expenditures	1,975,477	409,962	335,712	2,721,151
Assigned	724,234	-	1,505,368	2,229,602
Unassigned	4,673,073	-	-	4,673,073
Total fund balances	8,985,077	4,933,700	11,658,685	25,577,462
Total liabilities, deferred inflows of resources and fund balances	\$ 10,074,314	\$ 5,180,216	\$ 13,431,387	\$ 28,685,917

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Total fund balances for governmental funds	\$ 25,577,462
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.	68,844,005
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	6,972,865
Investment in joint ventures are not financial resources and therefore are not reported in the governmental funds.	378,471
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	556,790
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(90,685)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(12,883,507)
Compensated absences	(3,248,533)
Internal service funds are included as part of governmental activities.	<u>17,688,952</u>
Net position of governmental activities	<u>\$ 103,795,820</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	General	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 30,558,999	\$ 2,012,020	\$ 3,390,020	\$ 35,961,039
Licenses and permits	494,376	108,157	84,947	687,480
Federal grants	47,463	-	535,755	583,218
State revenue sharing	3,239,202	-	-	3,239,202
Other state grants	34,118	4,154,200	1,553,312	5,741,630
Local contributions	203,530	-	3,219,654	3,423,184
Charges for services	2,083,906	176,456	1,477,999	3,738,361
Use and admission charges	282,393	-	-	282,393
Interest income	27,888	5,088	11,695	44,671
Rental income	108,013	-	-	108,013
Other revenue	1,129,934	15,359	111,058	1,256,351
	<u>38,209,822</u>	<u>6,471,280</u>	<u>10,384,440</u>	<u>55,065,542</u>
Total revenues				
	<u>38,209,822</u>	<u>6,471,280</u>	<u>10,384,440</u>	<u>55,065,542</u>
Expenditures				
Current				
General government	6,005,546	-	134,042	6,139,588
Public safety	15,724,988	-	-	15,724,988
Public works	3,044,278	1,447,071	1,366,928	5,858,277
Sanitation	2,450,295	-	-	2,450,295
Community and economic development	-	-	566,585	566,585
Parks and recreation	4,888,990	-	-	4,888,990
Library and community television	-	-	4,079,055	4,079,055
Airport	362,084	-	-	362,084
Transportation	-	-	1,819,483	1,819,483
Property tax appeals	573,260	-	-	573,260
Capital outlay	306,299	2,566,045	1,253,326	4,125,670
Debt service				
Principal retirement	-	-	1,040,000	1,040,000
Interest and fiscal charges	-	-	582,106	582,106
	<u>33,355,740</u>	<u>4,013,116</u>	<u>10,841,525</u>	<u>48,210,381</u>
Total expenditures				
	<u>33,355,740</u>	<u>4,013,116</u>	<u>10,841,525</u>	<u>48,210,381</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,854,082</u>	<u>2,458,164</u>	<u>(457,085)</u>	<u>6,855,161</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	General	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Transfers in	\$ 56,560	\$ 12,182	\$ 5,706,435	\$ 5,775,177
Transfers out	<u>(4,664,802)</u>	<u>(1,850,452)</u>	<u>(1,120,917)</u>	<u>(7,636,171)</u>
Total other financing sources (uses)	<u>(4,608,242)</u>	<u>(1,838,270)</u>	<u>4,585,518</u>	<u>(1,860,994)</u>
Net change in fund balance	245,840	619,894	4,128,433	4,994,167
Fund balance - beginning of year	<u>8,739,237</u>	<u>4,313,806</u>	<u>7,530,252</u>	<u>20,583,295</u>
Fund balance - end of year	<u>\$ 8,985,077</u>	<u>\$ 4,933,700</u>	<u>\$ 11,658,685</u>	<u>\$ 25,577,462</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - Total governmental funds	\$ 4,994,167
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(4,725,242)
Capital outlay	4,350,754
Loss on disposal of capital assets	(1,025)
Investment in joint ventures are not financial resources and therefore are not shown in the fund - based statements	10,021
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
State shared revenue	23,341
Grants	(43,012)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	6,285
Compensated absences	45,717
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	1,040,000
Repayments of capital lease	209,187
Amortization of premiums, discounts and similar items	(14,150)
Internal service funds are also included as governmental activities	(28,601)
Change in net position of governmental activities	<u>\$ 5,867,442</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2013

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Assets							
Current assets							
Cash and cash equivalents	\$ 5,731,853	\$ 1,731,656	\$ 6,582,172	\$ 1,100	\$ 2,342,466	\$ 16,389,247	\$ 15,757,166
Investments	-	-	-	-	249,961	249,961	-
Receivables - net of allowances for uncollectibles:							
Customers	-	-	-	-	-	-	188,747
Special assessments, current	4,705	7,262	-	-	-	11,967	78,204
Accounts and contracts	1,657,672	975,630	364,831	33,553	16,869	3,048,555	105,535
Accrued interest	699	332	776	-	275	2,082	1,623
Due from other funds	-	-	20,943	-	-	20,943	-
Inventories	544,521	-	-	48,890	71,313	664,724	673,099
Prepaid items	-	-	-	-	-	-	560,932
Restricted assets							
Cash and cash equivalents	-	1,151,153	-	-	-	1,151,153	-
Total current assets	7,939,450	3,866,033	6,968,722	83,543	2,680,884	21,538,632	17,365,306
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	66,105	-	2,154,830	-	-	2,220,935	-
Special assessments receivable	-	-	-	-	-	-	430,467
Advances to other funds	-	-	372,484	-	-	372,484	-
Capital assets not being depreciated	647,656	141,759	1,740,347	-	1,376,342	3,906,104	55,000
Capital assets, net of accumulated depreciation	36,678,774	40,381,831	9,365,244	7,879,524	16,796,066	111,101,439	16,175,831
Other assets							
Investment in joint venture	10,834,228	-	-	-	-	10,834,228	-
Total noncurrent assets	48,226,763	40,523,590	13,632,905	7,879,524	18,172,408	128,435,190	16,661,298
Total assets	56,166,213	44,389,623	20,601,627	7,963,067	20,853,292	149,973,822	34,026,604
Deferred outflows of resources							
Deferred charge on defeasance	-	329,342	-	327,341	-	656,683	-
Total assets and deferred outflows of resources	56,166,213	44,718,965	20,601,627	8,290,408	20,853,292	150,630,505	34,026,604

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2013

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Liabilities							
Current liabilities							
Accounts payable	\$ 498,569	\$ 366,334	\$ 69,808	\$ 507,735	\$ 1,395,551	\$ 2,837,997	\$ 1,414,158
Accrued and other liabilities	-	2	-	20,693	780	21,475	-
Due to other funds	-	-	-	-	-	-	20,943
Deposits	13,762	-	-	438	45,800	60,000	-
Unearned revenue	-	695	-	-	68,977	69,672	-
Estimated healthcare claims	-	-	-	-	-	-	958,743
Current portion of noncurrent liabilities	167,943	86,914	59,358	4,774	107,634	426,623	333,849
Payable from restricted assets							
Accrued interest	-	66,153	-	-	-	66,153	-
Current portion of noncurrent liabilities	-	1,085,000	-	220,000	-	1,305,000	-
Total current liabilities	<u>680,274</u>	<u>1,605,098</u>	<u>129,166</u>	<u>753,640</u>	<u>1,618,742</u>	<u>4,786,920</u>	<u>2,727,693</u>
Noncurrent liabilities							
Payable from restricted assets - guarantee deposits	66,105	-	-	-	-	66,105	-
Advances from other funds	-	-	-	-	-	-	372,484
Long-term debt net of current portion	205,170	9,138,605	103,711	4,452,702	69,099	13,969,287	5,364,090
Accrued landfill closure and postclosure care costs	-	-	3,689,000	-	-	3,689,000	-
Total noncurrent liabilities	<u>271,275</u>	<u>9,138,605</u>	<u>3,792,711</u>	<u>4,452,702</u>	<u>69,099</u>	<u>17,724,392</u>	<u>5,736,574</u>
Total liabilities	<u>951,549</u>	<u>10,743,703</u>	<u>3,921,877</u>	<u>5,206,342</u>	<u>1,687,841</u>	<u>22,511,312</u>	<u>8,464,267</u>
Net position							
Net investment in capital assets	37,326,430	30,733,869	11,105,591	3,546,865	18,172,408	100,885,163	10,705,831
Restricted for:							
Debt service	66,105	1,151,153	2,154,830	-	-	3,372,088	-
Emergency repair	25,000	-	-	-	-	25,000	-
Unrestricted (deficit)	<u>17,797,129</u>	<u>2,090,240</u>	<u>3,419,329</u>	<u>(462,799)</u>	<u>993,043</u>	<u>23,836,942</u>	<u>14,856,506</u>
Total net position	<u>\$ 55,214,664</u>	<u>\$ 33,975,262</u>	<u>\$ 16,679,750</u>	<u>\$ 3,084,066</u>	<u>\$ 19,165,451</u>	128,119,193	<u>\$ 25,562,337</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>7,873,385</u>	
Net position of business-type activities						<u>\$ 135,992,578</u>	

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Operating revenue							
Customer fees	\$ 10,223,565	\$ 5,659,485	\$ -	\$ -	\$ -	\$ 15,883,050	\$ -
Use and admission charges	-	-	3,322,110	1,000,933	845,084	5,168,127	-
Billings to other funds	-	-	-	-	-	-	11,412,072
Rental income	387,248	-	-	-	2,515,358	2,902,606	3,997,819
Fines and forfeits	82,068	81,474	5,934	-	-	169,476	-
Sale of meals - revenue	-	-	-	-	546,610	546,610	-
Other revenue	161,992	50,645	53,361	10,666	309,800	586,464	2,020,199
Total operating revenue	<u>10,854,873</u>	<u>5,791,604</u>	<u>3,381,405</u>	<u>1,011,599</u>	<u>4,216,852</u>	<u>25,256,333</u>	<u>17,430,090</u>
Operating expenses							
Operations	4,117,868	1,265,702	2,735,828	811,745	4,530,073	13,461,216	15,494,263
Administration	1,389,298	933,143	-	-	-	2,322,441	-
Maintenance	3,049,974	1,691,744	-	61,412	107,559	4,910,689	-
Other expenses	279	61,608	26,706	873	3,343	92,809	-
Depreciation and amortization	1,358,248	1,576,359	678,926	340,246	701,358	4,655,137	2,200,731
Total operating expenses	<u>9,915,667</u>	<u>5,528,556</u>	<u>3,441,460</u>	<u>1,214,276</u>	<u>5,342,333</u>	<u>25,442,292</u>	<u>17,694,994</u>
Operating income (loss)	<u>939,206</u>	<u>263,048</u>	<u>(60,055)</u>	<u>(202,677)</u>	<u>(1,125,481)</u>	<u>(185,959)</u>	<u>(264,904)</u>
Nonoperating revenue (expenses)							
Interest income	7,089	3,454	17,647	-	16,023	44,213	33,845
Contractual revenues	683,454	-	-	-	-	683,454	-
Gain (loss) on disposition of assets	7,450	-	49,902	1,025	4,389	62,766	(113,866)
Other revenue	-	-	-	-	304,625	304,625	-
Interest expense	-	(394,316)	-	(137,260)	-	(531,576)	-
Total nonoperating revenues (expenses)	<u>697,993</u>	<u>(390,862)</u>	<u>67,549</u>	<u>(136,235)</u>	<u>325,037</u>	<u>563,482</u>	<u>(80,021)</u>
Income (loss) before contributions and transfers	<u>1,637,199</u>	<u>(127,814)</u>	<u>7,494</u>	<u>(338,912)</u>	<u>(800,444)</u>	<u>377,523</u>	<u>(344,925)</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Capital contributions	\$ 171,000	\$ 188,000	\$ -	\$ 27,559	\$ -	\$ 386,559	\$ 35,747
Transfers in	-	896,911	-	425,000	627,885	1,949,796	132,000
Transfers out	(79,000)	(53,000)	-	-	(20,000)	(152,000)	(68,802)
Change in net position	<u>1,729,199</u>	<u>904,097</u>	<u>7,494</u>	<u>113,647</u>	<u>(192,559)</u>	<u>2,561,878</u>	<u>(245,980)</u>
Net position - beginning of year	53,155,882	33,438,901	16,672,256	3,008,179	19,358,010	125,633,228	25,845,412
Prior period adjustment	329,583	(329,583)	-	-	-	-	-
Change in accounting principle	-	(38,153)	-	(37,760)	-	(75,913)	(37,095)
Net position - beginning of year (restated)	<u>53,485,465</u>	<u>33,071,165</u>	<u>16,672,256</u>	<u>2,970,419</u>	<u>19,358,010</u>	<u>125,557,315</u>	<u>25,808,317</u>
Net position - end of year	<u>\$ 55,214,664</u>	<u>\$ 33,975,262</u>	<u>\$ 16,679,750</u>	<u>\$ 3,084,066</u>	<u>\$ 19,165,451</u>		<u>\$ 25,562,337</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>(217,379)</u>	
Change in net position of business-type activities						<u>\$ 2,344,499</u>	

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2013

	Water	Wastewater	Sanitary Landfill	Civic Arena	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities							
Receipts from customers	\$ 10,652,941	\$ 5,807,844	\$ 3,325,378	\$ 1,011,206	\$ 4,214,420	\$ 25,011,789	\$ 6,009,283
Receipts from other funds	-	-	-	-	-	-	11,409,450
Payments to suppliers	(5,276,778)	(1,744,054)	(1,470,729)	(677,704)	(2,671,822)	(11,841,087)	(13,363,674)
Payments to employees	(3,672,532)	(1,911,727)	(1,069,559)	(312,987)	(2,136,720)	(9,103,525)	(2,620,609)
Net cash provided (used) by operating activities	<u>1,703,631</u>	<u>2,152,063</u>	<u>785,090</u>	<u>20,515</u>	<u>(594,122)</u>	<u>4,067,177</u>	<u>1,434,450</u>
Cash flows from noncapital financing activities							
Transfer from other funds	-	896,911	-	425,000	627,885	1,949,796	132,000
Transfers to other funds	(79,000)	(53,000)	-	-	(20,000)	(152,000)	(68,802)
Advances from other funds	-	-	-	-	-	-	(20,943)
Net cash provided (used) by noncapital financing activities	<u>(79,000)</u>	<u>843,911</u>	<u>-</u>	<u>425,000</u>	<u>607,885</u>	<u>1,797,796</u>	<u>42,255</u>
Cash flows from capital and related financing activities							
Capital contributions	171,000	188,000	-	27,559	-	386,559	35,747
Advances to/from other funds	-	-	20,943	-	-	20,943	-
Purchases/construction of capital assets	(1,969,647)	(893,912)	(669,534)	(126,542)	(15,140)	(3,674,775)	(615,857)
Principal and interest paid on long-term debt	-	(1,424,316)	-	(346,332)	-	(1,770,648)	-
Contractual revenues	683,454	-	-	-	-	683,454	-
Proceeds from sale of capital assets	8,704	41,168	73,396	-	21,076	144,344	208,160
Net cash used by capital and related financing activities	<u>(1,106,489)</u>	<u>(2,089,060)</u>	<u>(575,195)</u>	<u>(445,315)</u>	<u>5,936</u>	<u>(4,210,123)</u>	<u>(371,950)</u>
Cash flows from investing activities							
Interest received	<u>7,089</u>	<u>3,454</u>	<u>17,647</u>	<u>-</u>	<u>10,817</u>	<u>39,007</u>	<u>33,845</u>
Net change in cash and cash equivalents	525,231	910,368	227,542	200	30,516	1,693,857	1,138,600
Cash and cash equivalents - beginning of year	<u>5,272,727</u>	<u>1,972,441</u>	<u>8,509,460</u>	<u>900</u>	<u>2,311,950</u>	<u>18,067,478</u>	<u>14,618,566</u>
Cash and cash equivalents - end of year	<u>\$ 5,797,958</u>	<u>\$ 2,882,809</u>	<u>\$ 8,737,002</u>	<u>\$ 1,100</u>	<u>\$ 2,342,466</u>	<u>\$ 19,761,335</u>	<u>\$ 15,757,166</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Sanitary Landfill</u>	<u>Civic Arena</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Cash and equivalents reported on Statement of Net Position as follows							
Cash and cash equivalents	\$ 5,731,853	\$ 1,731,656	\$ 6,582,172	\$ 1,100	\$ 2,342,466	\$ 16,389,247	\$ 15,757,166
Cash and cash equivalents - restricted	-	1,151,153	-	-	-	1,151,153	-
Cash and cash equivalents - noncurrent	66,105	-	2,154,830	-	-	2,220,935	-
Net cash and equivalents	<u>\$ 5,797,958</u>	<u>\$ 2,882,809</u>	<u>\$ 8,737,002</u>	<u>\$ 1,100</u>	<u>\$ 2,342,466</u>	<u>\$ 19,761,335</u>	<u>\$ 15,757,166</u>
Noncash investing activities - changes in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,206</u>	<u>\$ 5,206</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ 939,206	\$ 263,048	\$ (60,055)	\$ (202,677)	\$ (1,125,481)	\$ (185,959)	\$ (264,904)
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	1,358,248	1,576,359	678,926	340,246	701,358	4,655,137	2,200,731
Loss on investment in joint venture	(509,800)	-	-	-	-	(509,800)	-
Changes in assets and liabilities							
Receivables (net)	(201,932)	16,240	(55,923)	(393)	(2,432)	(244,440)	(37,833)
Due from other units of government	-	-	-	-	-	-	26,372
Due from other funds	-	-	(104)	-	-	(104)	-
Inventories	(46,427)	-	-	3,431	(2,501)	(45,497)	120,294
Prepaid items	-	-	-	-	-	-	(189,592)
Accounts payable	139,702	282,596	14,908	(126,483)	(216,737)	93,986	(41,724)
Accrued and other liabilities	26,682	13,820	5,338	5,953	(15,206)	36,587	(378,998)
Deposits	(2,048)	-	-	438	(2,100)	(3,710)	-
Due to other funds	-	-	-	-	-	-	104
Accrued landfill closure costs	-	-	202,000	-	-	202,000	-
Unearned revenue	-	-	-	-	68,977	68,977	-
Net cash provided (used) by operating activities	<u>\$ 1,703,631</u>	<u>\$ 2,152,063</u>	<u>\$ 785,090</u>	<u>\$ 20,515</u>	<u>\$ (594,122)</u>	<u>\$ 4,067,177</u>	<u>\$ 1,434,450</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Fiduciary Funds
Statement of Net Position
June 30, 2013

	Police and Fire Retirement Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,370,043	\$ 1,594,065
Investments		
Common stock	24,324,600	-
Preferred stock	1,242,466	-
Bonds	15,805,876	-
International funds	10,154,943	-
Receivables - net of allowances for uncollectibles:		
Accounts and contracts	-	16,429
Accrued interest and other	86,240	8
Due from other units of government	-	116,856
Total assets	53,984,168	\$ 1,727,358
Liabilities		
Accrued and other liabilities	-	\$ 1,610,985
Due to foundations	-	77,599
Due to other units of government	-	38,774
Total liabilities	-	\$ 1,727,358
Net position		
Held in trust for pension benefits	\$ 53,984,168	

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Fiduciary Funds
Statement of Changes in Net Position
For the Year Ended June 30, 2013

	<u>Police and Fire Retirement Trust Fund</u>
Additions	
Contributions	
Employer	\$ 2,581,577
Plan members	<u>544,136</u>
Total contributions	<u>3,125,713</u>
Investment earnings	
Net gain (loss) on fair value of investments	4,714,549
Interest	355,243
Dividends	<u>679,428</u>
Total investment earnings	5,749,220
Less investment expense	<u>(344,794)</u>
Net investment earnings	<u>5,404,426</u>
Total contributions and investment earnings	8,530,139
Deductions	
Benefits paid	<u>4,754,272</u>
Change in net position	3,775,867
Net position - beginning of year	<u>50,208,301</u>
Net position - end of year	<u>\$ 53,984,168</u>

See Accompanying Notes to Financial Statements

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity

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

Blended Component Unit

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

Center City Authority – The Center City Authority (CCA) was established in May 2008 for the purpose of capturing incremental tax

revenues generated in the district to reinvest them in the district thus enhancing the area's business climate. The CCA is administered by a seven-member board, which is appointed by the City Council. Funding for the CCA mainly comes from tax increment financing from properties located within the CCA district. All projects initiated by the CCA will be considered public improvements by the City facilities, it has been blended into the financial statements as a special revenue fund. The CCA has a June 30 year end.

