Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017

City of Midland, Michigan

Comprehensive Annual Financial Report

June 30, 2017

YEO & YEO
CPAs & BUSINESS CONSULTANTS

Prepared by the Finance Department

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December 15, 2017

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, 2017 is hereby submitted. As required by City Charter and state laws, the basic financial statements as identified in the table of contents were audited by Yeo & Yeo, Certified Public Accountants. Their unmodified opinion is located at the front of the financial section of this report. An unmodified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly presented in all material respects.

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

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

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

PROFILE OF THE CITY

The City of Midland was incorporated in 1887 and is located near the center of the eastern portion of Michigan's Lower Peninsula, approximately 120 miles northwest of Detroit. It encompasses approximately 36 square miles of land area and is home to a population of 42,096.

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

Midland's economy is not without challenges. It faces many of the same issues as other communities, such as big-box store tax appeals, and a mall/retail district looking for solutions to foot traffic that was lost to on-line shopping. But for now, Midland's core economic engine is stable. The Dow Chemical Company (Dow) recently completed a merger with Dupont, with the combined company to be soon split into three separate companies. Midland will retain a significant portion of the post-split businesses. Having said that, there will be some job and investment loss, and quite possibly a time lag before any significant new investment is announced. However, Dow still considers Midland its home and continues to investment into its local operations and the community, including the recent grand opening of its new corporate headquarters housed on its campus within the City.

Housing values, which reached an all-time low in 2010 have continued to grow since then, albeit at a very slow pace, and have surpassed the 2009 peak. Commercial values will increase by 1.4% in 2017-18 and have increased six years in a row. New construction is visible throughout the City's business districts.

Industrial investment has lagged, partly due to the plans of Dow to purchase Dow Corning and merge with Dupont. In addition, the phase-in of the change in Michigan law that exempts eligible manufacturing personal property from property taxes has removed over $300 million in taxable value from the City's tax roll.

The City recently approved a request from Dow to vacate a portion of Saginaw Road. Nearly all of the properties on both sides of Saginaw Road are owned by Dow and they plan to turn the entire area into an industrial park. This will help encourage future investment.

Downtown Midland's Main Street is getting a complete makeover including a new street, sidewalk, streetscape, lighting, and other amenities to encourage gathering, and make Main Street a preferred venue for hosting events. This project was funded mostly by the philanthropic community and will be complete in the spring of 2018.

The City's unemployment rate at year-end was 3.3%, compared to the state unemployment rate of 4%, and the national unemployment rate of 4.5%.

LONG-TERM FINANCIAL PLANNING

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

The City complies with Public Act 20 and Public Act 367 of the State of Michigan in its cash management activities. After several years of slow growth, investment earnings on cash and cash equivalents have finally reached 1%, but are still basically a non-issue when it comes to funding service delivery. Minimal substantive change will be anticipated.

Through long-term financial and resource planning, the City continues to look for creative and more affordable ways of service delivery to help minimize millage rate increases. Since 2008 the City has eliminated 46 full-time positions, mostly through attrition and without reducing uniformed public safety positions. Also, employee groups have participated in cost reductions through pay freezes and benefit reductions, including defined benefit pension reductions, in order to try to make the cost of providing services more affordable. The opportunity to further reduce staff-size is minimal absent any substantive reduction or change to service delivery. Accordingly, during the summer of 2018 the City will implement a community engagement process to re-establish community expectations for service delivery and millage tolerability. Based upon the results of this process, the City will revise its long range expectations and budgetary priorities.

The City has updated its long-range capital plan which will help serve as a planning tool for the City's infrastructure.

The City has maintained its credit ratings of AA with Standard and Poor's, and Aa2 with Moody's, and has increased the General Fund fund balance goal to $5.6 million. Future increases in the fund balance goal are anticipated and will be part of the annual budget process.

BUDGET CONTROLS

The annual budget serves as the foundation for the City's financial planning and control. By the second Monday of April of each year, the City Manager presents a proposed budget to the City Council for review. The Council holds public hearings and the final budget is adopted no later than the fourth Monday in May. The Council approves appropriations on the functional basis, which is the legal level of control. Department heads may transfer funds within their function at their discretion up to $6,000 before requiring City Manager approval. The City Manager can approve all budget transfers except those between different functions, and any transfer from a reserve for contingency account in excess of $25,000, which require City Council approval.

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

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

CERTIFICATE OF ACHIEVEMENT

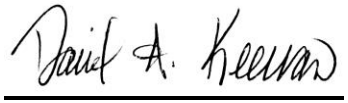
For the 28th consecutive year, the Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its June 30, 2016 comprehensive annual financial report. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized comprehensive annual financial report, which satisfies both Generally Accepted Accounting Principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



David A. Keenan
Interim City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Midland

Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Midland, Michigan
Organization Chart

City of Midland, Michigan
List of Principal Officials
June 30, 2017

City Council

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

Administrative Staff

City Manager	Vacant
Interim City Manager	David A. Keenan
Assistant City Manager for Development Services	C. Bradley Kaye
City Attorney	James O. Branson, III
Director of Human Resources and Labor Relations	Carol A. Stone
City Assessor	Reid A. Duford
City Clerk / Director of Community Affairs	Selina M. Tisdale
City Controller	Deeann L. Bragg Smerdon
City Engineer	Brian P. McManus
City Treasurer	Dana C. Strayer
Chief Building & Electrical Inspector	John E. Wegner
Fire Chief	Chris A. Coughlin
Information Services Manager	Tadd H. Underhill
Library Director	Melissa J. Barnard
Police Chief	Clifford A. Block
Public Services Director	Karen A. Murphy
Utilities Director	Joseph J. Sova

YEO & YEO
CPAs & BUSINESS CONSULTANTS
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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, 2017, 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, 2017 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

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

Other Supplementary Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of City of Midland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Midland, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Midland, Michigan's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

December 15, 2017
Saginaw, Michigan

As management of the City of Midland (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction and additional information that we have furnished on our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $225.8 million (*net position*).

- The City's total revenues of $95.9 million were in excess of total expenses of $78.9 million resulting in an increase of net position of $17 million.

- The City's governmental activities incurred expenses of $52.6 million. These expenses, plus $1.7 in transfers to business-type activities were covered by program revenues of $27.1 million, and general revenues (*i.e., property taxes and state shared revenue*) of $40 million resulting in an increase in net position of $12.8 million.