Joint ventures

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

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

A summary of the financial information for the year ended June 30, 2013 follows:

Total assets and deferred outflows of resources	\$ 35,517,348
Total liabilities	12,223,757
Equity - City of Midland	10,834,228
Equity - City of Saginaw	12,459,363
Total revenues	5,222,480
Total expenses	3,938,279
Net income	1,284,201

At June 30, 2013, total outstanding bonded debt of the SMMWSC was \$10,795,000. The City was obligated for \$5,020,930 of this total.

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

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

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

Government-wide and fund financial statements

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

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

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

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

statements, excluding agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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 Financial Statements
June 30, 2013

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

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

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

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.

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

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.

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

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

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

Debt Service Fund

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

Permanent Fund

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

The City reports the following nonmajor proprietary funds:

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

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

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

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

Additionally, The City reports the following internal service funds:

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

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.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

revenues. Likewise, general revenues include all taxes.

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

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

Assets, liabilities, and net position or equity

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

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

balances.”

Property tax receivables are shown as net of allowance for uncollectible amounts totaling \$20,500. The property tax receivable allowance at June 30, 2013 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 2012 taxable valuation of the government totaled \$2,201,777,715 on which ad valorem taxes consisted of 12.41 mills for the City's operating purposes, 1.0 mills for Library services, 1.09 for pension savings, and .29 mills for debt levies. This resulted in \$26,799,878 for operating expenses, \$2,186,196 for the Library, \$2,386,581 for pension savings, and \$637,299 for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

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

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

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

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

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

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

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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

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.

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.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

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.

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

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by City Council. The City Council annually approves a resolution granting the City’s Assistant City Manager for Financial Services the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically

assigned by their nature.

The governmental funds have an assigned fund balance as of June 30, 2013 for the following purposes:

Stormwater Management	\$ 303,947
Dial-A-Ride	44,999
Midland Community Television	1,156,422
	\$ 1,505,368

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

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

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

Encumbrances

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

General	\$ 724,234
Major Street	1,469,742
Nonmajor Governmental	4,869,426

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Comparative data

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

Adoption of New Accounting Standard

The Government Accounting Standards Board issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*, which the government adopted effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows or resources and net position in a statement of financial position and related disclosures.

The Government Accounting Standards Board also issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, which the government adopted effective July 1, 2012. This statement modifies certain requirements for inclusion of component units in the financial reporting entity, and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances

Upcoming adoption of new accounting standard

The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

The Government Accounting Standards Board has also issued *Statement 69, Government Combinations and Disposals of Government Operations and Statement 70, Nonexchange Financial Guarantees*.

Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending December 31, 2014.

Statement 70, addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

recognize a liability when qualitative factors and/or historical data indicate that it is “more likely than not” that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. Statement 70 is effective for the year ending June 30, 2014.

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, 2012	\$	(481,264)
Current year building permit revenue		394,805
Related expenses:		
Direct costs	\$	428,343
Estimated indirect costs		<u>25,701</u>
Total construction code expenses		<u>454,044</u>
Cumulative shortfall at June 30, 2013		<u><u>\$ (540,503)</u></u>

Budgetary information

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General

Fund, Special Revenue Funds, and Debt Service Fund. All annual appropriations lapse at the end of the fiscal year, except as noted.

On or before the second Monday in April, the City Manager presents the proposed budget to the City Council for review. The City holds public hearings and a final budget must be prepared and adopted no 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.

Excess of expenditures over appropriations

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

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Public works	\$ 2,970,503	\$ 3,044,278	\$ 73,775
Property tax appeals	459,000	573,260	114,260

Deficit net position

The City has accumulated unrestricted net position deficits in the Currie Municipal Golf Course Fund and Civic Arena Fund.

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rates as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

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

The above-mentioned City investment policy applies to all financial assets of the City except for its Post Retirement Health Care and the Police and Fire Retirement System Fund, which are organized and administered separately. Investments are made pursuant to provisions of the Public Employee Retirement System Investment Act of 1965. Michigan Public Act 314 of 1965 and Michigan Public Act 149 of 1999, as amended, authorize investments in certain reverse repurchase agreements, stocks, diversified investment companies,

annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$ 45,570,841 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.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

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

Investment	Fair Value	Weighted Average Maturity
Commercial Paper	\$ 10,795,150	0.331
Corporate Bonds	11,470,214	7.125
FHLM	333,359	3.689
FNMA	375,175	29.103
Treasury Bills	99,928	0.683
Municipal Obligation	1,238,179	2.800
U.S. Treasury Notes	4,298,174	2.783

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

Investment	Fair Value	Rating	Organization
Commercial Paper	\$ 10,795,150	A1	S & P
Corporate bonds	1,325,040	A	S & P
Corporate bonds	2,019,849	A-	S & P
Corporate bonds	786,812	A+	S & P
Corporate bonds	204,446	AA	S & P
Corporate bonds	193,226	AA-	S & P
Corporate bonds	400,542	AA+	S & P
Corporate bonds	376,800	AAA	S & P
Corporate bonds	82,631	B	S & P
Corporate bonds	66,863	B+	S & P
Corporate bonds	323,569	BB	S & P
Corporate bonds	102,148	BB-	S & P
Corporate bonds	2,903,254	BBB	S & P
Corporate bonds	1,140,613	BBB-	S & P
Corporate bonds	1,358,763	BBB+	S & P
Corporate bonds	185,659	N / A	N / A
FHLM	333,359	AA+	S & P
FNMA	375,175	N / A	N / A
Money market funds	2,264,325	N / A	N / A
Municipal obligation	262,537	AA	S & P
Municipal obligation	208,506	AA-	S & P
Municipal obligation	240,450	AA+	S & P
Municipal obligation	255,133	AAA	S & P
Municipal obligation	271,553	N / A	N / A
Mutual funds	2,296,145	N / A	N / A
Pooled funds	274,597	N / A	N / A

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

NOTE 4 - RECEIVABLES

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

	Due After One Year
Primary government	
Special assessments	\$ 430,467

The receivables are included in the Special Assessment Revolving Fund.

NOTE 5 - UNEARNED REVENUE

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

Primary government	
Grants	\$ 1,116
Utility overpayments	695
Trust deeds	1,420,663
Other revenue	68,977
Total	\$ 1,491,451

NOTE 6 - CAPITAL ASSETS

Capital assets activity of the City for the year ended June 30, 2013 was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 5,408,374	\$ -	\$ -	\$ -	\$ 5,408,374
Construction in progress	1,248,965	-	3,762,751	3,392,225	1,619,491
Total capital assets not being depreciated	6,657,339	-	3,762,751	3,392,225	7,027,865
Capital assets being depreciated					
Major and local roads	66,640,846	-	2,909,888	-	69,550,734
Sidewalks	5,573,435	-	52,000	-	5,625,435
Buildings	30,103,733	-	171,005	-	30,274,738
Land improvements	25,172,153	16,007	508,634	-	25,696,794
Library circulation materials	4,668,414	-	261,822	358,428	4,571,808
Equipment	16,646,187	(98,365)	156,840	1,273,940	15,430,722
Vehicles	17,601,904	(885,135)	534,872	1,840,123	15,411,518
Total capital assets being depreciated	166,406,672	(967,493)	4,595,061	3,472,491	166,561,749
Less accumulated depreciation for					
Major and local roads	32,291,001	-	2,729,706	-	35,020,707
Sidewalks	2,880,215	-	225,147	-	3,105,362
Buildings	12,462,364	-	632,266	-	13,094,630
Land improvements	7,121,478	16,007	576,913	-	7,714,398
Library circulation materials	3,877,499	-	337,637	358,428	3,856,708
Equipment	9,291,089	(25,558)	1,096,988	1,269,080	9,093,439
Vehicles	10,810,248	(676,208)	1,327,316	1,804,687	9,656,669
Total accumulated depreciation	78,733,894	(685,759)	6,925,973	3,432,195	81,541,913
Net capital assets being depreciated	87,672,778	(281,734)	(2,330,912)	40,296	85,019,836
Governmental activities capital assets, net	\$ 94,330,117	\$ (281,734)	\$ 1,431,839	\$ 3,432,521	\$ 92,047,701

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	\$ 2,793,794	\$ -	\$ -	\$ -	\$ 2,793,794
Construction in progress	1,318,907	-	1,815,467	2,022,064	1,112,310
Total capital assets not being depreciated	4,112,701	-	1,815,467	2,022,064	3,906,104
Capital assets being depreciated					
Water and sewer lines	87,892,290	-	1,218,975	-	89,111,265
Building and building improvements	82,523,577	-	1,753,232	-	84,276,809
Land improvements	8,303,369	(16,007)	116,172	-	8,403,534
Landfill improvements	12,864,550	-	33,341	-	12,897,891
Equipment	8,794,181	98,365	504,874	343,058	9,054,362
Vehicles	1,055,755	885,135	257,311	167,749	2,030,452
Total capital assets being depreciated	201,433,722	967,493	3,883,905	510,807	205,774,313
Less accumulated depreciation for					
Water and sewer lines	34,575,638	-	1,726,135	-	36,301,773
Building and building improvements	38,809,394	-	1,734,247	-	40,543,641
Land improvements	1,938,031	(16,007)	162,134	-	2,084,158
Landfill improvements	8,459,968	-	327,850	-	8,787,818
Equipment	5,440,769	25,558	562,419	334,075	5,694,671
Vehicles	597,908	676,208	142,352	155,655	1,260,813
Total accumulated depreciation	89,821,708	685,759	4,655,137	489,730	94,672,874
Net capital assets being depreciated	111,612,014	281,734	(771,232)	21,077	111,101,439
Business-type capital assets, net	\$ 115,724,715	\$ 281,734	\$ 1,044,235	\$ 2,043,141	\$ 115,007,543

During the fiscal year 2013 the City transferred assets from Governmental to the Business-type funds that directly use and control the assets.

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

Governmental activities:

General government	\$ 208,491
Public safety	411,371
Public works	4,743,112
Sanitation	184,748
Parks and recreation	478,200
Library	508,520
Airport	67,664
Transportation	308,736
Other functions	15,131

Total governmental activities

\$ 6,925,973

Business-type activities:

Civic Arena	\$ 340,246
Landfill	678,927
Senior Housing	463,481
Golf course	200,870
Parking system	37,007
Wastewater	1,576,359
Water	1,358,247

Total business-type activities

\$ 4,655,137

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

NOTE 7 - CONSTRUCTION COMMITMENTS

The City has active construction projects as of June 30, 2013. The projects included sidewalk, streets, landfill, renewable energy, wastewater, and water system projects.

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sidewalk projects	\$ 34,272	\$ 20,784
Street projects	1,325,809	1,537,212
Landfill projects	2,433	15,143
Storm Water projects	111,323	282,812
Wastewater projects	739,585	265,883
Water projects	<u>599,491</u>	<u>307,775</u>
Total	<u>\$ 2,812,913</u>	<u>\$ 2,429,609</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sanitary Landfill	Renewable Energy Services	\$ 20,943
Community Development Block Grant	Midland Housing	<u>112,983</u>
		<u>\$ 133,926</u>

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

Advances at year end are as follows:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	
Sanitary Landfill	Renewable Energy Services	<u>\$ 372,484</u>

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

The detail for interfund transfers is as follows:

	Transfers Out											Total
	General	Major Street Fund	Local Street Fund	CDBG	Special Activities	DDA Fund	Debt Service Fund	Riverside Fund	Wastewater Fund	Water Fund	Special Assessment Revolving Fund	
Transfers in:												
General Fund	\$ -	\$ -	\$ -	\$ 33,640	\$ 4,920	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,000	\$ 56,560
Major Street Fund	-	-	-	-	-	-	-	-	-	-	12,182	12,182
Local Street Fund	88,000	1,788,750	-	-	-	-	-	-	-	-	-	1,876,750
Storm Water Management Fund	450,000	61,702	98,681	60,000	-	-	-	-	-	-	-	670,383
Library	639,480	-	-	-	-	-	-	-	-	-	-	639,480
Dial-a-Ride Fund	704,530	-	-	-	-	-	-	-	-	-	-	704,530
Debt Service Fund	1,815,292	-	-	-	-	-	-	-	-	-	-	1,815,292
Civic Arena Fund	425,000	-	-	-	-	-	-	-	-	-	-	425,000
Washington Woods Fund	-	-	-	20,385	-	-	20,000	-	-	-	-	40,385
Currie Golf Course Fund	540,000	-	-	-	-	-	-	-	-	-	-	540,000
Parking Fund	2,500	-	-	-	-	45,000	-	-	-	-	-	47,500
Wastewater Fund	-	-	-	-	-	-	858,291	-	-	-	38,620	896,911
Renewable Energy Fund	-	-	-	-	-	-	-	-	53,000	79,000	-	132,000
Total	\$ 4,664,802	\$ 1,850,452	\$ 98,681	\$ 114,025	\$ 4,920	\$ 45,000	\$ 858,291	\$ 20,000	\$ 53,000	\$ 79,000	\$ 68,802	\$ 7,856,973

The transfers from the General Fund to the Local Street Fund, Stormwater Management Fund, Library Fund, Dial-A-Ride Fund, Civic Arena Fund, Currie Municipal Golf Course Fund, and Parking Fund represent the use of unrestricted resources to finance these programs, in accordance with the budgetary authorizations. The transfer from the General Fund to the Debt Service Fund is to provide funding for the debt service payments for the 2008 Judgment 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 that is accounted for in the City's Major Street Fund. Both the Major Street Fund and the Local Street Fund transfer funding to the Stormwater Management Fund to offset roadside drainage costs that are accounted for in that fund. The transfer from the Debt Service Fund to the Wastewater Fund is necessary to transfer an additional millage for debt retirement to the Wastewater fund, which is the fund that accounts for the related debt. The transfer from the Downtown Development Authority to the Parking Fund is an annual contribution made by the DDA to help fund parking enforcement and related activities within the downtown district. The transfers from the Water and Wastewater Funds to the Renewable Energy Fund were to provide assistance for start up costs in the Fund's operations. The transfers from the Riverside Place Fund to the Washington Woods Fund, and from the Special Assessment Revolving Loan Fund to the General Fund represent fund transfers in according with budgetary authorization.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

NOTE 9 - LEASES

Operating leases

The City leases its police facility and landfill equipment under non-cancelable operating leases. Total costs for such leases were \$194,266 for the year ended June 30, 2013. According to the terms of its lease with the Midland City/County Joint Building Authority, the City's obligation for operating leases amounts to 64.8 percent of total operating expenses of the police facility.

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

<u>Year ending June 30,</u>	
2014	\$ 388,799
2015	244,943
2016	252,291
2017	259,830
2018	267,656
2019 - 2021	<u>1,463,657</u>
	<u>\$ 2,877,176</u>

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

NOTE 10 - LONG-TERM DEBT

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2008 Judgment Funding Bonds	\$ 17,890,000	Sept. 2023	3.625 - 4.375%	\$1,040,000 - \$1,545,000	\$ 14,065,000	\$ -	\$ 1,040,000	\$ 13,025,000	\$ 1,085,000
2010 Renewable Energy*	6,000,000	October 2030	2.50%	\$240,000 - \$375,000	5,765,000	-	240,000	5,525,000	245,000
Bond discount - Renewable Energy					(155,643)	-	(14,150)	(141,493)	-
Total bonds payable					19,674,357	-	1,265,850	18,408,507	1,330,000
Capital lease					209,187	-	209,187	-	-
Compensated absences					3,530,757	1,535,022	1,644,307	3,421,472	1,520,731
Total governmental activities					<u>\$ 23,414,301</u>	<u>\$ 1,535,022</u>	<u>\$ 3,119,344</u>	<u>\$ 21,829,979</u>	<u>\$ 2,850,731</u>
Business-type activities									
Bonds and notes payable									
General obligation bonds									
2001 Sewer Construction - State Revolving Fund	\$ 5,130,000	May 2022	2.50%	\$245,000 - \$304,063	\$ 2,764,063	\$ -	\$ 245,000	\$ 2,519,063	\$ 255,000
2004 Civic Arena	6,500,000	May 2014	3.75%	\$165,000 - \$175,000	340,000	-	165,000	175,000	175,000
2005 Sewer Refunding Bonds	9,480,000	May 2021	3.65- 4.15%	\$785,000 - \$1,085,000	8,385,000	-	785,000	7,600,000	830,000
2012 Civic Arena Refunding Bonds	4,550,000	May 2030	.70 - 3.55%	\$65,000 - \$345,000	4,550,000	-	65,000	4,485,000	45,000
Total bonds payable					16,039,063	-	1,260,000	14,779,063	1,305,000
Compensated absences					875,004	513,263	466,420	921,847	426,623
Landfill closure and postclosure					3,487,000	202,000	-	3,689,000	-
Total business-type activities					<u>\$ 20,401,067</u>	<u>\$ 715,263</u>	<u>\$ 1,726,420</u>	<u>\$ 19,389,910</u>	<u>\$ 1,731,623</u>

*Recorded in internal service funds.

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

Deferred amounts on refunding activity is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance
Less deferred charge on defeasance	\$ (717,106)	\$ -	\$ (60,423)	\$ (656,683)

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

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

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

On August 9, 2004, the City Council approved the sale of \$6.5 million in limited tax general obligation bonds for the construction of a new civic arena. The final payment will be made in the year 2030. The total cost of the civic arena project was approximately \$10.3 million, with the balance of the funding coming primarily from area foundations. The project was completed in the fall of 2005. On June 13, 2012, General Obligation Unlimited Tax Bonds were issued to refund \$4,325,000 of the outstanding bond.

On September 13, 2005, the City issued \$9,480,000 of General Obligation Unlimited Tax Refund Bonds. The bonds were issued pursuant to resolutions adopted by the City Council on July 11, 2005 and August 22, 2005, and provide for an average interest rate of 3.95 percent. The proceeds of these bonds were used to advance refund \$9,025,000 of outstanding 2001 General Obligation Unlimited Bonds with an average interest rate of 5.07 percent.

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

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

By statute, the City's general obligation debt is restricted to 10 percent of the equalized value of all property in the City. Certain obligations, such as water revenue refunding bonds, are not subject to this limitation. At June 30, 2013, the City's general obligation debt statutory and legal debt limit amounted to \$244,187,237 and the indebtedness subject to the limitation aggregated \$33,187,570.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

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

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 1,330,000	\$ 675,372	\$ 1,305,000	\$ 489,587
2015	1,385,000	625,722	1,345,000	445,120
2016	1,435,000	574,084	1,390,000	403,147
2017	1,485,000	520,522	1,440,000	358,874
2018	1,540,000	463,510	1,485,000	311,742
2019 - 2023	8,615,000	1,660,762	5,619,063	817,412
2024 - 2028	1,660,000	291,955	1,520,000	267,795
2028 - 2033	1,100,000	32,118	675,000	35,880
	<u>\$ 18,550,000</u>	<u>\$ 4,844,045</u>	<u>\$ 14,779,063</u>	<u>\$ 3,129,557</u>

Defeased Debt

In prior years, the City has defeased a bond issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of the refunding was placed in a special escrow account and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At June 30, 2013, \$4,340,000 of bonds outstanding are considered defeased.