- Governmental activities revenue increased by $1.1 million. While capital grants decreased by $2.3 million, the additional personal property tax reimbursement for exempted property more than offset the property tax revenue reduction to generate the overall increase when compared to prior year.

- Governmental activities expenses decreased by $2.5 million largely due to a reduction in net pension expense driven by investment returns that exceed the assumed rate of return, and additional employer contributions.

- The City's business-type activities incurred $26.3 million in expense. These expenses were paid by program revenues, primarily in the form of user charges, of $28.2 million, transfers in from governmental activities of $1.7 million, and general revenues of $646 thousand. This resulted in an increase in net position of $4.2 million. The increase is primarily due to water and sewer rate increases implemented at July 1, 2016, unanticipated tipping fees at the landfill, and a reduction in the net pension expense. Seven of the nine business-type funds increased their net position during the year.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $38 million, $7.5 million more than the close of the prior fiscal year. The increase is primarily due to the additional personal property tax reimbursement discussed previously.

- Unassigned fund balance of $5.6 million is available for spending at the City's discretion. This is approximately 13.8% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City of Midland has three types of funds:

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

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

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

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

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

- Enterprise funds and business-type activities are the same, but the fund statements provide more detail and additional information. Examples include the Water Fund and Wastewater Fund.

- Internal service funds are used to report activities for services provided to other City departments. Examples include the Equipment Revolving Fund and the Information Services Fund.

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

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

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, net position was $225.8 million, at the close of the fiscal year.

The following table shows the comparison of assets, deferred outflows, liabilities, deferred inflows, and net position (in millions of dollars) in a condensed format as of June 30, 2017 to the prior year.

City of Midland Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current	$ 56.4	$ 43.9	$ 34.3	$ 34.5	$ 90.7	$ 78.4
Noncurrent						
Restricted and other	0.8	0.8	17.6	17.0	18.4	17.8
Capital, net	110.0	107.6	119.4	117.5	229.4	225.1
Total assets	167.2	152.3	171.3	169.0	338.5	321.3
Deferred Outflows	9.3	15.9	2.4	4.5	11.7	20.4
Liabilities						
Current	3.8	3.2	1.9	2.1	5.7	5.3
Noncurrent	84.4	89.2	34.3	37.9	118.7	127.1
Total liabilities	88.2	92.4	36.2	40.0	124.4	132.4
Deferred Inflows	-	0.3	-	0.2	-	0.5
Net Position						
Net investment in capital assets	105.4	102.8	110.3	107.0	215.7	209.8
Restricted	24.0	16.7	1.0	2.3	25.0	19.0
Unrestricted (deficit)	(41.1)	(44.0)	26.2	24.0	(14.9)	(20.0)
Total net position	$ 88.3	$ 75.5	$ 137.5	$ 133.3	$ 225.8	$ 208.8

A substantial portion of the City's net position, $215.7 million, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, $25 million represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted $14.9 million deficit balance was $20

million last year, primarily due to the recognition of future pension obligations.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$ 3.3	$ 3.4	$ 27.7	$ 26.9	$ 31.0	$ 30.3
Operating grants and contributions	15.7	7.9	-	-	15.7	7.9
Capital grants and contributions	8.1	10.4	0.5	5.7	8.6	16.1
General revenues:						
Property taxes	35.6	39.6	-	-	35.6	39.6
Intergovernmental	3.6	3.4	-	-	3.6	3.4
Other revenue	0.8	1.3	0.6	0.9	1.4	2.2
Total revenue	67.1	66.0	28.8	33.5	95.9	99.5
Program Expenses						
General government	4.7	5.3	-	-	4.7	5.3
Public safety	19.2	19.2	-	-	19.2	19.2
Public works	10.2	10.8	-	-	10.2	10.8
Sanitation	3.6	3.3	-	-	3.6	3.3
Community development	0.7	1.2	-	-	0.7	1.2
Parks and recreation	6.1	6.6	-	-	6.1	6.6
Library / community television	5.0	5.2	-	-	5.0	5.2
Airport	0.3	0.4	-	-	0.3	0.4
Transportation	2.2	2.1	-	-	2.2	2.1
Other	0.6	1.0	-	-	0.6	1.0
Water	-	-	9.9	10.4	9.9	10.4
Wastewater	-	-	6.2	6.3	6.2	6.3
Landfill	-	-	3.5	4.0	3.5	4.0
Civic Arena	-	-	1.3	1.4	1.3	1.4
Senior housing	-	-	4.0	4.6	4.0	4.6
Golf course	-	-	1.2	1.2	1.2	1.2
Parking system	-	-	0.2	0.2	0.2	0.2
Total expenses	52.6	55.1	26.3	28.1	78.9	83.2
Change in net position before transfers	14.5	10.9	2.5	5.4	17.0	16.3
Transfers	(1.7)	(1.9)	1.7	1.9	-	-
Change in net position	12.8	9.0	4.2	7.3	17.0	16.3
Net position - beginning	75.5	66.5	133.3	126.0	208.8	192.5
Net position - ending	$ 88.3	$ 75.5	$ 137.5	$ 133.3	$ 225.8	$ 208.8

The City's net position increased by $17 million during the current fiscal year.

Total governmental revenue is reported at $67.1 million, an increase of $1.1 million from the prior year. Capital grants decreased by $2.3 million related to specific project in process at the time. Property tax revenue decreased by $4 million reflective of law change to eliminate personal property tax on eligible manufacturing assets. However, the reimbursement from the State for the lost tax revenue associated with the eliminated personal property was $8 million, more than offsetting the revenue reductions.

Total governmental expense is reported at $52.6 million, a decrease of $2.5 million from the prior year. The decrease is due largely to a reduction in net pension expense driven by investment returns that exceed the assumed rate of return, and additional employer contributions.

Business-type revenue decreased $4.7 million from the prior year. In the prior year the City received over $4 million in contributions to one of the senior housing facilities to fund a renovation and asbestos remediation project.

Business-type expenses decreased by $1.8 million from last year, mainly due reporting less net pension expense for reasons previously discussed.

The City of Midland's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $38 million, an increase of $7.5 million in comparison with the prior year. Of this amount, $5.6 million, (or 14.7%) constitute unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes, 4) committed for particular purposes, or 5) assigned for particular purposes.

The General Fund is the chief operating fund of the City. At the end of the current year the unassigned fund balance of the General Fund, $5.6 million, very similar to the prior year balance. However, the total General Fund fund balance increased by $3.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures. Unassigned fund balance represents 13.8% of total general fund expenditures, while total fund balance represents 40% of the same amount.

General Fund revenue was $44.5 million for the current year, an increase of $3.7 million as compared to the prior year. The primary reason for this increase is the additional personal property tax reimbursement as discussed previously.

General Fund expenditures were $40.9 when including outgoing transfers, a decrease of $300 thousand (or 7/10ths of 1 %) when compared to the prior year.

The Major Street Fund ending fund balance increased by $3.5 million, which is about $5.5 million better than budgeted. The City received significant contributions from the community to renovate Main Street, an $8 million project. However, the majority of the construction did not occur until after fiscal year-end.

The unrestricted net position of the Water Fund was $13.9 million at year-end, reflecting an increase of $372 thousand over the prior year. The Wastewater's unrestricted net position remains in a deficit of $558 thousand, still recovering from the implementation of GASB 68. The Fund's deficit balance last year was $1.4 million, reflecting an $888 thousand improvement for the current year. Both funds experienced favorable net pension expense totals as compared to last year. Further both water and sewer rates were increased for the 2016-17 to increase user fees.

General Fund Budgetary Highlights

The General Fund adopted budget included using $3.6 million of available fund balance over the City Council's target balance of $5.5 million to prevent reductions in service delivery or an increase to the millage rate. Council amended the General Fund budget in May of 2017 to reflect a planned increase of $130 thousand.

At year-end, actual revenue was about $391 thousand short of budget; however, actual expenditures was $3.9 million less than budget. Capital outlay accounts for $2.4 million of the expenditure savings; however, much of that balance will be encumbered into 2017-18. The remaining $1.5 million in expenditure savings, or about 3.7% of actual is mostly budgetary savings realized during the year.

NOTES TO THE FINANCIAL STATEMENTS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2017, the City of Midland had $229.4 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 $225.1 million. Additional information about the City's capital assets is presented in Note 1 and Note 7 of the Notes to Financial Statements.

At June 30, 2017, the City of Midland's total bonded indebtedness was $22.6 million, all backed by the full faith and credit of the government. Additional information about the City's indebtedness is presented in Note 1 and Note 11 of the Notes to Financial Statements.

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

CURRENT ECONOMIC EVENTS

The following factors were considered with preparing the City's budget for the 2017-18 fiscal year.

- The millage rate may increase up to .5 mill, if needed to avoid reducing any service delivery. The actual total millage increase was .14 mills; the first millage increase since 2013-14.

- $750 thousand of the 2016-17 additional personal property tax reimbursement proceeds will be used to balance the budget, with the remaining amount earmarked future year's budget stabilization efforts. Additional reimbursement should not be assumed for the 2017-18 fiscal year.

- Other available General Fund fund balance shall not be reduced below $5.6 million as of June 30, 2018.

- Taxable value for the City's residential and commercial properties will increase by .75% and 1.4%, respectively. Industrial taxable value will decrease by 7.4% due to the phasing in of the elimination of personal property tax on eligible manufacturing property.

- All required debt obligations, including 100% of the annual required contributions for each of the City's three defined benefit plans will be included in the budget.

- Labor costs will be budgeted in accordance with the number of authorized positions and the collectively bargained labor and benefit rates. Full employment will be assumed.

- Capital expenditures will be budgeted in accordance with the engineering priorities plan, the City's capital and master plans, departmental 5-year plans.

- A conservative approach will continue to be employed. This is especially prudent in light of the business combinations occurring involving two of the City's largest taxpayers, Dow Corning and the Dow Chemical Company.

- Two-years of projections for the fiscal years 2018-19 and 2019-20 will be included in the budget.

REQUESTS FOR INFORMATION

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

City of Midland, Michigan
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 50,659,547	$ 20,880,574	$ 71,540,121
Investments	-	490,054	490,054
Receivables			
Taxes	6,620	-	6,620
Trust deeds	1,128,332	-	1,128,332
Customers	274,028	3,214,048	3,488,076
Special assessments	373,173	16,104	389,277
Accounts and contracts	1,659,592	46,786	1,706,378
Accrued interest	56,032	23,275	79,307
Contributions	4,815,000	1,000,000	5,815,000
Due from other units of government	2,465,340	-	2,465,340
Internal balances	(7,792,366)	7,792,366	-
Inventories	796,057	745,212	1,541,269
Prepaid items	1,945,884	33,235	1,979,119
Restricted assets			
Cash and cash equivalents	-	3,601,948	3,601,948
Assets held for resale	225,000	-	225,000
Investment in joint venture	584,199	14,046,039	14,630,238
Capital assets not being depreciated	13,834,179	7,981,013	21,815,192
Capital assets, net of accumulated depreciation	96,141,981	111,430,781	207,572,762
Total assets	167,172,598	171,301,435	338,474,033
Deferred outflows of resources			
Deferred amount on debt refunding	540,669	250,319	790,988
Deferred amount relating to net pension liability - MERS	4,930,194	2,129,342	7,059,536
Deferred amount relating to net pension liability - police and fire	3,884,005	-	3,884,005
Total deferred outflows of resources	9,354,868	2,379,661	11,734,529
Total assets and deferred outflows of resources	176,527,466	173,681,096	350,208,562

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	$ 2,274,920	$ 1,430,788	$ 3,705,708
Accrued and other liabilities	395,222	33,441	428,663
Due to other units of government	1,935	-	1,935
Guarantee and other deposits	82,135	304,565	386,700
Unearned revenue	1,035,334	110,438	1,145,772
Accrued interest	28,125	17,797	45,922
Noncurrent liabilities			
Debt due within one year	3,750,653	1,938,212	5,688,865
Debt due in more than one year	13,142,963	12,295,321	25,438,284
Net pension liability - MERS	44,072,751	20,051,723	64,124,474
Net pension liability - police and fire	23,443,455	-	23,443,455
Total liabilities	88,227,493	36,182,285	124,409,778
Net position			
Net investment in capital assets	105,476,160	110,277,347	215,753,507
Restricted (expendable) for			
Fire station and equipment upgrades	315,000	-	315,000
Major street	14,761,449	-	14,761,449
Local street	4,612,097	-	4,612,097
Smart Zone	193,425	-	193,425
Center city authority	50,869	-	50,869
Downtown development authority	350,162	-	350,162
Community development block grant	1,172,376	-	1,172,376
Midland housing	381,314	-	381,314
Special activities	62,186	-	62,186
Debt service	41,814	-	41,814
Cemetery permanent fund			
Expendable	6,037	-	6,037
Nonexpendable	2,015,369	-	2,015,369
Washington Woods project	-	1,000,000	1,000,000
Unrestricted (deficit)	(41,138,285)	26,221,464	(14,916,821)
Total net position	$ 88,299,973	$ 137,498,811	$ 225,798,784