NOTE 11 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its sanitary landfill site when it stops accepting waste and to

perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,689,000 reported as landfill closure and post closure care liability at June 30, 2013 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), 70 percent of the estimated capacity of cell 15, and 13 percent of the estimated capacity of cell 16.

The City will recognize the remaining estimated cost of closure and post closure care of \$1,018,433 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 2017 and in cell 16 during the fiscal year ending June 30, 2023. The actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and Federal laws and regulations to make contributions to a Trust to finance closure and postclosure care. The City is in compliance with these requirements, and at June 30, 2013, cash and cash equivalents in the amount of \$2,154,830 were held for these purposes, and reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

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

NOTE 12 - RESTRICTED ASSETS

Cash and cash equivalents are restricted within the Water and Wastewater Funds for future debt service obligations in the amounts of \$66,105 and \$1,151,153, 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 \$2,154,830 of restricted assets that are for closure and postclosure costs. The Water Fund also has \$25,000 of restricted assets for emergency repair.

NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Police and fire pension system

Plan Description – The Police and Fire Pension System is a single-employer defined benefit pension plan that is administered by the City of Midland Police and Fire Employees Retirement System. This plan covers all police and fire employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2012, the date of the most recent actuarial valuation, membership consisted of 124 retirees and beneficiaries currently receiving benefits, 0 terminated employees entitled to benefits but not yet receiving them, and 94 current active employees. The plan does not issue a separate financial report.

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

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

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

Annual Pension Cost – For the year ended June 30, 2013, the City’s annual pension cost was \$2,581,577, which was equal to the City’s required and actual contribution. The required employer contributions were determined as part of an actuarial valuation at December 31, 2011, using the entry age actuarial funding method. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increases of 4.0 percent per year, compounded annually, (c) additional projected salary increases of up to 5.2 percent per year, attributable to seniority/merits, and (d) no postretirement benefit increases other than 5 percent increases for Police Command members with 25 or more years at 5, 10, 15, and 20 years after retirement. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial accrued liability is being amortized as a level (principal and interest) percentage of payroll on an open basis. The remaining contributions are over 26 years.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

Reserves – As of December 31, 2012, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 6,037,298
Reserve for retired benefit payment	42,748,692
Reserve for undistributed income	3,637,441

Three year trend information:

Year Ended June 30,	Annual Pension Cost APC	Percentage of APC Contribution	Net Pension Obligation
2011	\$ 2,148,396	100%	None
2012	2,263,124	100%	None
2013	2,581,577	100%	None

Schedule of Funding Progress

Actuarial Valuation Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	UAAAL as a Percent of Covered Payroll
12/31/2010	\$ 52,229,082	\$ 68,458,917	\$ 16,229,835	76%	\$ 6,422,073	252.7%
12/31/2011	49,698,793	71,623,537	21,924,744	69%	6,369,049	344.2%
12/30/2012	52,968,298	71,400,900	21,132,602	74%	6,561,091	322.1%

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

Plan description – The City of Midland participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers substantially all employees of the City other than police and fire employees and employees hired on or after July 1, 2005. The system provides

retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

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

Annual pension costs – For year ended June 30, 2013, the City's annual pension cost of \$5,085,348 or the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry actual age actuarial funding method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5 percent per year, compounded annually; 3) additional projected salary increases of 0 percent to 4.5 percent per year, attributable to seniority/merit, and 4) the assumption that benefits will increase after retirement by 2.5 percent annually, non-compounded. Both 1) and 2) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

Three year trend information:

Year Ended June 30,	Annual Pension Cost APC	Percentage of APC Contribution	Net Pension Obligation
2011	\$ 3,759,024	100%	None
2012	4,071,168	100%	None
2013	5,085,348	100%	None

Schedule of Funding Progress

Actuarial Valuation Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2010	\$ 80,166,101	\$ 117,658,253	\$ 37,492,152	68%	\$ 10,363,303	361.8%
12/31/2011	80,472,212	122,875,414	42,403,202	65%	9,897,469	428.4%
12/30/2012	80,096,999	126,095,128	45,998,129	64%	9,227,199	498.5%

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

The City of Midland participates in the Municipal Employee's Retirement System of Michigan (MERS) defined contribution plan for all employees hired on or after July 1, 2005, with the exception of police and fire employees. In the defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution, the City contributes 5 percent of the employee's gross earnings in the plan. The employee is fully vested after five years of service or at age 65.

The City's total payroll during the current year was \$23,393,322. The current year contribution was calculated based on covered payroll of \$3,944,411, resulting in an employer contribution of \$197,222. Employee contributions were \$0.

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

The City also participates in an ICMA-RC 457 deferred compensation plan for all employees hired on or after July 1, 2005, with the exception of police and fire employees. In the deferred compensation plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution, the City will contribute up to 7 percent of the employee's wages with 100 percent matching of the employee wage contributions, in 1 percent increments.

The City's total payroll during the current year was \$23,393,322. The current year contribution was calculated based on covered payroll of \$3,944,411, resulting in an employer contribution of \$203,409 and employee contributions of \$203,409.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The City of Midland provides postemployment healthcare coverage under a traditional insured plan to retired employees and their qualified spouses and other dependents, as mandated by collective bargaining agreements. Each agreement contains variations of the following general guidelines. Most employees fall into one of the following general groups:

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

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 of providing postemployment health care coverage follows:

<u>Year</u>	<u>Number of Retirees</u>	<u>Amount</u>
2011	358	\$ 4,238,162
2012	355	4,715,365
2013	355	4,617,438

For the fiscal year, the City of Midland transferred \$1,154,569 to Municipal Employee's Retirement System of Michigan (MERS) Retiree Health Funding Vehicle. MERS acts as a fiduciary, investing and managing funds for the future payment of postemployment healthcare coverage for the City of Midland.

The covered wages for the retiree health post employment for the fiscal year were \$13,590,448.

Health Care Savings Program

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

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

The City's total payroll during the current year was \$23,393,332. The current year contribution was calculated based on covered payroll of \$3,944,411, resulting in an employer contribution of \$78,889.

Police employees hired on or after July 1, 2011 and fire employees hired on or after November 14, 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 \$337,402, resulting in an employer contribution of \$6,748 and employee contributions of \$6,748.

Other Postemployment Benefits

Plan description. The City of Midland's Retiree Healthcare Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City. The Plan provides 100% of health insurance benefits to eligible retirees and their dependents. The benefit is provided upon general administrative employees attaining 55 years of age, with 20 years of service to the City, and public safety employees are eligible with 25 years of service regardless of age. The City established a retirement health savings trust to account for the Plan.

Funding policy. The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the year ended June 30,

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

2013, the City contributed \$5,800,533 to the plan which was the Annual Required Contribution (ARC). Beginning with the fiscal year ending June 30, 2009, the City was required to begin recognizing expenses for OPEB costs in the government-wide and proprietary fund financial statements based on an actuarially determined annual required contribution (ARC).

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

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

Annual required contribution	\$ (5,800,533)
Contributions made to OPEB Trust	<u>5,800,533</u>
Change in net OPEB obligation	-
Net OPEB liability, beginning of year	<u>-</u>
Net OPEB liability, end of year	<u>\$ -</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 is as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 5,800,533	100%	\$ -

Funded status and funding progress. As of June 30, 2012 the date of the most recent actuarial valuation, the Plan was 25.7% funded. The actuarial accrued liability for benefits was \$76,021,289, and the actuarial value of assets was \$28,750,211, resulting in an unfunded actuarial accrued liability (UAAL) of \$747,271,678.

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

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

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

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

NOTE 15 - CLAIMS, LITIGATION, AND OTHER CONTINGENCIES

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

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

NOTE 16 - ENTERPRISE FUND CONTRACTUAL REVENUE

The City supplies large quantities of water to Dow Chemical Company and Dow Corning Corporation under contractual arrangements with each company. Under the Dow Chemical Supplemental Agreement

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

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

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

	Percentage	
	Dow Chemical Company	Dow Corning Corporation
1998 Saginaw-Midland - Water Revenue Refinancing Bonds	34.00%	4.20%
2002 Saginaw-Midland - Water Revenue Refinancing Bond	34.00%	4.20%
2006 Saginaw-Midland - Water Revenue Bonds	34.00%	4.20%
2009 Saginaw-Midland - Water Revenue Bonds	34.00%	4.20%

Total payments received under these agreements during the fiscal year were \$443,550, consisting of principal and interest of \$388,574 and \$54,977, respectively. These payments have been recorded as nonoperating revenue in the City's Enterprise Funds. Under the terms of these agreements, no equity accrues to either company.

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

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

NOTE 17 - URBAN COOPERATION ACT AGREEMENT

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

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

The City's obligation under provision 3 above shall cease if and when total cumulative payments there under reach \$15,000,000. The amount of revenue sharing due to the Township by the City under this agreement during the year ended June 30, 2013 was \$136,807. The total cumulative payments from the City through June 30, 2013 were \$3,685,637.

NOTE 18 - RISK MANAGEMENT

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

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

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

The City estimates the liability for healthcare claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The estimated liability for the past two fiscal years is as follows:

	2013	2012
Unpaid claims - Beginning of year	\$ 997,077	\$ 922,328
Incurred claims, including claims incurred but not reported	8,057,389	8,226,908
Claims paid	(8,095,723)	(8,152,159)
Unpaid claims - End of year	\$ 958,743	\$ 997,077

City of Midland, Michigan
Notes to Financial Statements
June 30, 2013

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

As indicated in Note 1, the City has adopted Government Accounting Standards Board Statements 63 and 65. These statements require bond issuance costs to be expensed. Previously these costs were capitalized in the statement of net position and amortized. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position as of July 1, 2012 for Business-type Activities by \$75,913 and for Governmental Activities by \$114,961.

The City posted a prior period adjustment to move \$329,583 of capital assets that were included in the Wastewater Fund in prior year but belonged to the Water Fund. The impact of this adjustment on prior year beginning net position for Business-type Activities was \$0.

City of Midland, Michigan
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 29,683,677	\$ 29,514,151	\$ 29,527,183	\$ 13,032
Other taxes	33,000	37,000	37,099	99
Penalties and interest	110,000	89,000	87,830	(1,170)
Administration fee	950,000	906,079	906,887	808
Licenses and permits	423,270	382,897	494,376	111,479
Federal grants	10,817	74,533	47,463	(27,070)
State revenue sharing	3,040,000	3,216,199	3,239,202	23,003
State grants	-	33,829	34,118	289
Local contributions	100,000	213,400	203,530	(9,870)
Charges for services	2,080,013	2,046,446	2,083,906	37,460
Use and admission charges	246,450	251,553	282,393	30,840
Interest income	50,000	50,000	27,888	(22,112)
Rental income	117,362	107,362	108,013	651
Other revenue	969,134	1,092,736	1,129,934	37,198
Total revenues	37,813,723	38,015,185	38,209,822	194,637

City of Midland, Michigan
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Expenditures				
General government	\$ 6,243,370	\$ 6,163,816	\$ 6,005,546	\$ (158,270)
Public safety	16,427,894	16,062,098	15,724,988	(337,110)
Public works	3,119,750	2,970,503	3,044,278	73,775
Sanitation	2,639,743	2,612,944	2,450,295	(162,649)
Parks and recreation	5,130,823	5,534,178	4,888,990	(645,188)
Airport	366,426	371,926	362,084	(9,842)
Property tax appeals	427,000	459,000	573,260	114,260
Reserve for contingencies	400,000	52,000	-	(52,000)
Capital outlay	341,200	637,505	306,299	(331,206)
Total expenditures	<u>35,096,206</u>	<u>34,863,970</u>	<u>33,355,740</u>	<u>(1,508,230)</u>
Excess of revenues over expenditures	<u>2,717,517</u>	<u>3,151,215</u>	<u>4,854,082</u>	<u>1,702,867</u>
Other financing sources (uses)				
Transfer in	69,700	65,775	56,560	(9,215)
Transfers out	<u>(4,603,498)</u>	<u>(4,921,983)</u>	<u>(4,664,802)</u>	<u>257,181</u>
Total other financing sources (uses)	<u>(4,533,798)</u>	<u>(4,856,208)</u>	<u>(4,608,242)</u>	<u>247,966</u>
Net change in fund balance	(1,816,281)	(1,704,993)	245,840	1,950,833
Fund balance - beginning of year	<u>8,739,237</u>	<u>8,739,237</u>	<u>8,739,237</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,922,956</u>	<u>\$ 7,034,244</u>	<u>\$ 8,985,077</u>	<u>\$ 1,950,833</u>

City of Midland, Michigan
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Taxes	\$ 2,150,000	\$ 2,100,000	\$ 2,012,020	\$ (87,980)
Licenses and permits	88,000	88,000	108,157	20,157
Other State grants	2,932,000	4,007,370	4,154,200	146,830
Local contributions	50,000	50,000	-	(50,000)
Charges for services	178,962	178,962	176,456	(2,506)
Interest income	4,000	4,000	5,088	1,088
Other revenue	-	12,000	15,359	3,359
Total revenues	<u>5,402,962</u>	<u>6,440,332</u>	<u>6,471,280</u>	<u>30,948</u>
Expenditures				
Public works				
Engineering	179,515	192,910	159,701	(33,209)
Right of way inspections	17,708	15,908	21,678	5,770
Roadway maintenance	195,022	225,022	175,870	(49,152)
Guardrail maintenance	5,002	7,510	747	(6,763)
Sweeping and flushing	150,166	150,166	108,739	(41,427)
Shoulder maintenance	12,580	13,763	14,198	435
Roadside drainage	90,791	92,045	51,200	(40,845)
Curb and gutter maintenance	66,668	67,922	23,572	(44,350)
Roadside cleanup	19,308	20,562	11,621	(8,941)
Capital outlay	1,962,000	4,282,634	2,566,045	(1,716,589)
Snow and ice control	519,702	489,736	332,541	(157,195)
Stormwater activities credit	(103,888)	(106,342)	(61,702)	44,640
Trunkline maintenance	178,962	191,841	135,581	(56,260)
Other charges	10,000	5,000	65	(4,935)
Reserve for contingencies	20,000	8,500	-	(8,500)
Traffic services	485,617	505,517	473,260	(32,257)
Total public works	<u>3,809,153</u>	<u>6,162,694</u>	<u>4,013,116</u>	<u>(2,149,578)</u>
Excess of revenues over expenditures	<u>1,593,809</u>	<u>277,638</u>	<u>2,458,164</u>	<u>2,180,526</u>

City of Midland, Michigan
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 20,000	\$ 12,182	\$ 12,182	\$ -
Transfers out	<u>(1,892,638)</u>	<u>(1,895,092)</u>	<u>(1,850,452)</u>	<u>44,640</u>
Total other financing sources and uses	<u>(1,872,638)</u>	<u>(1,882,910)</u>	<u>(1,838,270)</u>	<u>44,640</u>
Net change in fund balance	(278,829)	(1,605,272)	619,894	2,225,166
Fund balance - beginning of year	<u>4,313,806</u>	<u>4,313,806</u>	<u>4,313,806</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,034,977</u>	<u>\$ 2,708,534</u>	<u>\$ 4,933,700</u>	<u>\$ 2,225,166</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (Percent) (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/03	\$ 51,008,034	\$ 49,478,634	\$ (1,529,400)	103.09%	\$ 5,582,280	0%
12/31/04	48,603,366	50,436,943	1,833,577	96.36%	5,419,813	33.83%
12/31/05	50,186,088	54,310,758	4,124,670	92.41%	5,665,317	72.81%
12/31/06	52,563,758	57,395,444	4,831,686	91.58%	5,960,007	81.07%
12/31/07	55,699,201	60,025,641	4,326,440	92.79%	6,075,182	71.21%
12/31/08	53,561,742	64,141,007	10,579,265	83.51%	6,075,419	174.13%
12/31/09	52,759,228	67,464,338	14,705,110	78.20%	6,342,813	231.84%
12/31/10	52,229,082	68,458,917	16,229,835	76.29%	6,422,073	252.72%
12/31/11	49,698,793	71,623,537	21,924,744	69.39%	6,369,049	344.24%
12/31/12	52,968,298	74,100,900	21,132,602	71.48%	6,561,091	322.09%

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

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2004	\$ 194,061	\$ 194,061	100%
2005	929,589	929,589	100%
2006	1,290,917	1,290,917	100%
2007	1,477,650	1,477,650	100%
2008	1,582,533	1,582,533	100%
2009	1,582,608	1,582,608	100%
2010	1,864,482	1,864,482	100%
2011	2,148,396	2,148,396	100%
2012	2,263,124	2,263,124	100%
2013	2,581,577	2,581,577	100%

The information presented above was determined as part of the actuarial valuations at the date indicated. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	26 years, closed
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%
Includes inflation at	4.0%
Additional salary increases attributable to seniority/merit	0% to 5%

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

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

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

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

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

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

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

City of Midland, Michigan
Note to Required Supplemental Information
Year Ended June 30, 2013

NOTE – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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

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

The City did not approve budgets for the Major Street Construction Fund and the Local Street Construction Fund. For the government-wide and fund financial statements, these two funds have been combined with the Major Street Fund and Local Street Fund, respectively.

City of Midland, Michigan
Other Supplemental Information
Nonmajor Governmental Funds
Fund Descriptions
Year Ended June 30, 2013

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.

City 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.

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

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

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.

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.