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities							
General government	$ 4,673,742	$ -	$ 7,994,451	$ -	$ 3,320,709	$ -	$ 3,320,709
Public safety	19,216,981	78,332	352,434	395,245	(18,390,970)	-	(18,390,970)
Public works	10,248,793	1,102,087	4,660,565	7,527,740	3,041,599	-	3,041,599
Sanitation	3,559,725	41,009	-	-	(3,518,716)	-	(3,518,716)
Community and economic development	721,798	18,772	409,593	-	(293,433)	-	(293,433)
Parks and recreation	6,070,849	455,477	68,704	105,000	(5,441,668)	-	(5,441,668)
Library and community television	4,981,722	1,289,034	828,009	-	(2,864,679)	-	(2,864,679)
Airport	338,803	197,618	-	26,432	(114,753)	-	(114,753)
Transportation	2,194,919	120,657	1,428,258	-	(646,004)	-	(646,004)
Property tax appeals	344,557	-	-	-	(344,557)	-	(344,557)
Interest and fiscal charges on long-term debt	287,828	-	-	86,419	(201,409)	-	(201,409)
Total governmental activities	52,639,717	3,302,986	15,742,014	8,140,836	(25,453,881)	-	(25,453,881)
Business-type activities							
Water	9,880,433	11,432,777	-	326,000	-	1,878,344	1,878,344
Wastewater	6,245,105	6,457,922	-	18,000	-	230,817	230,817
Sanitary Landfill	3,626,935	4,245,500	-	-	-	618,565	618,565
Civic Arena	1,256,925	1,082,087	-	-	-	(174,838)	(174,838)
Senior Housing	4,029,335	3,550,085	-	29,874	-	(449,376)	(449,376)
Currie Municipal Golf Course	1,211,015	852,544	-	52,000	-	(306,471)	(306,471)
Parking	193,764	109,532	-	-	-	(84,232)	(84,232)
Total business-type activities	26,443,512	27,730,447	-	425,874	-	1,712,809	1,712,809
Total primary government	$ 79,083,229	$ 31,033,433	$ 15,742,014	$ 8,566,710	(25,453,881)	1,712,809	(23,741,072)
General revenues							
Property taxes, levied for general purposes					25,817,975	-	25,817,975
Property taxes, levied for library					2,130,937	-	2,130,937
Property taxes, levied for Downtown Development Authority					582,569	-	582,569
Property taxes, levied for debt service					543,270	-	543,270
Property taxes, levied for pension savings					2,249,309	-	2,249,309
Other tax related revenue - county road millage					4,311,906	-	4,311,906
State shared revenue, unrestricted					3,579,913	-	3,579,913
Unrestricted investment earnings					146,017	188,124	334,141
Gain on sale of capital assets					-	23,750	23,750
Miscellaneous					673,962	558,073	1,232,035
Transfers					(1,698,538)	1,698,538	-
Total general revenues and transfers					38,337,320	2,468,485	40,805,805
Change in net position					12,883,439	4,181,294	17,064,733
Net position - beginning of year					75,416,534	133,317,517	208,734,051
Net position - end of year					$ 88,299,973	$ 137,498,811	$ 225,798,784

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 16,638,340	$ 10,518,549	$ 10,454,746	$ 37,611,635
Receivables - net of allowances				
Taxes	6,477	-	143	6,620
Trust deeds	26,396	-	1,101,936	1,128,332
Customers	-	-	4,646	4,646
Accounts and contracts	325,099	7,348	721,330	1,053,777
Accrued interest	23,409	10,385	11,092	44,886
Contributions	315,000	4,500,000	-	4,815,000
Due from other units of government	1,176,906	730,395	558,039	2,465,340
Due from other funds	-	-	86,054	86,054
Inventories	33,810	-	-	33,810
Prepaid items	9,719	-	3,592	13,311
Assets held for resale	-	225,000	-	225,000
Total assets	$ 18,555,156	$ 15,991,677	$ 12,941,578	$ 47,488,411
Liabilities				
Accounts payable	$ 361,275	$ 995,850	$ 830,297	$ 2,187,422
Due to other funds	-	-	86,054	86,054
Due to other units of government	1,935	-	-	1,935
Deposits	45,272	-	33,863	79,135
Unearned revenue	947,862	-	51,526	999,388
Total liabilities	1,356,344	995,850	1,001,740	3,353,934
Deferred inflows of resources				
Grants and contributions	315,000	3,900,000	22,304	4,237,304
Customers	-	-	164,073	164,073
Trust deeds	-	-	1,101,936	1,101,936
State shared revenue	615,880	-	-	615,880
Other	1,716	-	-	1,716
Total deferred inflows of resources	932,596	3,900,000	1,288,313	6,120,909
Total liabilities and deferred inflows of resources	2,288,940	4,895,850	2,290,053	9,474,843

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances				
Non-spendable				
Inventories	$ 33,810	$ -	$ -	$ 33,810
Prepaid items	9,719	-	3,592	13,311
Trust deeds	26,396	-	-	26,396
Restricted for				
Major street	-	9,840,715	-	9,840,715
Local street	-	-	4,822,416	4,822,416
Smart Zone	-	-	110,425	110,425
City center authority	-	-	50,869	50,869
Grace A. Dow Memorial Library	-	-	374,706	374,706
Downtown development authority	-	-	294,257	294,257
Community development block grant	-	-	76,054	76,054
Dial-A-Ride	-	-	42,535	42,535
Midland Housing	-	-	204,849	204,849
Special activities	-	-	62,186	62,186
Debt service	-	-	69,496	69,496
Cemetery operations	-	-	2,021,406	2,021,406
Committed				
Contingencies	1,500,000	-	-	1,500,000
Future year expenditures	3,697,598	1,255,112	311,259	5,263,969
Budget stabilization	3,383,856	-	-	3,383,856
Assigned	1,975,527	-	2,207,475	4,183,002
Unassigned	5,639,310	-	-	5,639,310
Total fund balances	16,266,216	11,095,827	10,651,525	38,013,568
Total liabilities, deferred inflows of resources and fund balances	$ 18,555,156	$ 15,991,677	$ 12,941,578	$ 47,488,411

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities
June 30, 2017

Total fund balances for governmental funds	$	38,013,568
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.		80,432,940
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.		13,779,179
Investment in joint ventures are not financial resources and therefore are not reported in the governmental funds.		584,199
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.		6,120,909
Certain liabilities are not due and payable in the current period and are not reported in the funds.		
Accrued interest		(27,682)
Deferred outflows of resources.		
Deferred outflows of resources resulting from debt refunding		540,669
Deferred outflow of resources resulting from net pension liability - MERS		4,358,874
Deferred outflow of resources resulting from net pension liability - police and fire		3,884,005
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Net pension liability - MERS		(38,692,708)
Net pension liability - police and fire		(23,443,455)
Bonds payable		(8,850,000)
Compensated absences		(3,275,833)
Internal service funds are included as part of governmental activities.		14,875,308
Net position of governmental activities	$	88,299,973

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 28,067,284	$ 4,311,906	$ 3,256,776	$ 35,635,966
Licenses and permits	544,328	97,098	119,156	760,582
Federal grants	-	-	812,980	812,980
State revenue sharing	3,552,392	-	336,368	3,888,760
Other state grants	8,032,211	3,684,842	1,886,082	13,603,135
Local contributions	434,598	3,120,000	645,757	4,200,355
Charges for services	2,379,764	128,582	1,409,691	3,918,037
Use and admission charges	340,977	-	-	340,977
Interest income	88,062	24,157	33,798	146,017
Rental income	80,178	-	-	80,178
Other revenue	980,867	19,357	59,328	1,059,552
Total revenues	44,500,661	11,385,942	8,559,936	64,446,539
Expenditures				
Current				
General government	6,571,540	-	5,001	6,576,541
Public safety	17,167,728	-	8,548	17,176,276
Public works	1,886,803	1,605,351	2,060,803	5,552,957
Sanitation	3,538,019	-	-	3,538,019
Community and economic development	-	-	714,613	714,613
Parks and recreation	5,669,618	-	-	5,669,618
Library and community television	-	-	4,497,794	4,497,794
Airport	272,336	-	-	272,336
Transportation	-	-	1,990,729	1,990,729
Property tax appeals	344,557	-	-	344,557
Capital outlay	516,182	4,107,718	2,700,169	7,324,069
Debt service				
Principal retirement	-	-	1,365,000	1,365,000
Interest and fiscal charges	-	-	200,244	200,244
Total expenditures	35,966,783	5,713,069	13,542,901	55,222,753
Excess (deficiency) of revenues over (under) expenditures	8,533,878	5,672,873	(4,982,965)	9,223,786

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Major Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Proceeds from sale of capital assets	$ 9,632	$ -	$ 14,444	$ 24,076
Transfers in	30,702	917,737	7,061,281	8,009,720
Transfers out	(4,910,135)	(3,043,789)	(1,837,280)	(9,791,204)
Total other financing sources (uses)	(4,869,801)	(2,126,052)	5,238,445	(1,757,408)
Net change in fund balance	3,664,077	3,546,821	255,480	7,466,378
Fund balance - beginning of year	12,602,139	7,549,006	10,396,045	30,547,190
Fund balance - end of year	$ 16,266,216	$ 11,095,827	$ 10,651,525	$ 38,013,568

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	$	7,466,378
Total change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(5,502,778)
Capital outlay		6,940,070
Donations of capital assets		760,730
Loss on disposal of capital assets		(35,187)
Investment in joint ventures are not financial resources and therefore are not shown in the fund-based statements		(7,601)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
State shared revenue		27,521
Customers		(52,572)
Grants		4,237,304
Trust deeds		(78)
Other		1,716
Expenses are recorded when incurred in the statement of activities.		
Accrued interest		2,527
Compensated absences		158,492
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.		
Net change in net pension liability - MERS		2,571,865
Net change in net pension liability - police and fire		377,177
Net change in the deferred inflow of resources related to the net pension liability - MERS		300,161
Net change in the deferred outflows of resources related to the net pension liability - MERS		(3,789,588)
Net change in the deferred outflows of resources related to the net pension liability - police and fire		(2,219,749)
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		1,365,000
Amortization of premiums, discounts and similar items		(90,111)
Internal service funds are also included as governmental activities		372,162
Change in net position of governmental activities	$	12,883,439

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2017

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets							
Current assets							
Cash and cash equivalents	$ 7,015,499	$ 1,798,730	$ 8,452,792	$ 805,303	$ 2,808,250	$ 20,880,574	$ 13,047,912
Investments	-	-	-	-	490,054	490,054	-
Receivables - net of allowances							
Customers	1,752,367	1,064,256	350,157	25,261	22,007	3,214,048	269,382
Special assessments, current	10,214	5,890	-	-	-	16,104	90,388
Accounts and contracts	6,720	12,508	6,681	-	20,877	46,786	605,815
Accrued interest	7,386	3,321	8,450	850	3,268	23,275	11,146
Contributions	-	-	-	-	1,000,000	1,000,000	-
Due from other funds	-	-	21,365	-	-	21,365	-
Inventories	664,816	-	-	40,775	39,621	745,212	762,247
Prepaid items	-	-	-	-	33,235	33,235	1,932,573
Restricted assets							
Cash and cash equivalents	-	1,287,798	-	-	-	1,287,798	-
Total current assets	9,457,002	4,172,503	8,839,445	872,189	4,417,312	27,758,451	16,719,463
Noncurrent assets							
Restricted assets							
Cash and cash equivalents	93,890	-	2,220,260	-	-	2,314,150	-
Special assessments receivable	-	-	-	-	-	-	282,785
Advances to other funds	-	-	287,660	-	-	287,660	-
Capital assets not being depreciated	2,123,466	999,649	1,283,429	-	3,574,469	7,981,013	55,000
Capital assets, net of accumulated depreciation	39,043,413	40,908,246	9,130,273	6,740,297	15,608,552	111,430,781	15,709,041
Investment in joint venture	14,046,039	-	-	-	-	14,046,039	-
Total noncurrent assets	55,306,808	41,907,895	12,921,622	6,740,297	19,183,021	136,059,643	16,046,826
Total assets	64,763,810	46,080,398	21,761,067	7,612,486	23,600,333	163,818,094	32,766,289
Deferred outflows of resources							
Deferred amount of debt refunding	-	-	-	250,319	-	250,319	-
Deferred amount relating to net pension liability - MERS	990,107	522,972	326,177	56,519	233,567	2,129,342	571,320
Total deferred outflows of resources	990,107	522,972	326,177	306,838	233,567	2,379,661	571,320
Total assets and deferred outflows of resources	65,753,917	46,603,370	22,087,244	7,919,324	23,833,900	166,197,755	33,337,609