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

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

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

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

City of Midland, Michigan
Other Supplemental Information
Nonmajor Governmental Funds
Fund Descriptions
Year Ended June 30, 2013

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, 2013

	Special Revenue Funds									Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds	
	Local Street	Center City Authority Fund	Stormwater Management	Dial-A-Ride	Grace A. Dow Memorial Library	Downtown Development Authority	Community Development Block Grant	Midland Community Television	Special Activities	Midland Housing	Debt Service		Cemetery
Assets													
Cash and cash equivalents	\$ 3,966,631	\$ 13,013	\$ 304,213	\$ -	\$ 2,904,301	\$ 832,220	\$ -	\$ 977,091	\$ 130,854	\$ 77,204	\$ -	\$ 1,914,040	\$ 11,119,567
Receivables - net of allowances for uncollectibles:													
Taxes	-	-	-	-	32,713	-	-	-	-	-	9,475	-	42,188
Trust deeds	-	-	-	-	-	-	1,207,096	-	-	-	-	-	1,207,096
Customers	-	-	-	-	-	-	-	-	-	229,343	-	-	229,343
Accounts and contracts	-	-	474	2,005	-	27	-	179,748	19,757	263,567	-	350	465,928
Accrued interest and other	453	2	40	9	394	143	-	113	7	14	-	225	1,400
Due from other units of government	127,114	-	-	51,388	-	-	37,062	-	-	-	-	-	215,564
Due from other funds	-	-	-	-	-	-	112,983	-	-	-	-	-	112,983
Inventories	-	-	-	-	-	-	-	-	-	37,318	-	-	37,318
Total assets	\$ 4,094,198	\$ 13,015	\$ 304,727	\$ 53,402	\$ 2,937,408	\$ 832,390	\$ 1,357,141	\$ 1,156,952	\$ 150,618	\$ 607,446	\$ 9,475	\$ 1,914,615	\$ 13,431,387
Liabilities													
Accounts payable	\$ 842	\$ -	\$ 780	\$ 2,899	\$ 46,617	\$ 583	\$ 49,512	\$ 530	\$ 254	\$ 94,505	\$ 9,475	\$ -	\$ 205,997
Due to other funds	-	-	-	-	-	-	-	-	-	112,983	-	-	112,983
Deposits	-	-	-	-	2,113	-	-	-	25,442	-	-	-	27,555
Unearned revenue	-	-	-	-	-	-	1,207,096	-	-	213,567	-	-	1,420,663
Total liabilities	842	-	780	2,899	48,730	583	1,256,608	530	25,696	421,055	9,475	-	1,767,198
Deferred inflows of resources													
Grants	-	-	-	5,504	-	-	-	-	-	-	-	-	5,504
Total liabilities and deferred inflows of resources	842	-	780	8,403	48,730	583	1,256,608	530	25,696	421,055	9,475	-	1,772,702
Fund balances													
Non-spendable													
Inventories	-	-	-	-	-	-	-	-	-	37,318	-	-	37,318
Restricted for													
Local street	3,765,639	-	-	-	-	-	-	-	-	-	-	-	3,765,639
Center city authority	-	5,020	-	-	-	-	-	-	-	-	-	-	5,020
Grace A. Dow memorial library	-	-	-	-	2,888,678	-	-	-	-	-	-	-	2,888,678
Downtown development authority	-	-	-	-	-	831,807	-	-	-	-	-	-	831,807
Community development block grant	-	-	-	-	-	-	100,533	-	-	-	-	-	100,533
Midland housing	-	-	-	-	-	-	-	-	-	149,073	-	-	149,073
Special activities	-	-	-	-	-	-	-	-	124,922	-	-	-	124,922
Cemetery operations	-	-	-	-	-	-	-	-	-	-	-	1,914,615	1,914,615
Committed													
Future year expenditures	327,717	7,995	-	-	-	-	-	-	-	-	-	-	335,712
Assigned	-	-	303,947	44,999	-	-	-	1,156,422	-	-	-	-	1,505,368
Total fund balances	4,093,356	13,015	303,947	44,999	2,888,678	831,807	100,533	1,156,422	124,922	186,391	-	1,914,615	11,658,685
Total liabilities, deferred inflows of resources and fund balances	\$ 4,094,198	\$ 13,015	\$ 304,727	\$ 53,402	\$ 2,937,408	\$ 832,390	\$ 1,357,141	\$ 1,156,952	\$ 150,618	\$ 607,446	\$ 9,475	\$ 1,914,615	\$ 13,431,387

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, 2013

	Special Revenue Funds										Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Local Street	Center City Authority Fund	Stormwater Management	Dial-A-Ride	Grace A. Dow Memorial Library	Downtown Development Authority	Community Development Block Grant	Midland Community Television	Special Activities	Midland Housing	Debt Service	Cemetery	
Revenues													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,211,308	\$ 513,708	\$ -	\$ -	\$ -	\$ -	\$ 665,004	\$ -	\$ 3,390,020
Licenses and permits	66,290	-	18,657	-	-	-	-	-	-	-	-	-	84,947
Federal grants	-	-	-	299,935	-	-	235,820	-	-	-	-	-	535,755
Other state grants	767,715	-	-	741,177	36,323	-	-	-	8,097	-	-	-	1,553,312
Local contributions	-	13,000	-	-	3,046,697	14,000	-	2,447	117,922	-	-	25,588	3,219,654
Charges for services	-	-	-	118,839	639,500	-	-	719,660	-	-	-	-	1,477,999
Interest income	4,240	15	360	1	1,983	820	-	1,143	67	256	101	2,709	11,695
Other revenue	6,395	-	-	-	6,503	6,147	58,801	-	14,870	18,342	-	-	111,058
Total revenues	844,640	13,015	19,017	1,159,952	5,942,314	534,675	294,621	723,250	140,956	18,598	665,105	28,297	10,384,440
Expenditures													
Current													
General government	-	-	-	-	-	-	-	-	134,042	-	-	-	134,042
Public works	880,237	-	486,691	-	-	-	-	-	-	-	-	-	1,366,928
Community and economic development	-	-	-	-	-	372,607	193,978	-	-	-	-	-	566,585
Library and community television	-	-	-	-	3,572,861	-	-	506,194	-	-	-	-	4,079,055
Transportation	-	-	-	1,819,483	-	-	-	-	-	-	-	-	1,819,483
Capital outlay	733,915	-	229,155	-	220,187	37,342	-	32,727	-	-	-	-	1,253,326
Debt service													
Principal retirement	-	-	-	-	-	-	-	-	-	-	1,040,000	-	1,040,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	582,106	-	582,106
Total expenditures	1,614,152	-	715,846	1,819,483	3,793,048	409,949	193,978	538,921	134,042	-	1,622,106	-	10,841,525
Excess (deficiency) of revenues over (under) expenditures	(769,512)	13,015	(696,829)	(659,531)	2,149,266	124,726	100,643	184,329	6,914	18,598	(957,001)	28,297	(457,085)
Other financing sources (uses)													
Transfers in	1,876,750	-	670,383	704,530	639,480	-	-	-	-	-	1,815,292	-	5,706,435
Transfers out	(98,681)	-	-	-	-	(45,000)	(114,025)	-	(4,920)	-	(858,291)	-	(1,120,917)
Total other financing sources and uses	1,778,069	-	670,383	704,530	639,480	(45,000)	(114,025)	-	(4,920)	-	957,001	-	4,585,518
Net change in fund balance	1,008,557	13,015	(26,446)	44,999	2,788,746	79,726	(13,382)	184,329	1,994	18,598	-	28,297	4,128,433
Fund balance - beginning of year	3,084,799	-	330,393	-	99,932	752,081	113,915	972,093	122,928	167,793	-	1,886,318	7,530,252
Fund balance - end of year	\$ 4,093,356	\$ 13,015	\$ 303,947	\$ 44,999	\$ 2,888,678	\$ 831,807	\$ 100,533	\$ 1,156,422	\$ 124,922	\$ 186,391	\$ -	\$ 1,914,615	\$ 11,658,685

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Licenses and permits	\$ 72,000	\$ 72,000	\$ 66,290	\$ (5,710)
Other State grants	705,000	721,000	767,715	46,715
Local contributions	50,000	50,000	-	(50,000)
Interest income	2,000	2,000	4,240	2,240
Other revenue	-	-	6,395	6,395
Total revenues	<u>829,000</u>	<u>845,000</u>	<u>844,640</u>	<u>(360)</u>
Expenditures				
Public works				
Engineering	96,592	96,592	77,632	(18,960)
Right of way inspections	17,558	15,908	13,380	(2,528)
Roadway maintenance	211,041	225,227	163,437	(61,790)
Guardrail maintenance	1,484	3,992	115	(3,877)
Sweeping and flushing	206,006	210,776	191,775	(19,001)
Shoulder maintenance	7,745	7,745	1,391	(6,354)
Roadside drainage	137,585	137,645	99,682	(37,963)
Curb and gutter maintenance	126,213	148,247	130,616	(17,631)
Roadside cleanup	12,053	12,053	9,970	(2,083)
Dust control	21,819	21,819	4,456	(17,363)
Snow and ice control	458,619	423,156	202,911	(220,245)
Stormwater activities credit	(137,585)	(137,645)	(98,680)	38,965
Traffic services	104,519	103,719	83,552	(20,167)
Reserve for contingencies	20,000	20,000	-	(20,000)
Total public works	<u>1,283,649</u>	<u>1,289,234</u>	<u>880,237</u>	<u>(408,997)</u>
Capital outlay	<u>1,767,000</u>	<u>2,556,635</u>	<u>733,915</u>	<u>(1,822,720)</u>
Total expenditures	<u>3,050,649</u>	<u>3,845,869</u>	<u>1,614,152</u>	<u>(2,231,717)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,221,649)</u>	<u>(3,000,869)</u>	<u>(769,512)</u>	<u>2,231,357</u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Other financing sources (uses)				
Transfers in	\$ 1,876,750	\$ 1,876,750	\$ 1,876,750	\$ -
Transfers out	<u>(137,585)</u>	<u>(137,645)</u>	<u>(98,681)</u>	<u>38,964</u>
Total other financing sources (uses)	<u>1,739,165</u>	<u>1,739,105</u>	<u>1,778,069</u>	<u>38,964</u>
Net change in fund balance	(482,484)	(1,261,764)	1,008,557	2,270,321
Fund balance - beginning of year	<u>3,084,799</u>	<u>3,084,799</u>	<u>3,084,799</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,602,315</u>	<u>\$ 1,823,035</u>	<u>\$ 4,093,356</u>	<u>\$ 2,270,321</u>

**City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Center City Authority Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local contributions	\$ -	\$ 13,000	\$ 13,000	\$ -
Interest income	-	5	15	10
Total revenues	-	13,005	13,015	10
Expenditures				
Public works				
Supplies	-	1,500	-	(1,500)
Other	-	1,500	-	(1,500)
Total public works	-	3,000	-	(3,000)
Net change in fund balance	-	10,005	13,015	3,010
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ 10,005	\$ 13,015	\$ 3,010

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Stormwater Management Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 23,000	\$ 18,500	\$ 18,657	\$ 157
Interest income	200	450	360	(90)
Other revenue	500	500	-	(500)
Total revenues	<u>23,700</u>	<u>19,450</u>	<u>19,017</u>	<u>(433)</u>
Expenditures				
Public works				
Administration	20,539	20,539	20,539	-
Open drain maintenance	36,712	35,302	31,640	(3,662)
Storm sewer maintenance	239,083	246,768	204,171	(42,597)
Inspection expenses	31,900	31,905	41,048	9,143
Storm sewer repair	138,385	63,512	28,911	(34,601)
Purchased services	244,473	246,987	160,382	(86,605)
Reserve for contingencies	4,000	20,000	-	(20,000)
Total public works	<u>715,092</u>	<u>665,013</u>	<u>486,691</u>	<u>(178,322)</u>
Capital outlay	<u>136,000</u>	<u>436,763</u>	<u>229,155</u>	<u>(207,608)</u>
Total expenditures	<u>851,092</u>	<u>1,101,776</u>	<u>715,846</u>	<u>(385,930)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(827,392)</u>	<u>(1,082,326)</u>	<u>(696,829)</u>	<u>385,497</u>
Other financing sources (uses)				
Transfers in	<u>801,473</u>	<u>753,987</u>	<u>670,383</u>	<u>(83,604)</u>
Net change in fund balance	(25,919)	(328,339)	(26,446)	301,893
Fund balance - beginning of year	<u>330,393</u>	<u>330,393</u>	<u>330,393</u>	<u>-</u>
Fund balance - end of year	<u>\$ 304,474</u>	<u>\$ 2,054</u>	<u>\$ 303,947</u>	<u>\$ 301,893</u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Dial-A-Ride Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Federal grants	\$ 285,344	\$ 292,672	\$ 299,935	\$ 7,263
Other State grants	646,305	662,901	741,177	78,276
Charges for services	129,000	133,000	118,839	(14,161)
Interest income	50	-	1	1
Total revenues	<u>1,060,699</u>	<u>1,088,573</u>	<u>1,159,952</u>	<u>71,379</u>
Expenditures				
Transportation				
Operations	1,381,194	1,416,651	1,397,680	(18,971)
Administration	165,676	165,399	171,361	5,962
Dispatching	236,531	256,492	250,442	(6,050)
Reserve for contingencies	10,000	10,000	-	(10,000)
Total transportation	<u>1,793,401</u>	<u>1,848,542</u>	<u>1,819,483</u>	<u>(29,059)</u>
Capital outlay	45,000	45,000	-	(45,000)
Total expenditures	<u>1,838,401</u>	<u>1,893,542</u>	<u>1,819,483</u>	<u>(74,059)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(777,702)</u>	<u>(804,969)</u>	<u>(659,531)</u>	<u>145,438</u>
Other financing sources (uses)				
Transfers in	777,702	804,969	704,530	(100,439)
Net change in fund balance	-	-	44,999	44,999
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,999</u>	<u>\$ 44,999</u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Grace A. Dow Memorial Library Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,204,878	\$ 2,224,668	\$ 2,211,308	\$ (13,360)
Other State grants	37,020	36,325	36,323	(2)
Local contributions	44,600	3,048,689	3,046,697	(1,992)
Charges for services	605,531	638,395	639,500	1,105
Interest income	2,000	800	1,983	1,183
Other revenue	3,800	4,363	6,503	2,140
Total revenues	<u>2,897,829</u>	<u>5,953,240</u>	<u>5,942,314</u>	<u>(10,926)</u>
Expenditures				
Library and community television				
Personal services	2,582,383	2,557,560	2,464,504	(93,056)
Supplies	491,860	520,562	493,551	(27,011)
Other changes	693,458	660,299	614,806	(45,493)
Capital outlay	<u>-</u>	<u>3,108,865</u>	<u>220,187</u>	<u>(2,888,678)</u>
Total expenditures	<u>3,767,701</u>	<u>6,847,286</u>	<u>3,793,048</u>	<u>(3,054,238)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(869,872)</u>	<u>(894,046)</u>	<u>2,149,266</u>	<u>3,043,312</u>
Other financing sources (uses)				
Transfers in	<u>869,872</u>	<u>794,114</u>	<u>639,480</u>	<u>(154,634)</u>
Net change in fund balance	-	(99,932)	2,788,746	2,888,678
Fund balance - beginning of year	<u>99,932</u>	<u>99,932</u>	<u>99,932</u>	<u>-</u>
Fund balance - end of year	<u>\$ 99,932</u>	<u>\$ -</u>	<u>\$ 2,888,678</u>	<u>\$ 2,888,678</u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Downtown Development Authority Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 530,816	\$ 530,816	\$ 513,708	\$ (17,108)
Local contributions	14,000	14,000	14,000	-
Interest income	988	988	820	(168)
Other revenue	4,000	6,147	6,147	-
Total revenues	<u>549,804</u>	<u>551,951</u>	<u>534,675</u>	<u>(17,276)</u>
Expenditures				
Community and economic development				
Personal services	163,236	173,175	146,458	(26,717)
Supplies	2,500	2,500	1,720	(780)
Other changes	296,382	309,364	224,429	(84,935)
Capital outlay	20,000	37,342	37,342	-
Total expenditures	<u>482,118</u>	<u>522,381</u>	<u>409,949</u>	<u>(112,432)</u>
Excess of revenues over expenditures	<u>67,686</u>	<u>29,570</u>	<u>124,726</u>	<u>95,156</u>
Other financing sources (uses)				
Transfers out	(45,000)	(45,000)	(45,000)	-
Net change in fund balance	22,686	(15,430)	79,726	95,156
Fund balance - beginning of year	<u>752,081</u>	<u>752,081</u>	<u>752,081</u>	<u>-</u>
Fund balance - end of year	<u>\$ 774,767</u>	<u>\$ 736,651</u>	<u>\$ 831,807</u>	<u>\$ 95,156</u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Community Development Block Grant Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal grants	\$ 452,727	\$ 530,347	\$ 235,820	\$ (294,527)
Other revenue	32,000	100,000	58,801	(41,199)
Total revenues	<u>484,727</u>	<u>630,347</u>	<u>294,621</u>	<u>(335,726)</u>
Expenditures				
Community and economic development				
Administration	43,000	50,000	48,278	(1,722)
Residential home rehabs	88,000	82,045	38,070	(43,975)
Public facilities improvements	72,215	67,215	67,215	-
Public services project	36,994	36,994	36,670	(324)
Affordable housing	61,306	-	-	-
Removal of architectural barriers	7,500	7,640	3,745	(3,895)
Reserve for contingencies	10,000	10,000	-	(10,000)
Total expenditures	<u>319,015</u>	<u>253,894</u>	<u>193,978</u>	<u>(59,916)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,712</u>	<u>376,453</u>	<u>100,643</u>	<u>(275,810)</u>
Other financing sources (uses)				
Transfers out	<u>(111,700)</u>	<u>(118,085)</u>	<u>(114,025)</u>	<u>4,060</u>
Net change in fund balance	54,012	258,368	(13,382)	(271,750)
Fund balance - beginning of year	<u>113,915</u>	<u>113,915</u>	<u>113,915</u>	<u>-</u>
Fund balance - end of year	<u>\$ 167,927</u>	<u>\$ 372,283</u>	<u>\$ 100,533</u>	<u>\$ (271,750)</u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Midland Community Television Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local contributions	\$ 4,000	\$ 3,000	\$ 2,447	\$ (553)
Charges for services	670,200	700,400	719,660	19,260
Interest income	<u>1,032</u>	<u>1,000</u>	<u>1,143</u>	<u>143</u>
Total revenues	<u>675,232</u>	<u>704,400</u>	<u>723,250</u>	<u>18,850</u>
Expenditures				
Library and community television				
Personal services	368,308	356,261	343,544	(12,717)
Supplies	14,350	7,800	7,826	26
Other changes	163,470	162,500	154,824	(7,676)
Reserve for contingencies	<u>20,000</u>	<u>14,500</u>	<u>-</u>	<u>(14,500)</u>
Total library and community television	<u>566,128</u>	<u>541,061</u>	<u>506,194</u>	<u>(34,867)</u>
Capital outlay	<u>28,000</u>	<u>33,500</u>	<u>32,727</u>	<u>(773)</u>
Total expenditures	<u>594,128</u>	<u>574,561</u>	<u>538,921</u>	<u>(35,640)</u>
Net change in fund balance	81,104	129,839	184,329	54,490
Fund balance - beginning of year	<u>972,093</u>	<u>972,093</u>	<u>972,093</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,053,197</u>	<u>\$ 1,101,932</u>	<u>\$ 1,156,422</u>	<u>\$ 54,490</u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Special Activities Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Other State grants	\$ 9,000	\$ 9,000	\$ 8,097	\$ (903)
Local contributions	87,500	121,025	117,922	(3,103)
Interest income	60	50	67	17
Other revenue	<u>25,000</u>	<u>20,400</u>	<u>14,870</u>	<u>(5,530)</u>
Total revenues	<u>121,560</u>	<u>150,475</u>	<u>140,956</u>	<u>(9,519)</u>
Expenditures				
General government				
Supplies	73,000	112,890	104,816	(8,074)
Other changes	<u>35,535</u>	<u>33,570</u>	<u>29,226</u>	<u>(4,344)</u>
Total expenditures	<u>108,535</u>	<u>146,460</u>	<u>134,042</u>	<u>(12,418)</u>
Excess of revenues over expenditures	<u>13,025</u>	<u>4,015</u>	<u>6,914</u>	<u>2,899</u>
Other financing sources (uses)				
Transfers out	<u>(10,000)</u>	<u>(11,475)</u>	<u>(4,920)</u>	<u>6,555</u>
Net change in fund balance	3,025	(7,460)	1,994	9,454
Fund balance - beginning of year	<u>122,928</u>	<u>122,928</u>	<u>122,928</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 125,953</u></u>	<u><u>\$ 115,468</u></u>	<u><u>\$ 124,922</u></u>	<u><u>\$ 9,454</u></u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Midland Housing Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Interest income	\$ 200	\$ 250	\$ 256	\$ 6
Other revenue	-	16,843	18,342	1,499
Total revenues	<u>200</u>	<u>17,093</u>	<u>18,598</u>	<u>1,505</u>
Expenditures				
Community and economic development				
Warranty maintenance	<u>11,400</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,200)</u>	<u>16,993</u>	<u>18,598</u>	<u>1,605</u>
Other financing sources (uses)				
Transfers in	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,200)	16,993	18,598	1,605
Fund balance - beginning of year	<u>167,793</u>	<u>167,793</u>	<u>167,793</u>	<u>-</u>
Fund balance - end of year	<u>\$ 166,593</u>	<u>\$ 184,786</u>	<u>\$ 186,391</u>	<u>\$ 1,605</u>

City of Midland, Michigan
Other Supplemental Information
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 669,830	\$ 662,854	\$ 665,004	\$ 2,150
Interest income	-	-	101	101
Total revenues	<u>669,830</u>	<u>662,854</u>	<u>665,105</u>	<u>2,251</u>
Expenditures				
Debt service				
Principal retirement	1,040,000	1,040,000	1,040,000	-
Interest and fiscal charges	<u>581,963</u>	<u>581,963</u>	<u>582,106</u>	<u>143</u>
Total expenditures	<u>1,621,963</u>	<u>1,621,963</u>	<u>1,622,106</u>	<u>143</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(952,133)</u>	<u>(959,109)</u>	<u>(957,001)</u>	<u>2,108</u>
Other financing sources (uses)				
Transfers in	1,810,424	1,817,400	1,815,292	(2,108)
Transfers out	<u>(858,291)</u>	<u>(858,291)</u>	<u>(858,291)</u>	<u>-</u>
Total other financing sources (uses)	<u>952,133</u>	<u>959,109</u>	<u>957,001</u>	<u>(2,108)</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 Supplemental Information
Nonmajor Proprietary Funds
Fund Descriptions
Year Ended June 30, 2013

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 - 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.

Real Estate Rental Fund - accounts for the operation and maintenance of the City's miscellaneous rental properties.

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

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

City of Midland, Michigan
Other Supplemental Information
Nonmajor Proprietary Funds
Combining Statement of Net Position
June 30, 2013

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods	Riverside Place	Currie Municipal Golf Course	Parking	
Assets					
Current assets					
Cash and cash equivalents	\$ 1,225,878	\$ 1,107,490	\$ 9,098	\$ -	\$ 2,342,466
Investments	-	-	249,961	-	249,961
Receivables - net of allowances for uncollectibles:					
Accounts and contracts	2,528	-	-	14,341	16,869
Accrued interest	144	131	-	-	275
Inventories	-	-	71,313	-	71,313
Total current assets	<u>1,228,550</u>	<u>1,107,621</u>	<u>330,372</u>	<u>14,341</u>	<u>2,680,884</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation	3,479,371	7,412,359	4,808,113	1,096,223	16,796,066
Capital assets not being depreciated	13,765	538,000	288,354	536,223	1,376,342
Total noncurrent assets	<u>3,493,136</u>	<u>7,950,359</u>	<u>5,096,467</u>	<u>1,632,446</u>	<u>18,172,408</u>
Total assets	<u>4,721,686</u>	<u>9,057,980</u>	<u>5,426,839</u>	<u>1,646,787</u>	<u>20,853,292</u>
Liabilities					
Current liabilities					
Accounts payable	17,174	29,596	1,338,444	10,337	1,395,551
Accrued and other liabilities	-	-	780	-	780
Deposits	21,375	24,425	-	-	45,800
Unearned revenue	-	-	68,977	-	68,977
Current portion of noncurrent liabilities	52,346	26,815	28,473	-	107,634
Total current liabilities	<u>90,895</u>	<u>80,836</u>	<u>1,436,674</u>	<u>10,337</u>	<u>1,618,742</u>
Noncurrent liabilities					
Long-term debt net of current portion	13,955	17,098	38,046	-	69,099
Total liabilities	<u>104,850</u>	<u>97,934</u>	<u>1,474,720</u>	<u>10,337</u>	<u>1,687,841</u>
Net position					
Net investment in capital assets	3,493,136	7,950,359	5,096,467	1,632,446	18,172,408
Unrestricted (deficit)	1,123,700	1,009,687	(1,144,348)	4,004	993,043
Total net position	<u>\$ 4,616,836</u>	<u>\$ 8,960,046</u>	<u>\$ 3,952,119</u>	<u>\$ 1,636,450</u>	<u>\$ 19,165,451</u>

City of Midland, Michigan
Other Supplemental Information
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods	Riverside Place	Currie Municipal Golf Course	Parking	
Operating revenue					
Use and admission charges	\$ -	\$ -	\$ 760,101	\$ 84,983	\$ 845,084
Rental income	1,213,288	1,302,070	-	-	2,515,358
Sale of meals - revenue	200,738	345,872	-	-	546,610
Other revenue	155,266	144,921	915	8,698	309,800
	<u>1,569,292</u>	<u>1,792,863</u>	<u>761,016</u>	<u>93,681</u>	<u>4,216,852</u>
Total operating revenue					
Operating expenses					
Operations	1,503,021	1,794,484	1,189,803	42,765	4,530,073
Maintenance	-	-	-	107,559	107,559
Other expenses	-	-	-	3,343	3,343
Depreciation	191,131	272,350	200,870	37,007	701,358
	<u>1,694,152</u>	<u>2,066,834</u>	<u>1,390,673</u>	<u>190,674</u>	<u>5,342,333</u>
Total operating expenses					
Operating loss	<u>(124,860)</u>	<u>(273,971)</u>	<u>(629,657)</u>	<u>(96,993)</u>	<u>(1,125,481)</u>
Nonoperating revenue (expenses)					
Interest income	1,510	1,436	13,077	-	16,023
Loss on disposition of assets	-	(2,433)	6,822	-	4,389
Other revenue	-	7,705	296,920	-	304,625
	<u>1,510</u>	<u>6,708</u>	<u>316,819</u>	<u>-</u>	<u>325,037</u>
Total nonoperating revenues (expenses)					
Loss before contributions and transfers	<u>(123,350)</u>	<u>(267,263)</u>	<u>(312,838)</u>	<u>(96,993)</u>	<u>(800,444)</u>

City of Midland, Michigan
Other Supplemental Information
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods	Riverside Place	Currie Municipal Golf Course	Parking	
Transfers in	\$ 40,385	\$ -	\$ 540,000	\$ 47,500	\$ 627,885
Transfers out	-	(20,000)	-	-	(20,000)
Change in net position	(82,965)	(287,263)	227,162	(49,493)	(192,559)
Net position - beginning of year	4,699,801	9,247,309	3,724,957	1,685,943	19,358,010
Net position - end of year	<u>\$ 4,616,836</u>	<u>\$ 8,960,046</u>	<u>\$ 3,952,119</u>	<u>\$ 1,636,450</u>	<u>\$ 19,165,451</u>

City of Midland, Michigan
Other Supplemental Information
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2013

	Enterprise Funds				Total Nonmajor Proprietary Funds
	Washington Woods	Riverside Place	Currie Municipal Golf Course	Parking	
Cash flows from operating activities					
Receipts from customers	\$ 1,568,865	\$ 1,793,338	\$ 761,016	\$ 91,201	\$ 4,214,420
Payments to suppliers	(819,949)	(1,185,557)	(560,665)	(105,651)	(2,671,822)
Payments to employees	(684,515)	(629,215)	(785,134)	(37,856)	(2,136,720)
Net cash provided (used) by operating activities	<u>64,401</u>	<u>(21,434)</u>	<u>(584,783)</u>	<u>(52,306)</u>	<u>(594,122)</u>
Cash flows from noncapital financing activities					
Transfer from other funds	40,385	-	540,000	47,500	627,885
Transfers to other funds	-	(20,000)	-	-	(20,000)
Net cash provided (used) by noncapital financing activities	<u>40,385</u>	<u>(20,000)</u>	<u>540,000</u>	<u>47,500</u>	<u>607,885</u>
Cash flows from capital and related financing activities					
Purchases/construction of capital assets	(16,525)	(28,705)	30,090	-	(15,140)
Proceeds from sale of capital assets	-	14,254	6,822	-	21,076
Net cash used by capital and related financing activities	<u>(16,525)</u>	<u>(14,451)</u>	<u>36,912</u>	<u>-</u>	<u>5,936</u>
Cash flows from investing activities					
Interest received	1,510	1,436	7,871	-	10,817
Net change in cash and cash equivalents	89,771	(54,449)	-	(4,806)	30,516
Cash and cash equivalents - beginning of year	1,136,107	1,161,939	9,098	4,806	2,311,950
Cash and cash equivalents - end of year	<u>\$ 1,225,878</u>	<u>\$ 1,107,490</u>	<u>\$ 9,098</u>	<u>\$ -</u>	<u>\$ 2,342,466</u>
Noncash investing activities - changes in fair value of investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,206</u>	<u>\$ -</u>	<u>\$ 5,206</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating loss	\$ (124,860)	\$ (273,971)	\$ (629,657)	\$ (96,993)	\$ (1,125,481)
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation expense	191,131	272,350	200,870	37,007	701,358
Changes in assets and liabilities					
Receivables (net)	(427)	475	-	(2,480)	(2,432)
Inventories	-	-	(2,501)	-	(2,501)
Accounts payable	(1,366)	(4,604)	(220,927)	10,160	(216,737)
Accrued and other liabilities	2,173	(15,834)	(1,545)	-	(15,206)
Deposits	(2,250)	150	-	-	(2,100)
Unearned revenue	-	-	68,977	-	68,977
Net cash provided (used) by operating activities	<u>\$ 64,401</u>	<u>\$ (21,434)</u>	<u>\$ (584,783)</u>	<u>\$ (52,306)</u>	<u>\$ (594,122)</u>

City of Midland, Michigan
Other Supplemental Information
Fiduciary Funds
Fund Descriptions
Year Ended June 30, 2013

Trust Fund

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

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

Agency Funds

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

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

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

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

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

City of Midland, Michigan
Other Supplemental Information
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds
Statement of Plan Net Position
June 30, 2013

	Police and Fire Pension
Assets	
Cash and cash equivalents	\$ 2,370,043
Investments	
Common stock	24,324,600
Preferred stock	1,242,466
Bonds	15,805,876
International funds	10,154,943
Receivables	
Accrued interest	86,240
Total assets	53,984,168
 Net position	
Held in trust for pension benefits	\$ 53,984,168

City of Midland, Michigan
Other Supplemental Information
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds
Statement of Changes in Plan Net Position
For the Year Ended June 30, 2013

	<u>Police and Fire Pension</u>
Additions	
Contributions	
Employer	\$ 2,581,577
Plan members	<u>544,136</u>
Total contributions	<u>3,125,713</u>
Investment earnings	
Net gain (loss) in fair value of assets	4,714,549
Interest	355,243
Dividends	<u>679,428</u>
Total investment losses	5,749,220
Less investment expense	<u>(344,794)</u>
Net investment loss	<u>5,404,426</u>
Total contributions and investment earnings	8,530,139
Deductions	
Benefits paid	<u>4,754,272</u>
Change in net position	3,775,867
Net position - beginning of year	<u>50,208,301</u>
Net position - end of year	<u>\$ 53,984,168</u>

City of Midland, Michigan
Other Supplemental Information
Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Payroll Fund				
Assets				
Cash and cash equivalents	\$ 1,402,715	\$ 41,191,450	\$ 41,100,036	\$ 1,494,129
Prepays	<u>141,343</u>	<u>116,856</u>	<u>141,343</u>	<u>116,856</u>
Total assets	<u>\$ 1,544,058</u>	<u>\$ 41,308,306</u>	<u>\$ 41,241,379</u>	<u>\$ 1,610,985</u>
Liabilities				
Accrued payroll liabilities	<u>\$ 1,544,058</u>	<u>\$ 45,504,589</u>	<u>\$ 45,437,662</u>	<u>\$ 1,610,985</u>
Midland Downtown Business Association				
Assets				
Cash and cash equivalents	\$ 1,511	\$ 91,932	\$ 88,257	\$ 5,186
Receivables				
Accrued interest and other	<u>1</u>	<u>7</u>	<u>7</u>	<u>1</u>
Total assets	<u>\$ 1,512</u>	<u>\$ 91,939</u>	<u>\$ 88,264</u>	<u>\$ 5,187</u>
Liabilities				
Accounts payable	\$ -	\$ 40,730	\$ 40,730	\$ -
Due to other units of government	<u>1,512</u>	<u>5,187</u>	<u>1,512</u>	<u>5,187</u>
Total liabilities	<u>\$ 1,512</u>	<u>\$ 45,917</u>	<u>\$ 42,242</u>	<u>\$ 5,187</u>
DDA Facade Improvement Fund				
Assets				
Cash and cash equivalents	\$ 70,892	\$ 7,117	\$ 16,846	\$ 61,163
Receivables				
Accounts and contracts	23,157	16,479	23,207	16,429
Accrued interest and other	<u>34</u>	<u>57</u>	<u>84</u>	<u>7</u>
Total assets	<u>\$ 94,083</u>	<u>\$ 23,653</u>	<u>\$ 40,137</u>	<u>\$ 77,599</u>

City of Midland, Michigan
Other Supplemental Information
Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Liabilities				
Accounts payable	\$ -	\$ 16,846	\$ 16,846	\$ -
Due to foundations	94,083	16,457	32,941	77,599
Total liabilities	<u>\$ 94,083</u>	<u>\$ 33,303</u>	<u>\$ 49,787</u>	<u>\$ 77,599</u>
Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ (12,538)	\$ 121,788,867	\$ 121,742,742	\$ 33,587
Receivables				
Accounts and contracts	12,538	92,942,253	92,954,791	-
Total assets	<u>\$ -</u>	<u>\$ 214,731,120</u>	<u>\$ 214,697,533</u>	<u>\$ 33,587</u>
Liabilities				
Due to other units of government	<u>\$ -</u>	<u>\$ 334,261,396</u>	<u>\$ 334,227,809</u>	<u>\$ 33,587</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 1,462,580	\$ 163,079,366	\$ 162,947,881	\$ 1,594,065
Accounts and contracts	35,695	92,958,732	92,977,998	16,429
Accrued interest and other	35	64	91	8
Prepays	141,343	116,856	141,343	116,856
Total assets	<u>\$ 1,639,653</u>	<u>\$ 256,155,018</u>	<u>\$ 256,067,313</u>	<u>\$ 1,727,358</u>
Liabilities				
Accounts payable	\$ -	\$ 57,576	\$ 57,576	\$ -
Accrued payroll liabilities	1,544,058	45,504,589	45,437,662	1,610,985
Due to foundations	94,083	16,457	32,941	77,599
Due to other units of government	1,512	334,266,583	334,229,321	38,774
Total liabilities	<u>\$ 1,639,653</u>	<u>\$ 379,845,205</u>	<u>\$ 379,757,500</u>	<u>\$ 1,727,358</u>

City of Midland, Michigan
Other Supplemental Information
Internal Service Funds
Fund Descriptions
Year Ended June 30, 2013

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 Funds – The Information Services Operations and Information Services Computer Rental Funds account 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.

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

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 Supplement Information
Internal Service Funds
Combining Statement of Net Position
June 30, 2013

	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	\$ 1,976,229	\$ -	\$ 2,568,557	\$ 941,854	\$ 460,939	\$ 1,429,144	\$ 6,448,065	\$ 1,878,276	\$ 54,102	\$ 15,757,166
Receivables - net of allowances for uncollectibles:										
Customers	-	4,807	-	-	183,940	-	-	-	-	188,747
Special assessments, current	-	-	-	-	-	-	-	78,204	-	78,204
Accounts and contracts	642	-	13,950	-	-	1,380	89,563	-	-	105,535
Accrued interest	232	-	298	111	42	-	707	227	6	1,623
Inventories	-	350,081	323,018	-	-	-	-	-	-	673,099
Prepaid items	-	-	-	-	-	4,344	556,588	-	-	560,932
Total current assets	1,977,103	354,888	2,905,823	941,965	644,921	1,434,868	7,094,923	1,956,707	54,108	17,365,306
Noncurrent assets										
Special assessments receivable	-	-	-	-	-	-	-	430,467	-	430,467
Capital assets not being depreciated	-	-	-	55,000	-	-	-	-	-	55,000
Capital assets, net of accumulated depreciation	467,834	-	5,528,565	595,054	9,299,852	-	-	-	284,526	16,175,831
Total noncurrent assets	467,834	-	5,528,565	650,054	9,299,852	-	-	430,467	284,526	16,661,298
Total assets	2,444,937	354,888	8,434,388	1,592,019	9,944,773	1,434,868	7,094,923	2,387,174	338,634	34,026,604
Liabilities										
Current liabilities										
Accounts payable	9,967	138,675	27,130	278	44,194	12,616	1,181,213	-	85	1,414,158
Due to other funds	-	-	-	-	20,943	-	-	-	-	20,943
Current portion of noncurrent liabilities	38,546	-	50,303	-	245,000	-	-	-	-	333,849
Estimated healthcare claims	-	-	-	-	-	-	958,743	-	-	958,743
Total current liabilities	48,513	138,675	77,433	278	310,137	12,616	2,139,956	-	85	2,727,693
Noncurrent liabilities										
Advances from other funds	-	-	-	-	372,484	-	-	-	-	372,484
Long-term debt net of current portion	81,624	-	2,466	-	5,280,000	-	-	-	-	5,364,090
Total noncurrent liabilities	81,624	-	2,466	-	5,652,484	-	-	-	-	5,736,574
Total liabilities	130,137	138,675	79,899	278	5,962,621	12,616	2,139,956	-	85	8,464,267
Net position										
Net investment in capital assets	467,834	-	5,528,565	650,054	3,774,852	-	-	-	284,526	10,705,831
Unrestricted	1,846,966	216,213	2,825,924	941,687	207,300	1,422,252	4,954,967	2,387,174	54,023	14,856,506
Total net position	\$ 2,314,800	\$ 216,213	\$ 8,354,489	\$ 1,591,741	\$ 3,982,152	\$ 1,422,252	\$ 4,954,967	\$ 2,387,174	\$ 338,549	\$ 25,562,337

City of Midland, Michigan
Other Supplemental Information
Internal Service Funds
Combining Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2013

	Information Services Fund	Store Revolving Fund	Equipment Revolving Fund	Municipal Service Center Fund	Renewable Energy Services Fund	Property and Liability Insurance Fund	Health Insurance Fund	Special Assessment Revolving Fund	Municipal Service Annex Fund	Total
Operating revenue										
Billings to other funds	\$ 1,338,760	\$ -	\$ -	\$ -	\$ 986,863	\$ 541,834	\$ 8,544,615	\$ -	\$ -	\$ 11,412,072
Rental income	-	-	3,638,879	335,196	-	-	-	-	23,744	3,997,819
Other revenue	839	979,267	398,760	282	-	131,907	442,355	66,789	-	2,020,199
Total operating revenue	1,339,599	979,267	4,037,639	335,478	986,863	673,741	8,986,970	66,789	23,744	17,430,090
Operating expenses										
Operations	1,103,475	954,781	2,583,642	259,840	634,764	596,210	9,345,115	-	16,436	15,494,263
Depreciation	258,367	-	1,231,656	57,266	647,257	-	-	-	6,185	2,200,731
Total operating expenses	1,361,842	954,781	3,815,298	317,106	1,282,021	596,210	9,345,115	-	22,621	17,694,994
Operating income (loss)	(22,243)	24,486	222,341	18,372	(295,158)	77,531	(358,145)	66,789	1,123	(264,904)
Nonoperating revenue (expenses)										
Interest income	2,429	-	2,783	1,219	296	-	8,027	19,026	65	33,845
Gain (loss) on disposition of assets	-	-	(113,866)	-	-	-	-	-	-	(113,866)
Total nonoperating revenues (expenses)	2,429	-	(111,083)	1,219	296	-	8,027	19,026	65	(80,021)
Income (loss) before contributions and transfers	(19,814)	24,486	111,258	19,591	(294,862)	77,531	(350,118)	85,815	1,188	(344,925)
Capital contributions	-	-	35,747	-	-	-	-	-	-	35,747
Transfers in	-	-	-	-	132,000	-	-	-	-	132,000
Transfers out	-	-	-	-	-	-	-	(68,802)	-	(68,802)
Change in net position	(19,814)	24,486	147,005	19,591	(162,862)	77,531	(350,118)	17,013	1,188	(245,980)
Net position - beginning of year	2,334,614	191,727	8,207,484	1,572,150	4,182,109	1,344,721	5,305,085	2,370,161	337,361	25,845,412
Change in accounting principal	-	-	-	-	(37,095)	-	-	-	-	(37,095)
Net position - beginning of year restated	2,334,614	191,727	8,207,484	1,572,150	4,145,014	1,344,721	5,305,085	2,370,161	337,361	25,808,317
Net position - end of year	\$ 2,314,800	\$ 216,213	\$ 8,354,489	\$ 1,591,741	\$ 3,982,152	\$ 1,422,252	\$ 4,954,967	\$ 2,387,174	\$ 338,549	\$ 25,562,337