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Net Position
June 30, 2017

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities							
Current liabilities							
Accounts payable	$ 877,013	$ 71,343	$ 97,846	$ 23,216	$ 361,370	$ 1,430,788	$ 87,498
Accrued and other liabilities	-	-	-	18,028	15,413	33,441	-
Due to other funds	-	-	-	-	-	-	21,365
Deposits	33,473	57,066	-	1,106	119,030	210,675	3,000
Unearned revenue	47,307	22	-	-	63,109	110,438	35,946
Accrued interest	-	17,797	-	-	-	17,797	28,125
Estimated healthcare claims	-	-	-	-	-	-	367,540
Total current liabilities	957,793	146,228	97,846	42,350	558,922	1,803,139	543,474
Noncurrent liabilities							
Net pension liability - MERS	9,323,699	4,924,760	3,071,562	532,233	2,199,469	20,051,723	5,380,043
Current portion of noncurrent liabilities	173,339	1,373,262	61,565	253,288	76,758	1,938,212	404,972
Guarantee deposits	93,890	-	-	-	-	93,890	-
Advances from other funds	-	-	-	-	-	-	287,660
Long-term debt net of current portion	159,241	4,333,649	96,231	3,508,507	127,693	8,225,321	4,362,811
Accrued landfill closure and postclosure care costs	-	-	4,070,000	-	-	4,070,000	-
Total noncurrent liabilities	9,750,169	10,631,671	7,299,358	4,294,028	2,403,920	34,379,146	10,435,486
Total liabilities	10,707,962	10,777,899	7,397,204	4,336,378	2,962,842	36,182,285	10,978,960
Net position							
Net investment in capital assets	41,166,879	36,383,831	10,413,702	3,250,616	19,062,319	110,277,347	11,264,041
Restricted for							
Washington Woods project	-	-	-	-	1,000,000	1,000,000	-
Unrestricted (deficit)	13,879,076	(558,360)	4,276,338	332,330	808,739	18,738,123	11,094,608
Total net position	$ 55,045,955	$ 35,825,471	$ 14,690,040	$ 3,582,946	$ 20,871,058	130,015,470	$ 22,358,649
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						7,483,341	
Net position of business-type activities						$ 137,498,811	

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenue							
Customer fees	$ 10,762,236	$ 6,199,304	$ -	$ -	$ -	$ 16,961,540	$ -
Use and admission charges	-	-	4,227,394	1,082,087	952,867	6,262,348	-
Billings to other funds	-	-	-	-	-	-	12,093,880
Rental income	390,070	-	-	-	2,557,439	2,947,509	4,804,297
Fines and forfeits	88,707	85,252	18,106	-	-	192,065	-
Sale of meals	-	-	-	-	699,054	699,054	-
Other revenue	148,763	270,094	190,469	11,357	324,850	945,533	2,117,395
Total operating revenue	11,389,776	6,554,650	4,435,969	1,093,444	4,534,210	28,008,049	19,015,572
Operating expenses							
Operations	3,319,710	1,455,021	2,801,933	824,965	4,562,245	12,963,874	17,182,211
Administration	1,347,419	917,454	-	-	-	2,264,873	-
Maintenance	3,586,930	1,838,009	-	47,969	113,811	5,586,719	-
Other expenses	271	54,813	35,127	9,413	1,199	100,823	-
Depreciation and amortization	1,519,675	1,762,240	678,696	241,590	750,896	4,953,097	2,108,638
Total operating expenses	9,774,005	6,027,537	3,515,756	1,123,937	5,428,151	25,869,386	19,290,849
Operating income (loss)	1,615,771	527,113	920,213	(30,493)	(893,941)	2,138,663	(275,277)
Nonoperating revenue (expenses)							
Interest income	21,061	10,068	27,075	2,420	127,500	188,124	43,840
Contractual revenues	280,471	-	-	-	-	280,471	-
Gain (loss) on disposition of assets	945	25,800	-	-	(2,995)	23,750	101,115
Interest expense	-	(124,561)	-	(130,623)	(2,162)	(257,346)	-
Total nonoperating revenues (expenses)	302,477	(88,693)	27,075	(128,203)	122,343	234,999	144,955
Income (loss) before contributions and transfers	1,918,248	438,420	947,288	(158,696)	(771,598)	2,373,662	(130,322)

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Capital contributions	$ 326,000	$ 18,000	$ -	$ -	$ 81,874	$ 425,874	$ 102,758
Transfers in	-	827,471	-	350,000	629,259	1,806,730	108,192
Transfers out	(48,192)	(60,000)	-	-	-	(108,192)	(25,246)
Change in net position	2,196,056	1,223,891	947,288	191,304	(60,465)	4,498,074	55,382
Net position - beginning of year	52,849,899	34,601,580	13,742,752	3,391,642	20,931,523	125,517,396	22,303,267
Net position - end of year	$ 55,045,955	$ 35,825,471	$ 14,690,040	$ 3,582,946	$ 20,871,058		$ 22,358,649

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	(316,780)
Change in net position of business-type activities	$ 4,181,294