City of Midland, Michigan
Other Supplemental Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2013

	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	\$ 839	\$ 974,460	\$ 4,038,781	\$ 335,834	\$ -	\$ 132,225	\$ 426,673	\$ 76,710	\$ 23,761	\$ 6,009,283
Receipts from other funds	1,339,379	-	-	-	983,622	541,834	8,544,615	-	-	11,409,450
Payments to suppliers	(448,057)	(974,460)	(1,416,347)	(198,686)	(302,360)	(587,938)	(9,421,086)	-	(14,740)	(13,363,674)
Payments to employees	(647,668)	-	(1,269,694)	(66,790)	(634,764)	-	-	-	(1,693)	(2,620,609)
Net cash provided (used) by operating activities	<u>244,493</u>	<u>-</u>	<u>1,352,740</u>	<u>70,358</u>	<u>46,498</u>	<u>86,121</u>	<u>(449,798)</u>	<u>76,710</u>	<u>7,328</u>	<u>1,434,450</u>
Cash flows from noncapital financing activities										
Transfer from other funds	-	-	-	-	132,000	-	-	-	-	132,000
Transfers to other funds	-	-	-	-	-	-	-	(68,802)	-	(68,802)
Advances to other funds	-	-	-	-	(20,943)	-	-	-	-	(20,943)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,057</u>	<u>-</u>	<u>-</u>	<u>(68,802)</u>	<u>-</u>	<u>42,255</u>
Cash flows from capital and related financing activities										
Capital contributions	-	-	35,747	-	-	-	-	-	-	35,747
Purchases/construction of capital assets	(12,336)	-	(534,872)	(68,649)	-	-	-	-	-	(615,857)
Proceeds from sale of capital assets	-	-	208,160	-	-	-	-	-	-	208,160
Net cash used by capital and related financing activities	<u>(12,336)</u>	<u>-</u>	<u>(290,965)</u>	<u>(68,649)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(371,950)</u>
Cash flows from investing activities										
Interest received	<u>2,429</u>	<u>-</u>	<u>2,783</u>	<u>1,219</u>	<u>296</u>	<u>-</u>	<u>8,027</u>	<u>19,026</u>	<u>65</u>	<u>33,845</u>
Net change in cash and cash equivalents	234,586	-	1,064,558	2,928	157,851	86,121	(441,771)	26,934	7,393	1,138,600
Cash and cash equivalents - beginning of year	<u>1,741,643</u>	<u>-</u>	<u>1,503,999</u>	<u>938,926</u>	<u>303,088</u>	<u>1,343,023</u>	<u>6,889,836</u>	<u>1,851,342</u>	<u>46,709</u>	<u>14,618,566</u>
Cash and cash equivalents - end of year	<u>\$ 1,976,229</u>	<u>\$ -</u>	<u>\$ 2,568,557</u>	<u>\$ 941,854</u>	<u>\$ 460,939</u>	<u>\$ 1,429,144</u>	<u>\$ 6,448,065</u>	<u>\$ 1,878,276</u>	<u>\$ 54,102</u>	<u>\$ 15,757,166</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities										
Operating income (loss)	\$ (22,243)	\$ 24,486	\$ 222,341	\$ 18,372	\$ (295,158)	\$ 77,531	\$ (358,145)	\$ 66,789	\$ 1,123	\$ (264,904)
Adjustments to reconcile operating income to net cash from operating activities										
Depreciation and amortization expense	258,367	-	1,231,656	57,266	647,257	-	-	-	6,185	2,200,731
Changes in assets and liabilities										
Receivables (net)	619	(4,807)	1,142	356	(29,717)	318	(15,682)	9,921	17	(37,833)
Due from other units of government	-	-	-	-	26,372	-	-	-	-	26,372
Inventories	-	157,146	(36,852)	-	-	-	-	-	-	120,294
Prepaid items	-	-	-	-	37,096	(4,344)	(222,344)	-	-	(189,592)
Accounts payable	8,220	(176,825)	(6,913)	(1,171)	(62,361)	12,616	184,707	-	3	(41,724)
Accrued and other liabilities	(470)	-	(58,634)	(4,465)	(277,095)	-	(38,334)	-	-	(378,998)
Due to other funds	-	-	-	-	104	-	-	-	-	104
Net cash provided (used) by operating activities	<u>\$ 244,493</u>	<u>\$ -</u>	<u>\$ 1,352,740</u>	<u>\$ 70,358</u>	<u>\$ 46,498</u>	<u>\$ 86,121</u>	<u>\$ (449,798)</u>	<u>\$ 76,710</u>	<u>\$ 7,328</u>	<u>\$ 1,434,450</u>

City of Midland, Michigan

Statistical Section

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

The statistical section is organized into the following main categories:

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

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

City of Midland, Michigan

Financial Trends

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

City of Midland, Michigan
Net Position by Component
Last Eight Fiscal Years
As of June 30,

	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:								
Net investment in capital assets	\$ 47,046,031	\$ 80,360,355	\$ 82,924,667	\$ 83,247,933	\$ 87,999,853	\$ 87,613,288	\$ 88,511,573	\$ 86,664,194
Restricted	11,499,338	9,511,932	8,055,923	6,714,007	7,550,391	8,459,716	8,206,252	(2) 14,341,343
Unrestricted	<u>11,049,423</u>	<u>9,230,043</u>	<u>(2,379,204)</u>	<u>(2,534,773)</u>	<u>(6,248,653)</u>	<u>(3,785,796)</u>	<u>1,210,553</u>	<u>2,790,283</u>
Total net position	<u>69,594,792</u>	<u>99,102,330</u>	<u>88,601,386</u>	<u>87,427,167</u>	<u>89,301,591</u>	<u>92,287,208</u>	<u>97,928,378</u>	<u>103,795,820</u>
Business Type Activities:								
Net investment in capital assets	86,214,413	89,719,884	93,462,299	93,907,450	98,022,672	100,609,436	100,402,758	100,885,163
Restricted	1,219,000	1,219,000	1,244,000	25,000	25,000	25,000	3,263,589	(2) 3,397,088
Unrestricted	<u>25,467,911</u>	<u>27,082,975</u>	<u>24,509,727</u>	<u>26,937,227</u>	<u>29,793,084</u>	<u>31,156,750</u>	<u>29,981,732</u>	<u>31,710,327</u>
Total net position	<u>112,901,324</u>	<u>118,021,859</u>	<u>119,216,026</u>	<u>120,869,677</u>	<u>127,840,756</u>	<u>131,791,186</u>	<u>133,648,079</u>	<u>135,992,578</u>
Primary government in total:								
Net investment in capital assets	133,260,444	170,080,239	176,386,966	177,155,383	186,022,525	188,222,724	188,914,331	187,549,357
Restricted	12,718,338	10,730,932	9,299,923	6,739,007	7,575,391	8,484,716	11,469,841	(2) 17,738,431
Unrestricted	<u>36,517,334</u>	<u>36,313,018</u>	<u>22,130,523</u>	<u>24,402,454</u>	<u>23,544,431</u>	<u>27,370,954</u>	<u>31,192,285</u>	<u>34,500,610</u>
Total net position	<u>\$ 182,496,116</u>	<u>\$ 217,124,189</u>	<u>\$ 207,817,412</u>	<u>\$ 208,296,844</u>	<u>\$ 217,142,347</u>	<u>\$ 224,078,394</u>	<u>\$ 231,576,457</u>	<u>\$ 239,788,398</u>

Source: City's Comprehensive Annual Financial Report

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

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

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

	Fiscal Year Ended June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Expenses								
General government	\$ 4,099,371	\$ 4,195,610	\$ 3,758,824	\$ 4,759,051	\$ 4,063,142	\$ 3,738,504	\$ 4,377,616	\$ 4,379,126
Public safety	11,683,717	13,532,496	13,376,090	14,744,737	14,806,966	15,305,454	14,954,815	15,679,391
Public works	6,475,722	9,917,048	9,247,222	9,996,061	9,632,256	8,258,151	8,853,319	9,416,912
Community and economic development	642,882	972,214	955,057	1,076,936	1,070,986	578,321	1,116,838	567,424
Sanitation	2,368,344	2,449,784	2,500,382	2,492,893	2,419,772	2,475,323	2,492,955	2,398,083
Parks and recreation	3,545,585	3,828,814	3,092,978	4,275,608	4,063,153	4,466,591	5,029,397	5,126,073
Library and community television	3,818,728	4,389,127	4,363,845	4,603,722	4,515,161	4,414,619	4,374,397	4,471,374
Airport	192,581	292,130	324,607	331,866	473,735	378,055	257,459	418,304
Transportation	1,698,174	1,753,572	1,697,903	1,872,389	1,739,854	1,738,124	1,772,164	1,901,342
Property tax appeals	1,977,046	8,144,802	20,819,386	233,979	195,163	315,612	752,824	573,260
Other functions	4,447,380	-	-	-	-	-	-	-
Interest on long-term debt	13,438	8,975	3,025	729,895	702,517	668,251	633,430	589,971
Total governmental activities	40,962,968	49,484,572	60,139,319	45,117,137	43,682,705	42,337,005	44,615,214	45,521,260
Program revenues:								
Charges for services								
General government	625,939	611,934	839,576	322,003	-	-	-	-
Public safety	877,505	690,268	806,321	1,750	55,158	56,364	74,391	102,133
Public works	288,910	535,549	529,868	1,077,428	721,551	1,196,193	968,728	1,049,135
Community and economic development	51,212	31,930	28,672	6,375	4,451	3,725	4,875	5,100
Sanitation	171,911	172,649	177,697	-	217,317	35,935	34,295	34,756
Parks and recreation	218,591	219,964	202,302	203,733	293,757	347,276	390,375	421,685
Library and community television	765,295	755,214	722,556	1,313,894	1,347,405	1,337,765	1,368,016	1,359,160
Airport	108,675	186,586	242,062	197,614	196,841	248,531	322,813	258,776
Transportation	137,465	139,091	146,384	153,754	135,949	129,788	123,280	118,839
Other functions	-	75,724	38,920	-	-	-	-	-
Total charges for services	3,245,503	3,418,909	3,734,358	3,276,551	2,972,429	3,355,577	3,286,773	3,349,584

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

	Fiscal Year Ended June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Operating grants and contributions	\$ 5,454,669	\$ 5,693,288	\$ 5,329,978	\$ 4,908,102	\$ 4,766,634	\$ 4,841,547	\$ 5,679,405	\$ 5,397,059
Capital grants and contributions	<u>2,034,627</u>	<u>3,591,053</u>	<u>2,317,791</u>	<u>1,183,580</u>	<u>1,388,911</u>	<u>727,076</u>	<u>1,986,926</u>	<u>4,309,370</u>
 Total program revenue	 <u>10,734,799</u>	 <u>12,703,250</u>	 <u>11,382,127</u>	 <u>9,368,233</u>	 <u>9,127,974</u>	 <u>8,924,200</u>	 <u>10,953,104</u>	 <u>13,056,013</u>
 Net (expense) revenue	 <u>(30,228,169)</u>	 <u>(36,781,322)</u>	 <u>(48,757,192)</u>	 <u>(35,748,904)</u>	 <u>(34,554,731)</u>	 <u>(33,412,805)</u>	 <u>(33,662,110)</u>	 <u>(32,465,247)</u>
General revenues:								
Property taxes	26,518,333	32,484,991	32,356,906	28,846,094	31,971,428	31,549,496	33,846,512	33,949,025
Other tax related revenue	1,153,613	1,245,590	1,286,806	2,003,766	2,072,970	2,117,699	2,108,016	2,012,014
Intergovernmental	3,667,075	3,531,736	3,498,861	3,281,751	2,918,791	2,918,791	3,187,163	3,262,543
Unrestricted investment earnings	2,947,591	3,389,149	2,356,183	554,437	106,025	72,980	59,313	44,690
Miscellaneous revenues	45,993	22,435	15,056	815,482	666,042	765,507	755,552	862,213
Gain on sale of capital assets	-	-	-	202,090	344,211	12,416	303,677	-
Transfers	<u>(3,397,927)</u>	<u>(939,940)</u>	<u>(987,631)</u>	<u>(1,128,935)</u>	<u>(1,650,312)</u>	<u>(1,038,466)</u>	<u>(841,992)</u>	<u>(1,797,796)</u>
 Total general revenues and transfers	 <u>30,934,678</u>	 <u>39,733,961</u>	 <u>38,526,181</u>	 <u>34,574,685</u>	 <u>36,429,155</u>	 <u>36,398,423</u>	 <u>39,418,241</u>	 <u>38,332,689</u>
 Change in governmental net position	 <u>\$ 706,509</u>	 <u>\$ 2,952,639</u>	 <u>\$ (10,231,011)</u>	 <u>\$ (1,174,219)</u>	 <u>\$ 1,874,424</u>	 <u>\$ 2,985,618</u>	 <u>\$ 5,756,131</u>	 <u>\$ 5,867,442</u>

Source: City's Comprehensive Annual Financial Report

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

	Fiscal Year Ended June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenue								
Wastewater customer fees	\$ 4,513,338	\$ 4,588,778	\$ 4,827,045	\$ 5,023,302	\$ 5,244,636	\$ 5,488,692	\$ 5,470,243	\$ 5,659,485
Water customer fees	7,391,171	7,568,017	8,271,119	8,241,111	9,041,009	9,383,395	10,141,703	10,223,565
Landfill use and admission charges	3,217,430	5,041,271	3,424,819	3,701,334	3,362,957	3,867,944	3,289,167	3,322,110
Civic Arena use and admission charges	1,041,763	1,056,417	1,064,509	1,149,686	1,077,498	1,061,241	962,949	1,000,933
Other use and admission charges	895,375	973,412	1,094,166	1,160,471	1,150,138	990,554	1,074,941	845,084
Rentals	2,607,737	2,537,277	2,651,509	2,783,672	2,882,931	2,912,059	2,906,171	2,902,606
Fines and forfeits	129,202	155,999	171,250	160,152	141,762	166,900	169,804	169,476
Other revenue	-	-	-	296,730	305,571	2,073,180	1,103,365	1,133,074
Total operating revenue	19,796,016	21,921,171	21,504,417	22,516,458	23,206,502	25,943,965	25,118,343	25,256,333
Operating Expenses								
Water	3,192,318	4,006,050	3,662,404	3,720,724	3,750,511	3,800,821	3,945,792	4,117,868
Wastewater	1,023,045	1,074,122	1,129,031	1,272,180	1,396,730	1,363,214	1,309,094	1,265,702
Real estate rental	2,041,420	2,191,683	2,228,946	-	-	-	-	-
Landfill	1,979,811	2,010,992	2,189,039	2,728,781	2,515,598	2,514,219	2,577,617	2,735,828
Civic Arena	1,028,812	1,130,306	1,152,330	1,186,663	967,769	958,301	812,943	811,745
Other operating	873,204	994,067	1,362,218	4,114,875	3,978,810	4,342,252	4,640,670	4,530,073
Administration	1,704,422	1,674,995	1,754,302	2,205,837	2,357,378	2,308,525	2,351,223	2,322,441
Maintenance	3,912,321	3,950,384	4,090,615	4,936,116	4,550,779	4,712,824	4,436,506	4,910,689
Other expenses	-	-	-	27,209	6,380	74,613	67,688	92,809
Depreciation	3,660,043	4,098,194	4,065,398	3,996,687	4,021,646	3,967,213	4,356,092	4,655,137
Total operating expenses	19,415,396	21,130,793	21,634,283	24,189,072	23,545,601	24,041,982	24,497,625	25,442,292
Operating Income (Loss)	380,620	790,378	(129,866)	(1,672,614)	(339,099)	1,901,983	620,718	(185,959)

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

	Fiscal Year Ended June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Nonoperating Revenue (Expenses)								
Interest income (losses)	\$ 646,856	\$ 957,061	\$ 769,663	\$ 215,574	\$ 219,266	\$ 212,289	\$ 94,324	\$ 44,213
Gain from investment in joint venture	435,216	-	-	-	-	-	-	-
Contractual revenues	1,041,852	1,073,493	1,057,953	1,003,592	847,664	504,154	453,978	683,454
Gain(loss) on disposition of assets	(44,189)	45,261	41,217	(32,336)	12,195	(16,356)	(978)	62,766
Sales of meals - revenue	415,676	421,969	449,200	497,666	530,282	-	-	-
Sales of meals - expenses	(544,872)	(572,855)	(590,941)	(625,606)	(657,883)	-	-	-
Contributions	-	1,859,744	110,058	-	-	-	-	-
Other revenue	679,281	1,289,869	803,172	641,925	623,984	-	7,335	304,625
Interest expense	(1,349,648)	(1,200,867)	(1,059,154)	(881,393)	(776,434)	(683,148)	(618,300)	(531,576)
Other expenses	(944,729)	(976,105)	(1,281,656)	(121,236)	(128,889)	-	-	-
Total non-operating revenues (expenses)	<u>335,443</u>	<u>2,897,570</u>	<u>299,512</u>	<u>698,186</u>	<u>670,185</u>	<u>16,939</u>	<u>(63,641)</u>	<u>563,482</u>
Income (Loss) - Before contributions and transfers	716,063	3,687,948	169,646	(974,428)	331,086	1,918,922	557,077	377,523
Capital contributions	2,449,257	887,254	392,000	1,426,045	452,000	813,196	858,000	386,559
Operating transfers in	4,360,745	1,191,640	1,301,390	1,210,497	1,661,116	1,160,466	1,440,432	1,949,796
Operating transfers out	(1,957,809)	(251,700)	(313,760)	(81,562)	(10,804)	(122,000)	(598,440)	(152,000)
Change in Net Position	5,568,256	5,515,142	1,549,276	1,580,552	2,433,398	3,770,584	2,257,069	2,561,878
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.	108,371	(394,607)	(355,109)	73,099	4,537,681	179,846	(324,263)	(217,379)
Change in net position of business-type activities	<u>5,676,627</u>	<u>5,120,535</u>	<u>1,194,167</u>	<u>1,653,651</u>	<u>6,971,079</u>	<u>3,950,430</u>	<u>1,932,806</u>	<u>2,344,499</u>
Total Primary Government Changes in Net Position	<u>\$ 6,383,136</u>	<u>\$ 8,073,174</u>	<u>\$ (9,036,844)</u>	<u>\$ 479,432</u>	<u>\$ 8,845,503</u>	<u>\$ 6,936,048</u>	<u>\$ 7,688,937</u>	<u>\$ 8,211,941</u>

Note:

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

Source: City's Comprehensive Annual Financial Report

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,717	\$ 133,810	\$ 112,293
Reserved/restricted	41,711,287	39,525,290	32,321,210	26,171,316	16,395,961	503,605	608,739	-	-	-
Committed	-	-	-	-	-	-	-	1,202,239	3,316,281	3,475,477
Assigned	-	-	-	-	-	-	-	570,175	441,498	724,234
Unreserved/unassigned	<u>5,619,677</u>	<u>862,970</u>	<u>5,392,288</u>	<u>7,386,734</u>	<u>8,481,194</u>	<u>5,946,963</u>	<u>6,489,409</u>	<u>5,381,543</u>	<u>4,847,648</u>	<u>4,673,073</u>
Total general fund	47,330,964	40,388,260	37,713,498	33,558,050	24,877,155	6,450,568	7,098,148	7,290,674	8,739,237	8,985,077
All other governmental funds:										
Non-spendable	-	-	-	-	-	-	-	544,266	260,964	262,318
Reserved/restricted	6,583,221	6,133,899	6,457,181	5,678,635	4,813,284	2,364,469	3,455,381	1,991,078	8,321,213	14,079,025
Committed	-	-	-	-	-	-	-	4,980,494	787,232	745,674
Assigned	-	-	-	-	-	-	-	2,280,930	2,474,649	1,505,368
Unreserved/unassigned	<u>9,823,639</u>	<u>10,064,255</u>	<u>9,528,365</u>	<u>7,206,067</u>	<u>6,187,985</u>	<u>5,518,346</u>	<u>5,255,550</u>	-	-	-
Total all governmental funds	\$ 63,737,824	\$ 56,586,414	\$ 53,699,044	\$ 46,442,752	\$ 35,878,424	\$ 14,333,383	\$ 15,809,079	\$ 17,087,442	\$ 20,583,295	\$ 25,577,462

Notes:

- a. During fiscal year 2003-04 the Special Assessment Revolving Fund was reclassified as an internal service fund to properly reflect activity. The 2003-04 beginning fund balance has been restated to reflect this change.
- b. 2004-05 beginning fund balance has been restated to reflect prior year adjustment of \$9,228.
- c. The City changed its accounting for trust deeds resulting in a restatement of the beginning fund balance for 2006-07
- d. GASB #54 was adopted in fiscal year 2011 which changed fund balance classification to depict the relative strength of spending constraints. Previous years' fund balances were not restated to reflect the implementation.
- e. The City adopted GASB 63 and 65 during fiscal year 2012-13. Beginning fund balances were restated to reflect the implementation. Information from prior years has not been restated on this schedule.

Source: City's Comprehensive Annual Financial Report

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue										
Taxes	\$ 34,391,476	\$ 27,104,030	\$ 27,008,416	\$ 32,851,962	\$ 32,780,512	\$ 29,856,356	\$ 32,958,572	\$ 32,601,169	\$ 34,821,993	\$ 33,949,025
Other tax related revenue	1,209,761	1,144,431	1,153,613	1,245,590	1,284,513	993,504	1,085,826	1,066,026	1,132,535	2,012,014
Licenses and permits	658,986	650,985	653,100	610,552	723,926	691,818	589,383	826,957	697,201	687,480
Federal grants	654,038	456,900	1,085,841	952,997	1,091,510	589,931	720,821	639,710	768,916	583,218
Intergovernmental - other	8,218,218	7,955,247	7,973,317	8,668,945	8,304,033	7,626,527	6,999,278	7,172,217	9,285,967	8,980,832
Charges for services	1,674,908	2,959,423	3,180,973	3,402,244	3,730,365	4,039,431	3,955,473	3,903,492	3,895,197	3,738,361
Use and admission charges	769,802	793,634	179,854	190,969	179,457	203,733	202,759	256,399	266,000	282,393
Interest income	1,223,337	1,531,159	2,794,357	3,314,070	2,167,082	554,437	106,028	72,980	59,313	44,671
Contributions and other revenues	2,951,076	2,796,229	1,712,922	1,777,651	1,886,786	1,564,536	1,671,296	2,041,456	2,043,569	4,787,548
Total revenue	<u>51,751,602</u>	<u>45,392,038</u>	<u>45,742,393</u>	<u>53,014,980</u>	<u>52,148,184</u>	<u>46,120,273</u>	<u>48,289,436</u>	<u>48,580,406</u>	<u>52,970,691</u>	<u>55,065,542</u>
Expenditures										
Current:										
General government	3,224,627	4,742,397	4,884,935	4,904,021	5,219,281	6,529,289	6,221,120	6,045,687	6,213,044	6,139,588
Public safety	9,534,824	10,794,036	11,563,868	12,072,103	12,667,757	14,768,233	14,867,678	15,779,974	15,182,480	15,724,988
Public works	4,473,457	4,751,201	4,971,656	5,373,310	6,203,605	6,445,296	5,988,481	5,850,900	5,361,940	5,858,277
Community and economic development	855,595	532,548	820,803	938,099	911,615	1,075,003	1,077,207	579,551	1,116,817	566,585
Sanitation	2,094,872	2,094,429	2,346,672	2,209,944	2,344,715	2,500,680	2,480,790	2,491,420	2,542,662	2,450,295
Parks and recreation	3,595,455	3,726,384	3,322,203	3,419,246	3,471,155	4,115,310	3,971,848	4,262,675	4,773,512	4,888,990
Library and community television	3,386,441	3,541,448	3,630,846	3,767,747	3,901,737	4,358,371	4,270,662	4,161,210	4,132,462	4,079,055
Airport	184,629	185,202	176,711	282,341	308,020	295,589	285,333	326,472	429,792	362,084
Transportation	1,321,997	1,427,883	1,598,969	1,651,533	1,676,251	1,730,521	1,693,097	1,629,824	1,715,709	1,819,483
Property tax appeals	4,532,256	6,451,758	1,977,046	10,080,498	13,310,099	36,535,706	195,163	315,612	752,824	573,260
Other functions	3,874,156	4,108,730	4,470,025	4,877,761	5,056,228	236,363	1,216	-	-	-
Capital outlay	4,651,563	14,563,988	5,949,213	7,571,908	6,163,166	4,093,449	3,400,930	3,287,839	4,596,798	4,125,670
Debt service										
Principal retirement	135,000	135,000	75,000	75,000	100,000	930,000	930,000	965,000	1,000,000	1,040,000
Interest and fiscal charges	28,916	191,568	13,438	12,161	4,255	594,207	686,907	652,854	618,243	582,106
Bond issuance costs	-	-	-	-	-	106,177	-	-	-	-
Total expenditures	<u>41,893,788</u>	<u>57,246,572</u>	<u>45,801,385</u>	<u>57,235,672</u>	<u>61,337,884</u>	<u>84,314,194</u>	<u>46,070,432</u>	<u>46,349,018</u>	<u>48,436,283</u>	<u>48,210,381</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Excess of revenue over (under) expenditures	<u>\$ 9,857,814</u>	<u>\$ (11,854,534)</u>	<u>\$ (58,992)</u>	<u>\$ (4,220,692)</u>	<u>\$ (9,189,700)</u>	<u>\$ (38,193,921)</u>	<u>\$ 2,219,004</u>	<u>\$ 2,231,388</u>	<u>\$ 4,534,408</u>	<u>\$ 6,855,161</u>
Sale of fixed assets	240,038	215,411	184,721	82,817	202,853	231,991	373,270	12,416	303,677	-
Issuance of debt	-	6,435,000	-	-	-	17,890,000	-	-	-	-
Bond discount	-	-	-	-	-	(212,243)	-	-	-	-
Operating transfers in	8,845,871	11,328,105	9,465,578	6,928,776	3,990,577	6,250,006	6,112,146	5,475,599	5,365,648	5,775,177
Operating transfers out	<u>(10,799,360)</u>	<u>(13,266,164)</u>	<u>(12,478,678)</u>	<u>(8,515,227)</u>	<u>(5,568,058)</u>	<u>(7,240,941)</u>	<u>(7,228,724)</u>	<u>(6,441,040)</u>	<u>(6,707,880)</u>	<u>(7,636,171)</u>
Total other financing sources (uses)	<u>(1,713,451)</u>	<u>4,712,352</u>	<u>(2,828,379)</u>	<u>(1,503,634)</u>	<u>(1,374,628)</u>	<u>16,918,813</u>	<u>(743,308)</u>	<u>(953,025)</u>	<u>(1,038,555)</u>	<u>(1,860,994)</u>
Net change in fund balances	<u>8,144,363</u>	<u>(7,142,182)</u>	<u>(2,887,371)</u>	<u>(5,724,326)</u>	<u>(10,564,328)</u>	<u>(21,275,108)</u>	<u>1,475,696</u>	<u>1,278,363</u>	<u>3,495,853</u>	<u>4,994,167</u>
Fund balances - beginning of year	55,593,461	63,728,596	56,586,415	52,167,078	46,442,752	35,878,424	14,333,383	15,809,079	17,087,442	20,583,295
Prior period adjustment	-	-	-	-	-	(269,933)	-	-	-	-
Fund balances - beginning of year restated	<u>55,593,461</u>	<u>63,728,596</u>	<u>56,586,415</u>	<u>52,167,078</u>	<u>46,442,752</u>	<u>35,608,491</u>	<u>14,333,383</u>	<u>15,809,079</u>	<u>17,087,442</u>	<u>20,583,295</u>
Fund balances - end of year	<u>\$ 63,737,824</u>	<u>\$ 56,586,414</u>	<u>\$ 53,699,044</u>	<u>\$ 46,442,752</u>	<u>\$ 35,878,424</u>	<u>\$ 14,333,383</u>	<u>\$ 15,809,079</u>	<u>\$ 17,087,442</u>	<u>\$ 20,583,295</u>	<u>\$ 25,577,462</u>
Debt service as a percentage of noncapital expenditures	0.44%	0.77%	0.22%	0.18%	0.19%	2.03%	3.79%	3.69%	3.69%	3.68%

Notes:

- a. During fiscal year 2003-04 the Special Assessment Revolving Fund was reclassified as an internal service fund to properly reflect activity. The 2003-04 beginning fund balance has been restated to reflect this change.
- b. 2004-05 beginning fund balance has been restated to reflect prior year adjustment of \$9,228.
- c. The City changed its accounting for trust deeds resulting in a restatement of the beginning fund balance for 2006-07.
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- e. The City adopted GASB 63 and 65 during fiscal year 2012-13. Beginning fund balances were restated to reflect the implementation. Information from prior years has not been restated on this schedule.

Source: City's Comprehensive Annual Financial Report

City of Midland, Michigan

Revenue Capacity

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

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

Taxable Value by Property Type:

Real property:

Tax Year	Residential	Commercial	Industrial	Personal Property	IFT	Total Taxable	Tax Rate (mills)	Total Assessed Value	Taxable Value as a % of Assessed
2003 *	\$ 855,523,000	\$ 228,369,000	\$ 875,691,600	\$ 434,258,000	\$ 145,920,900	\$ 2,539,762,500	12.90	\$ 2,819,138,400	90.09
2004	887,350,600	239,002,200	890,760,000	408,075,800	144,584,000	2,569,772,600	9.87	2,852,786,900	90.08
2005	921,024,100	248,085,800	878,201,900	384,728,900	121,477,400	2,553,518,100	9.79	2,811,712,100	90.82
2006	956,874,300	261,931,600	900,622,800	390,489,900	103,285,200	2,613,203,800	12.10	2,835,912,600	92.15
2007	985,927,900	275,311,300	852,016,300	411,946,800	116,559,600	2,641,761,900	12.24	2,814,224,200	93.87
2008	971,965,400	277,831,600	428,969,200	413,179,000	153,897,600	2,245,842,800	12.99	2,310,292,800	97.21
2009	979,020,097	297,391,800	437,612,915	443,958,900	186,616,300	2,344,600,012	13.94	2,390,601,500	98.08
2010	951,562,970	316,006,033	611,162,938	424,376,400	215,828,097	2,518,936,438	13.94	2,563,694,950	98.25
2011	952,144,178	327,111,317	638,919,909	444,685,633	210,469,800	2,573,330,837	14.79	2,619,321,633	98.24
2012	958,884,435	330,886,336	257,136,486	654,870,458	201,655,272	2,403,432,987	14.79	2,441,872,370	98.43

* Buildings on leased land were reclassified from personal property to real property

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		Total Direct Taxes*	Midland County			State Education	Bay/Arenac Intermediate	Midland Intermediate	School: Homestead	School: Non-homestead	School: Commercial	School: Homestead	School: Non-homestead	School: Commercial	
	(1)	Debt		Bay County	Delta College	Bay County		School District	School District	Midland	Midland	Midland	Bullock Creek	Bullock Creek	Property Bullock	
2003	12.2600	0.6400	12.9000 (2)	8.0255	10.9486	2.5427	5.0000	4.9568	1.1756	5.8585	20.0000	-	7.0000	24.9208	-	
2004	9.2300	0.6400	9.8700 (3)	8.1455	11.0326	2.0427	6.0000	4.9458	1.1756	5.7692	20.0000	-	7.0000	24.9208	-	
2005	9.1700	0.6200	9.7900	7.8255	10.9338	2.0427	6.0000	4.9425	1.1756	5.5909	20.0000	-	7.0000	24.9208	-	
2006	11.8700	0.2300	12.1000	8.0555	9.7100	2.0427	6.0000	4.9233	1.1756	5.3284	20.0000	-	7.0000	25.0000	-	
2007	12.0000	0.2400	12.2400	8.5555	10.8096	2.0427	6.0000	4.9233	1.1756	5.2129	20.0000	-	7.0000	25.0000	-	
2008	12.7000	0.2900	12.9900	8.7055	10.8138	2.0427	6.0000 (5)	4.9233	1.1756	4.2942	20.0000	10.2942 (4)	7.0000	25.0000	13.0000 (4)	
2009	13.6700	0.2700	13.9400	8.8355	10.8138	2.0427	6.0000 (5)	4.9233	2.6756	2.7890	18.5000	8.7890 (4)	7.0000	25.0000	13.0000 (4)	
2010	13.6700	0.2700	13.9400	8.8355	10.7138	2.0427	6.0000 (5)	4.9233	2.6756	2.7091	18.5000	8.7091 (4)	7.0000	25.0000	13.0000 (4)	
2011	14.5000	0.2900	14.7900	8.8355	10.8138	2.0427	6.0000 (5)	4.9233	2.6756	2.0909	18.5000	8.0909 (4)	7.0000	25.0000	13.0000 (4)	
2012	14.5000	0.2900	14.7900	8.8355	11.4638	2.0427	6.0000 (5)	4.9233	2.6756	1.9499	18.0000	7.9499 (4)	7.0000	25.0000	13.0000 (4)	

* includes voter approved debt millage

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

- (1) City Charter authorizes 18 mills, but the State of Michigan Constitution (Headlee Amendment) restricts the maximum millage that may be levied by the City without a vote of our residents to 17.87 mills for General Operating.
- (2) The City of Midland property tax rate was increased in 1997/1998 through 2003/2004 for a special tax appeal millage.
- (3) The City of Midland property tax rate was decreased in 2004/2005 due, in part, to a reduction in the tax appeal millage.
- (4) 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.
- (5) 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 Bay City	School: Non-homestead Bay City	School: Commercial Property Bay City	Homestead Midland	Non-homestead Midland	Non-homestead Commercial Midland	Non-homestead Industrial Midland	Homestead Bullock Creek	Non-homestead Bullock Creek	Non-homestead Commercial Bullock	Non-homestead Industrial Bullock	Homestead Bay City	Non-homestead Bay City	Non-homestead Commercial Bay City	Non-homestead Industrial Bay City
2003	1.1000	19.1000	-	35.5023	49.6438	-	-	36.6438	54.5646	-	-	37.4481	55.4481	-	-
2004	1.1000	19.1000	-	33.0030	47.2338	-	-	34.2338	52.1546	-	-	34.9911	52.9911	-	-
2005	1.1000	19.0640	-	32.4247	46.8338	-	-	33.8338	51.7546	-	-	34.8090	52.7730	-	-
2006	2.3500	20.0247	-	34.7022	49.3738	-	-	36.3738	54.3738	-	-	37.1260	54.8007	-	-
2007	2.3500	20.3500	-	35.2267	50.0138	-	-	37.0138	55.0138	-	-	38.3656	56.3656	-	-
2008	2.3500	20.3500	8.3500 (4)	35.2080	50.9138	41.2080 (4)	29.2080 (5)	37.9138	55.9138	43.9138 (4)	31.9138 (5)	39.1198	57.1198	45.1198 (4)	33.1198 (5)
2009	2.3500	20.3500	8.3500 (4)	36.2828	51.9938	42.2828 (4)	30.2828 (5)	40.4938	58.4938	46.4938 (4)	34.4938 (5)	40.0698	58.0698	46.0698 (4)	34.0698 (5)
2010	2.8000	20.8000	8.8000 (4)	36.2029	51.9938	42.2029 (4)	30.2029 (5)	40.4938	58.4938	46.4938 (4)	34.4938 (5)	40.4198	58.4198	46.4198 (4)	34.4198 (5)
2011	2.9900	20.9900	8.9900 (4)	36.4347	52.8438	42.4347 (4)	30.4347 (5)	41.3438	59.3438	47.3438 (4)	35.3438 (5)	41.5598	59.5598	47.5598 (4)	35.5598 (5)
2012	2.9900	20.9900	8.9900 (4)	36.2937	52.3438	42.2937 (4)	30.2937 (5)	41.3438	59.3438	47.3438 (4)	35.3438 (5)	42.2098	60.2098	48.2098 (4)	36.2098 (5)

* includes voter approved debt millage

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

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Public Act 37 of 2007 amended MCL 380.1211 to exempt Industrial Personal Property from up to 18 mills of school operating millage.

Source: City Assessing Department

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

Taxpayer	2013 Taxable Value	Percentage of total	2004 Taxable Value	Percentage of total	2004 rank
1 Dow Chemical/Dow Agrosiences	\$ 467,599,988	20.11%	\$ 414,400,100	17.09%	2
2 Midland Cogeneration Venture	220,504,000	9.48%	601,572,800	24.81%	1
3 Dow Corning	134,835,600	5.80%	175,113,400	7.22%	3
4 Styron LLC	34,146,100	1.47%	-	-	-
5 Consumers Energy Company	24,291,109	1.04%	16,466,900	0.68%	4
6 Dow Business Services LLC	17,975,800	0.77%	-	-	-
7 Midland Mall LLC	17,546,613	0.75%	14,236,200	0.59%	5
8 Cabot Corporation	11,742,800	0.50%	-	-	-
9 Midland Country Club	10,209,400	0.44%	-	-	-
10 H Hotel	8,680,469	0.37%	5,293,200	0.22%	10
Total	<u>\$ 947,531,879</u>	<u>40.74%</u>	<u>\$ 1,227,082,600</u>	<u>50.61%</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
2004	\$ 31,708,040	\$(5,215,751) (1)	\$26,492,289	\$ 31,470,866	99.252	\$ (4,981,316)	\$ 26,489,550	99.990
2005	24,169,118	(2,504,215) (1)	21,664,903	23,967,130	99.164	(2,302,233)	21,664,897	100.000
2006	24,355,843	(3,900,688) (1)	20,455,155	24,337,402	99.924	(3,885,176)	20,452,226	99.986
2007	29,962,104	(4,654,988) (1)	25,307,116	29,948,998	99.956	(4,644,491)	25,304,507	99.990
2008	25,949,887	9,610	25,959,497	25,939,185	99.959	18,699	25,957,884	99.994
2009	27,669,516	(5,655)	27,663,861	27,660,042	99.966	3,024	27,663,066	99.997
2010	30,629,774	(6,167)	30,623,607	30,623,319	99.979	(853)	30,622,466	99.996
2011	32,973,831	(498)	32,973,333	30,314,659	91.936	2,656,617	32,971,276	99.994
2012	35,569,456	(2,844,831)	32,724,625	32,715,296	91.976	(111,108)	32,604,188	99.632
2013	32,972,444	(89,110)	32,883,334	32,761,640	99.361	-	32,761,640	99.630