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2017

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities							
Receipts from customers	$ 11,558,751	$ 6,547,438	$ 4,729,364	$ 1,082,701	$ 5,833,944	$ 29,752,198	$ 6,478,253
Receipts from other funds	-	-	-	-	-	-	12,057,938
Payments to suppliers	(4,524,659)	(2,028,450)	(1,532,955)	(573,948)	(3,803,007)	(12,463,019)	(15,427,833)
Payments to employees	(4,107,891)	(2,269,928)	(1,318,684)	(297,283)	(1,655,115)	(9,648,901)	(3,463,235)
Net cash provided (used) by operating activities	2,926,201	2,249,060	1,877,725	211,470	375,822	7,640,278	(354,877)
Cash flows from noncapital financing activities							
Transfer from other funds	-	827,471	-	350,000	629,259	1,806,730	108,192
Transfers to other funds	(48,192)	(60,000)	-	-	-	(108,192)	(25,246)
Advances from other funds	-	-	21,365	-	-	21,365	-
Advances to other funds	-	-	-	-	-	-	(21,365)
Net cash provided (used) by noncapital financing activities	(48,192)	767,471	21,365	350,000	629,259	1,719,903	61,581
Cash flows from capital and related financing activities							
Capital contributions	326,000	18,000	-	-	81,874	425,874	102,758
Purchases/construction of capital assets	(3,343,306)	(848,016)	(324,778)	-	(2,244,335)	(6,760,435)	(2,331,024)
Principal and interest paid on long-term debt	-	(1,374,561)	-	(351,368)	(17,182)	(1,743,111)	-
Contractual revenues	280,471	-	-	-	-	280,471	-
Proceeds from sale of capital assets	945	25,800	-	-	4,005	30,750	101,115
Net cash used by capital and related financing activities	(2,735,890)	(2,178,777)	(324,778)	(351,368)	(2,175,638)	(7,766,451)	(2,127,151)
Cash flows from investing activities							
Interest received	21,061	10,068	27,075	2,415	23,693	84,312	43,840
Net change in cash and cash equivalents	163,180	847,822	1,601,387	212,517	(1,146,864)	1,678,042	(2,376,607)
Cash and cash equivalents - beginning of year	6,946,209	2,238,706	9,071,665	592,786	3,955,114	22,804,480	15,424,519
Cash and cash equivalents - end of year	$ 7,109,389	$ 3,086,528	$ 10,673,052	$ 805,303	$ 2,808,250	$ 24,482,522	$ 13,047,912

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2017

	Water Fund	Wastewater Fund	Sanitary Landfill Fund	Civic Arena Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash and equivalents reported on Statement of Net Position as follows							
Cash and cash equivalents	$ 7,015,499	$ 1,798,730	$ 8,452,792	$ 805,303	$ 2,808,250	$ 20,880,574	$ 13,047,912
Cash and cash equivalents - restricted current	-	1,287,798	-	-	-	1,287,798	-
Cash and cash equivalents - restricted noncurrent	93,890	-	2,220,260	-	-	2,314,150	-
Net cash and equivalents	$ 7,109,389	$ 3,086,528	$ 10,673,052	$ 805,303	$ 2,808,250	$ 24,482,522	$ 13,047,912
Noncash investing activities - changes in fair value of investments	$ -	$ -	$ -	$ -	$ 239,530	$ 239,530	$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	$ 1,615,771	$ 527,113	$ 920,213	$ (30,493)	$ (893,941)	$ 2,138,663	$ (275,277)
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	1,519,675	1,762,240	678,696	241,590	750,896	4,953,097	2,108,638
Noncash portion of deferred outflows related to net pension liability	(956,559)	(398,135)	(447,242)	(24,541)	(566,917)	(2,393,394)	(49,872)
Loss on investment in joint venture	(654,380)	-	-	-	-	(654,380)	-
Changes in assets and liabilities							
Receivables (net)	168,975	(7,212)	293,502	(10,743)	1,299,734	1,744,256	(479,488)
Due from other funds	-	-	(107)	-	-	(107)	-
Inventories	(47,498)	-	-	(12,289)	(2,001)	(61,788)	(644)
Prepaid items	-	-	-	-	(12,167)	(12,167)	(1,733,728)
Deferred amount relating to net pension liability - MERS	906,743	433,235	324,176	44,119	268,130	1,976,403	435,695
Accounts payable	427,173	(25,937)	6,909	4,152	(483,786)	(71,489)	(70,299)
Accrued and other liabilities	(13,012)	14,800	29,578	(398)	(2,425)	28,543	(328,955)
Deposits	(71,957)	(57,066)	-	73	15,910	(113,040)	3,000
Due to other funds	-	-	-	-	-	-	107
Accrued landfill closure costs	-	-	72,000	-	-	72,000	-
Unearned revenue	31,270	22	-	-	2,389	33,681	35,946
Net cash provided (used) by operating activities	$ 2,926,201	$ 2,249,060	$ 1,877,725	$ 211,470	$ 375,822	$ 7,640,278	$ (354,877)

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Fiduciary Funds
Statement of Net Position
June 30, 2017

	Police and Fire Retirement Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$ 1,525,811	$ 2,133,751
Investments		
Common stock	30,283,170	-
Preferred stock	894,786	-
Bonds	13,058,252	-
International funds	10,268,842	-
Alternative investments	6,305,937	-
Receivables - net of allowances		
Accounts and contracts	-	456,489
Accrued interest and other	67,861	114
Prepaids	-	89,104
Total assets	62,404,659	$ 2,679,458
Liabilities		
Accounts payable	7,463	$ -
Accrued and other liabilities	-	1,694,391
Due to foundations	-	135,796
Due to other units of government	-	849,271
Total liabilities	7,463	$ 2,679,458
Net position		
Net position restricted for pensions	$ 62,397,196	

See Accompanying Notes to the Financial Statements

City of Midland, Michigan
Fiduciary Funds
Statement of Changes in Net Position
For the Year Ended June 30, 2017

	Police and Fire Retirement Trust Fund
Additions	
Contributions	
Employer	$ 2,575,684
Plan members	578,989
Total contributions	3,154,673
Investment earnings	
Net gain on fair value of investments	7,066,029
Interest	252,322
Dividends	790,231
Total investment earnings (losses)	8,108,582
Less investment expense	(418,365)
Net investment earnings (losses)	7,690,217
Other expense	(816,801)
Total additions	10,028,089
Deductions	
Benefits paid	5,064,042
Change in net position	4,964,047
Net position restricted for pensions - beginning of year	57,433,149
Net positions restricted for pensions - end of year	$ 62,397,196

See Accompanying Notes to the Financial Statements

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.