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

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

Source: City Treasurer's Office

City of Midland, Michigan

Debt Capacity

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

City of Midland, Michigan
Ratios of Outstanding Debt

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
General obligation bonds	\$ 385,000	\$ 250,000	\$ 175,000	\$ 100,000	\$ -	\$ 16,662,808	\$ 15,754,036	\$ 20,771,216	\$ 19,559,396	\$ 18,408,507
Capital leases	1,651,488	1,498,454	1,330,510	1,164,223	983,651	782,160	614,097	409,524	209,187	-
Total governmental activities	<u>2,036,488</u>	<u>1,748,454</u>	<u>1,505,510</u>	<u>1,264,223</u>	<u>983,651</u>	<u>17,444,968</u>	<u>16,368,133</u>	<u>21,180,740</u>	<u>19,768,583</u>	<u>18,408,507</u>
Business Type Activities										
General obligation bonds	19,465,886	24,209,063	22,429,063	20,627,714	19,363,882	18,364,750	17,379,872	16,344,992	15,245,399	14,779,063
Revenue bonds	7,110,000	5,775,000	4,620,000	3,465,000	2,310,000	1,155,000	-	-	-	-
Total business-type activities	<u>26,575,886</u>	<u>29,984,063</u>	<u>27,049,063</u>	<u>24,092,714</u>	<u>21,673,882</u>	<u>19,519,750</u>	<u>17,379,872</u>	<u>16,344,992</u>	<u>15,245,399</u>	<u>14,779,063</u>
Total debt of the government	<u>\$ 28,612,374</u>	<u>\$ 31,732,517</u>	<u>\$ 28,554,573</u>	<u>\$ 25,356,937</u>	<u>\$ 22,657,533</u>	<u>\$ 36,964,718</u>	<u>\$ 33,748,005</u>	<u>\$ 37,525,732</u>	<u>\$ 35,013,982</u>	<u>\$ 33,187,570</u>
Total population (1)	42,092	42,175	42,175	41,551	41,054	40,917	40,807	41,863	41,863	42,020
Total debt per capita	\$ 680	\$ 752	\$ 677	\$ 610	\$ 552	\$ 903	\$ 827	\$ 896	\$ 836	\$ 790
Total per capita personal income (2)	\$ 26,818	\$ 26,818	\$ 26,818	\$ 26,818	\$ 26,818	\$ 26,818	\$ 29,946	\$ 30,803	\$ 30,574	\$ 32,185
Total debt per capita personal income	\$ 1,067	\$ 1,183	\$ 1,042	\$ 946	\$ 845	\$ 1,410	\$ 1,153	\$ 1,243	\$ 1,145	\$ 1,031
Total taxable value	\$2,389,338,500	\$2,425,188,600	\$2,432,040,700	\$2,509,918,600	\$2,525,202,300	\$2,091,945,200	\$ 2,157,983,712	\$ 2,303,108,341	\$ 2,362,861,037	\$2,201,777,715
Ratio of total debt to taxable value	1.20%	1.31%	1.17%	1.01%	0.90%	1.77%	1.56%	1.63%	1.48%	1.51%

(1) Estimates provided by City Planning Department

(2) US Bureau of Census

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

City of Midland, Michigan
Ratios of General Bonded Debt Outstanding

Fiscal Year	General		Debt as a		Population	Business Type Debt	Total General Bonded and Business Type Debt	Debt Per Capita	Per Capita Personal Income	% of Personal Income
	Bonded Debt	Taxable Value	Percentage of Taxable Value							
2004	\$ 385,000	\$ 2,389,338,500	0.016%	42,092 (1)	\$ 26,575,886	\$ 26,960,886	\$ 640.52	\$ 26,818 (2)	2.39%	
2005	250,000	2,425,188,600	0.010%	42,175 (1)	29,984,063	30,234,063	716.87	26,818 (2)	2.67%	
2006	175,000	2,432,040,700	0.007%	42,175 (1)	27,049,063	27,224,063	645.50	26,818 (2)	2.41%	
2007	100,000	2,509,918,600	0.004%	41,551 (1)	24,092,714	24,192,714	582.24	26,818 (2)	2.17%	
2008	-	2,525,202,300	0.000%	41,054 (1)	21,673,882	21,673,882	527.94	26,818 (2)	1.97%	
2009	16,662,808	2,091,945,200	0.797%	40,917 (1)	19,519,750	36,182,558	884.29	26,818 (2)	3.30%	
2010	15,754,036	2,157,983,712	0.730%	40,807 (1)	17,379,872	33,133,908	811.97	29,946 (2)	2.71%	
2011	20,771,216	2,303,108,341	0.902%	41,863 (1)	16,344,992	37,116,208	886.61	30,803 (2)	2.88%	
2012	19,559,396	2,362,861,037	0.828%	41,863 (1)	15,245,399	34,804,795	831.40	30,574 (2)	2.72%	
2013	18,408,507	2,201,777,715	0.836%	42,020 (1)	14,779,063	33,187,570	789.80	32,185 (2)	2.45%	

(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	\$ 18,408,507	100.00%	\$ 18,408,507
Overlapping debt:			
Bay City School District	60,200,000	0.26%	156,520
Bullock Creek School District	13,980,000	0.41%	57,318
Bay County	16,115,513	0.15%	24,173
Midland County	26,978,614	62.19%	16,778,000
Bay-Arenac Intermediate School District	<u>3,155,000</u>	0.13%	<u>4,102</u>
Total overlapping debt	<u>120,429,127</u>		<u>17,020,113</u>
Total	<u>\$ 138,837,634</u>		<u>\$ 35,428,620</u>

* Overlapping debt is calculated as the issuer's proportionate share of the debt of other local governmental units that overlap it (the is located either wholly or partly within the geographic limits of the other units) or underlie it (the other units are located within the geo 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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 238,933,850	\$ 242,518,860	\$ 281,171,210	\$ 283,591,260	\$ 281,422,420	\$ 231,029,280	\$ 239,060,150	\$ 256,369,495	\$ 261,932,163	\$ 244,187,237
Total net debt applicable to limit	<u>19,850,886</u>	<u>24,459,063</u>	<u>22,604,063</u>	<u>20,727,714</u>	<u>19,363,882</u>	<u>35,027,558</u>	<u>33,133,908</u>	<u>37,116,208</u>	<u>34,804,795</u>	<u>33,187,570</u>
Legal debt margin	<u>\$ 219,082,964</u>	<u>\$ 218,059,797</u>	<u>\$ 258,567,147</u>	<u>\$ 262,863,546</u>	<u>\$ 262,058,538</u>	<u>\$ 196,001,722</u>	<u>\$ 205,926,242</u>	<u>\$ 219,253,287</u>	<u>\$ 226,063,100</u>	<u>\$ 210,999,667</u>
Total net debt applicable to the limit as a percentage of debt limit	8.31%	10.09%	8.04%	7.31%	6.88%	15.16%	13.86%	14.48%	13.29%	13.59%

Legal Debt Margin Calculation for Fiscal Year 2013

Debt Limit:	
2012 State equalized valuation	\$ 2,441,872,370
Debt limit (10% of State equalized valuation) (1)	x <u>10.00%</u>
Total debt limit	<u>244,187,237</u>
Debt Applicable to Debt Limit:	
Total bonded debt	33,187,570
Less: deductions allowed by law:	<u>-</u>
Total amount of debt applicable to debt limit	<u>33,187,570</u>
Legal Debt Margin	<u>\$ 210,999,667</u>

Limitations on Borrowing

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

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

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

City of Midland, Michigan
Pledged-Revenue Coverage

Water Revenue Bonds

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenues	Debt service			Coverage
				Principal	Interest	Total	
2004	\$ 9,801,295	\$ 6,266,043	\$ 3,535,252	\$ 1,390,000	\$ 428,090	\$ 1,818,090	1.94
2005	10,307,652	7,165,252	3,142,400	1,335,000	328,336	1,663,336	1.89
2006	10,044,232	7,154,593	2,889,639	1,155,000	295,680	1,450,680	1.99
2007	10,479,515	7,786,003	2,693,512	1,155,000	237,930	1,392,930	1.93
2008	10,818,541	7,747,720	3,070,821	1,155,000	180,180	1,335,180	2.30
2009	10,975,338	8,078,020	2,897,318	1,155,000	121,275	1,276,275	2.27
2010	11,216,050	8,017,287	3,198,763	-	-	-	0.00
2011	11,499,995	8,180,881	3,319,114	-	-	-	0.00
2012	11,535,436	9,457,224	2,078,212	-	-	-	0.00
2013	11,723,866	9,915,667	1,808,199	-	-	-	0.00

City of Midland, Michigan

Demographic and Economic Information

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

City of Midland, Michigan
Demographic and Economic Statistics

Fiscal year	Population		Personal Income (in thousands)		Per Capita Personal Income (2)	Median Age (2)	Unemployment rate (4)
2004	42,092	(1)	(3)		\$ 26,818	36.2	4.8
2005	42,175	(1)	(3)		26,818	36.2	4.4
2006	42,175	(1)	(3)		26,818	36.2	4.2
2007	41,551	(1)	(3)		26,818	36.2	4.5
2008	41,054	(1)	(3)		26,818	36.2	5.1
2009	40,917	(1)	(3)		26,818	36.2	8.5
2010	40,807	(1)	25,723	(2)	29,946	36.5	7.5
2011	41,863	(1)	26,776	(2)	30,803	36.8	6.6
2012	41,863	(1)	26,446	(2)	30,574	36.5	5.7
2013	42,020	(1)	27,811	(2)	32,185	37.6	6.1

(1) Estimates provided by City Planning Department

(2) U.S. Bureau of the Census

(3) Information not available

(4) Michigan Department of Labor and Economic Growth

City of Midland, Michigan
Principal Employers

Taxpayer	2013 Employees (2)(3)	Percentage of Total	2004 Employees	Percentage of Total	2004 Rank
1 Dow Chemical Company	5,300	25.64%	(1)	(1)	(1)
2 MidMichigan Medical Center - Midland	2,457	11.89%	(1)	(1)	(1)
3 Dow Corning Corporation	1,400	6.77%	(1)	(1)	(1)
4 Midland Public Schools	1,118	5.41%	(1)	(1)	(1)
5 Chemical Bank & Trust Company	432	2.09%	(1)	(1)	(1)
6 City of Midland	413	2.00%	(1)	(1)	(1)
7 Three Rivers Corporation	345	1.67%	(1)	(1)	(1)
8 Meijer	320	1.55%	(1)	(1)	(1)
9 County of Midland	315	1.52%	(1)	(1)	(1)
10 Quad/Graphics, Midland Division	300	1.45%	(1)	(1)	(1)

(1) Information not available

(2) Source: Midland Tomorrow, 2013

(3) Full-time equivalents

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
City Manager	5	4	4	4	4	4	4	3	4	2
City Clerk (1)	9	4	4	4	4	4	4	4	4	4
City Treasurer	-	6	6	6	6	6	4	4	4	4
Assessing	6	6	5	5	5	5	5	4	4	4
City Attorney	3	3	3	3	3	3	3	3	3	3
Finance	7	7	7	8	8	8	8	8	8	8
Human Resources/Risk Management	5	5	5	5	5	4	4	4	4	4
Purchasing	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police	52	52	51	51	51	51	51	50	50	50
Fire	46	46	46	46	46	46	46	46	46	46
Building inspection	8	7	7	7	7	7	6	6	6	6
Planning	6	6	6	6	6	6	4	4	4	4
Public works:										
Engineering	15	15	15	15	15	15	14	12	12	12
Public Works	45	44	44	44	44	43	39	38	36	35
Parks and recreation	36	33	33	34	34	34	29	25	26	26
Grace A. Dow Library	23	23	23	23	23	21	20	19	19	18
Downtown Development Authority	-	1	1	1	1	1	1	-	-	-
Dial-A-Ride	7	7	7	7	6	6	6	6	5	5
Civic Arena	-	-	-	-	-	-	2	2	2	2
Landfill	8	8	8	8	8	9	9	9	9	9
Senior Housing										
Washington Woods	8	8	8	7	7	7	6	6	6	6
Riverside Place	6	6	6	6	6	6	6	6	6	6
Currie Municipal Golf Course	-	-	-	-	1	3	4	7	7	7
Wastewater	22	22	22	22	22	22	20	20	20	20
Water	36	36	36	36	36	36	35	34	34	33
Midland Community Television	4	4	4	4	3	3	3	3	3	3
Equipment Revolving	15	15	15	15	15	15	15	15	15	15
Municipal Service Center	-	1	1	-	1	1	1	1	1	1
Information Services - Operations	7	7	7	7	6	6	6	6	6	5
Geographic Information Systems	-	-	2	2	2	2	2	1	1	-
Total	380	377	377	377	376	375	358	347	346	339

Source: City of Midland Annual Budget
(1) City Clerk and City Treasurer were combined until 2005

City of Midland, Michigan

Operating Information

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

City of Midland, Michigan
Operating Indicators
Last Ten Fiscal Years

Function/ Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Building permits issued	3,244	3,341	3,127	2,798	3,021	2,601	3,023	3,789	3,594	3,020
Building inspections conducted (1)	4,409	6,314	5,642	6,156	6,226	4,989	7,211	5,959	3,377	3,502
Public safety										
Police										
Physical arrests	1,522	1,477	1,406	1,256	1,274	999	1,069	1,425	1,182	1,018
Traffic violations	7,989	6,598	7,719	6,013	5,856	6,224	4,679	4,009	4,294	4,549
Investigations/complaints	15,049	15,243	15,554	15,749	15,851	14,523	13,883	13,833	13,840	13,683
Fire										
Fire runs	81	96	92	83	104	68	109	82	97	118
Rescue/medical	2,432	2,570	2,683	2,944	3,080	3,080	3,018	2,999	3,018	3,127
Hazardous	397	315	577	406	347	389	322	458	339	317
All other calls	820	870	930	930	963	977	1,002	1,165	1,299	1,359
Public works										
Street maintenance (millions of dollars)	\$ 1.79	\$ 1.85	\$ 2.13	\$ 2.23	\$ 2.50	\$ 2.54	\$ 1.73	\$ 1.93	\$ 1.56	\$ 1.65
Sidewalk maintenance (thousands of dollars)	\$ 346.82	\$ 346.34	\$ 362.82	\$ 372.61	\$ 436.98	\$ 405.91	\$ 364.99	\$ 218.50	\$ 121.47	\$ 117.48
Refuse collected (compacted cubic yards)	62,190	62,994	64,316	58,840	54,331	54,956	52,364	49,482	46,343	42,420
Brush and heavy item (cubic yards)	67,975	57,605	70,946	66,766	64,229	61,456	51,306	52,073	54,039	43,591
Fall leaf collection (cubic yards)	63,496	70,160	67,872	60,224	63,744	66,096	71,880	61,684	70,464	67,824
Parks and recreation										
Softball teams supported	333	334	334	327	311	282	263	260	236	201
Picnic reservations (sheltered and open area)	997	700	758	622	488	595	603	621	626	543
Library										
Volumes in collection	269,182	275,089	282,281	280,100	275,085	271,152	262,065	257,203	256,631	253,104
Circulation (books borrowed)	825,496	822,203	796,540	810,133	833,798	856,376	860,380	846,487	814,529	789,851
Airport (take-offs and landings)	13,415	14,699	10,847	9,245	9,161	9,336	9,083	9,424	9,578	8,061
Landfill										
Vehicle traffic	36,499	35,730	35,907	41,192	35,393	33,839	31,235	31,947	28,817	28,201
Tons per day	513	466	467	635	506	628	483	699	556	615
Senior housing apartment complexes										
Washington Woods										
Occupancy	100%	100%	99%	100%	99%	99.5%	99.0%	96.0%	94.0%	98.0%
Percent turnover	22%	17%	23%	24%	19%	15%	15%	24%	29%	28%
Average age of residents	83	85	85	83	83	80	83	81	80	80
Riverside Place										
Occupancy	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Percent turnover	24%	23%	25%	32%	35%	23%	21%	25%	24%	26%
Average age of residents	85	86	85	86	86	86	87	87	87	86

City of Midland, Michigan
Operating Indicators
Last Ten Fiscal Years

Function/ Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public transportation (passengers served)	144,992	154,553	161,497	153,670	155,216	147,093	129,491	126,846	129,674	113,893
Sewer										
Average daily sewage treatment (MGD)	7.44	6.46	7.22	8.05	6.96	8.40	6.58	7.23	6.14	7.41
Annual sewage treatment (MG)	2,715.60	2,375.90	2,635.30	2,937.85	2,541.55	3,066.66	2,393.76	2,640.53	2,419.16	2,703.48
Water										
Finished water pumped (MG)										
Domestic	3,358.12	3,503.34	3,501.33	3,520.67	3,591.76	3,381.69	3,375.07	3,445.52	3,479.23	3,348.42
Industrial	4,569.25	4,566.05	4,320.86	4,175.89	4,117.73	3,584.78	3,561.20	3,695.13	4,172.44	3,790.94
Total	7,927.37	8,069.39	7,822.19	7,696.56	7,709.49	6,966.47	6,936.27	7,140.65	7,651.67	7,139.36

NA - Information not available

MG - Million gallons

MGD - Million gallons/day

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

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

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

Function/ Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	14	15	13	13	14	15
Detective vehicles	4	4	4	4	4	4	4	4	4	4
SWAT van	1	1	1	1	1	1	1	1	1	1
Administrative and warrant officer vehicle	4	4	4	4	3	3	4	2	3	3
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire response vehicles	6	6	6	6	6	6	6	6	6	6
Emergency response vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
Major streets (miles)	78	78	78	78	78	77	77	82	82	82
Local streets (miles)	152	152	154	154	155	156	156	151	151	152
State highways (miles)	16	16	16	16	16	16	16	16	16	16
Sidewalks (miles)	347	351	352	353	353	354	355	355	356	357
Traffic signals (city owned)	72	72	73	72	72	72	72	74	74	76
Refuse collection trucks	13	13	13	13	13	13	13	13	15	14
Parks and recreation										
Acreage	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Regional park and recreation areas	6	8	8	8	8	8	8	8	8	8
Community parks	8	7	7	7	7	7	7	7	7	7
Block and district parks	61	55	55	55	55	55	55	55	55	55
Golf courses										
9-hole municipal par-3	1	1	1	1	1	1	1	1	1	1
18-hole municipal	2	2	2	2	2	2	2	2	2	2
Golf course clubhouse	2	2	2	2	2	2	2	2	2	2
Ice arena (b)	1	1	1	1	1	1	1	1	1	1
Swimming pool	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Spray ground facilities	1	2	2	2	2	2	2	2	2	2
Library branches	1	1	1	1	1	1	1	1	1	1
Airport										
Runways	2	2	2	2	2	2	2	2	2	2
Terminal building (c)	1	1	1	1	1	1	1	1	1	1
City-owned hangars (leased)	14	14	14	14	14	14	14	14	14	14

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

Function/ Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public transportation-Dial-A-Ride busses	14	14	14	15	14	14	14	14	14	14
Landfill										
Current airspace (compacted cubic yards) (d)(g)(h)	1,496,495	1,158,830	1,126,046	905,764	2,556,451	2,304,084	2,347,971	2,205,036	2,041,275	1,859,132
Total future airspace (compacted cubic yards) (e)	9,262,950	8,925,285	8,965,124	8,740,847	6,889,689	6,889,689	6,889,689	6,889,689	6,889,689	6,889,689
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)	194	195	195	196	196	196	197	197	197	197
Storm sewers (miles)	168	170	171	172	173	174	174	174	174	175
Treatment capacity (million gallons/day)	18	18	18	18	18	18	18	18	18	18
Water (f)										
Water mains (miles)	306	306	308	330	333	359	360	384	385	398
Fire hydrants	2,558	2,701	2,758	2,928	2,979	3,193	3,205	3,240	3,254	3,273
Storage capacity (million gallons)	14.41	14.41	14.41	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Treatment plant capacity (million gallons/day)										
Potable water	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8
Industrial grade water	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Total	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

NA - Information not available

(a) In FY01/02 an additional 9-holes were added to the 27-hole course to create two 18-hole courses.

(b) A new 3-sheet arena on Fast Ice Drive opened in September 2005 replacing the old 2-sheet arena on East Collins.

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

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

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

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

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

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

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

1. 2010 had an actual survey completed, while 2009 was a calculated estimate.

2. A minor modification to Cell 16 design increased the available airspace by 56,947 compacted cubic yards.

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