A summary of SMMWSC's financial information for the year ended June 30, 2017 follows:

Total assets and deferred outflows of resources	$ 39,350,023
Total liabilities	9,151,039
Equity - City of Midland	14,046,039
Equity - City of Saginaw	16,152,945
Total revenues	6,062,700
Total expenses	4,655,783
Net income	1,406,917

At June 30, 2017, total outstanding bonded debt of the SMMWSC was $5,550,000. The City was obligated for $2,581,395 of this total.

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

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

Total net position per the JBA June 30, 2017 financial statements was $901,541. The City's equity of 64.80 percent of this total, resulted in $584,199 at June 30, 2017 which is recorded in the government-wide statements.

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Debt Service Fund

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

Permanent Fund

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

The City reports the following nonmajor proprietary funds:

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

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

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

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

Additionally, the City reports the following internal service funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax receivables are shown as net of allowance for uncollectible amounts totaling $53,700. The property tax receivable allowance at June 30, 2017 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 2016 taxable valuation of the City totaled $2,108,369,097 on which ad valorem taxes consisted of 12.62 mills for the City's operating purposes, 1.0 mills for Library services, 1.12 for pension savings, and 0.26 mills for debt levies. This resulted in $25,235,213 for operating expenses, $1,998,876 for the Library, $2,231,146 for pension savings, and $546,278 for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

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

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

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

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

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

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

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

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

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

deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

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

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

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

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

Pensions and other post employment benefit (OPEB) costs – The City offers both pension and retiree healthcare benefits to retirees. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and the Police and Fire Retirement System and additions to/deductions from MERS and the Police and Fire Retirement System's fiduciary net position have been determined on the same basis as they are reported to the systems. The City received actuarial-based calculations to compute the annual required contributions (ARC) necessary to fund the obligations over the remaining amortization periods. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contributions, adjusted for interest and "adjustment to the ARC" on the beginning of the year underpaid amount, if any.

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. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

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

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

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

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

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

The governmental funds have an assigned fund balance as of June 30, 2017 for the following purposes:

General Fund Encumbrances	$	1,975,527
Stormwater Management		887,530
Midland Community Television		1,319,945
Total	$	4,183,002

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

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

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

Encumbrances

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

General cash flow management	$	1,975,527
Major Street		5,242,730
Nonmajor Governmental		2,101,269

Use of Estimates

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

Adoption of New Accounting Standards

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other post employment benefit plans (OPEB), defined benefit and defined contribution, administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Upcoming Adoption of New Accounting Standards

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

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

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

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3)

private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act

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

Shortfall at July 1, 2016		$ (837,803)
Current year building permit revenue		452,870
Related expenses:		
Direct costs	$ 547,810	
Estimated indirect costs	32,869	
Total construction code expenses		580,679
Cumulative shortfall at June 30, 2017		$ (965,612)

Excess of Expenditures Over Appropriations

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

	Final Budget	Actual	Variance
General Fund			
Sanitation	$ 3,473,587	$ 3,538,019	$ 64,432
Major Street Fund			
Transfers out	2,926,991	3,043,789	116,798
Local Street Fund			
Transfers out	134,942	152,194	17,252

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

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

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

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

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

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental activities	$ 50,659,547	$ -	$ -	$ 50,659,547
Business-type activities	20,880,574	490,054	3,601,948	24,972,576
Total primary government	71,540,121	490,054	3,601,948	75,632,123
Fiduciary funds	3,659,562	60,810,987	-	64,470,549
Total	$ 75,199,683	$ 61,301,041	$ 3,601,948	$ 140,102,672

The break down between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	$ 75,132,692	$ 3,659,562	$ 78,792,254
Investments in securities, mutual funds and similar vehicles	490,054	60,810,987	61,301,041
Petty cash and cash on hand	9,377	-	9,377
Total	$ 75,632,123	$ 64,470,549	$ 140,102,672

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

Concentration of Credit Risk – The City has no policy that would limit the amount that may be issued in any one issuer. The City has two investments in individual issuers that exceeded five percent of total investments. The Mesirow Institutional Multi-Strategy Fund LPA and Ironwood Institutional Multi-Strategy Fund LLC alternative investments were 5.24% and 5.05% of total investments, respectively.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had $63,115,847 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits its funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

Investment	Fair Value	Weighted Average Maturity
Commercial paper	$ 10,941,750	0.372
Corporate bonds	11,306,078	4.931
FHLM	238,940	29.181
International bonds	97,912	3.847
Municipal obligation	2,108,489	2.237
U.S. Treasury notes	1,415,322	4.343

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

Investment	Fair Value	Rating	Organization
Commercial paper	$ 10,941,750	A1	S & P
Corporate bonds	1,063,992	A	S & P
Corporate bonds	828,886	A-	S & P
Corporate bonds	96,864	AA-	S & P
Corporate bonds	98,943	AA+	S & P
Corporate bonds	808,075	AAA	S & P
Corporate bonds	155,925	B-	S & P
Corporate bonds	81,675	B+	S & P
Corporate bonds	65,106	BB	S & P
Corporate bonds	301,525	BB-	S & P
Corporate bonds	358,076	BB+	S & P
Corporate bonds	1,436,056	BBB-	S & P
Corporate bonds	2,993,257	BBB	S & P
Corporate bonds	1,781,980	BBB+	S & P
Corporate bonds	1,235,718	N/A	N/A
FHLM	238,940	N/A	N/A
International bonds	97,912	AAA	S & P
Money market funds	910,105	N/A	N/A
Municipal obligation	101,543	A+	S & P
Municipal obligation	433,213	AA	S & P
Municipal obligation	355,393	AA-	S & P
Municipal obligation	406,214	AA+	S & P
Municipal obligation	344,235	AAA	N/A
Municipal obligation	467,891	N/A	N/A
Mutual funds	1,663,801	N/A	N/A
Pooled funds	278,126	N/A	N/A

Endowments

The City has established endowment funds at the Midland Area Community Foundation (the "Foundation"). The Foundation has variance power over the funds transferred by the City to the endowment fund and could use those funds for other purposes. Assets held at the Foundation where the Foundation has variance power are not included in these financial statements and had a market value of $2,023,008 at June 30, 2017.

Note 4 - Fair Value

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

The City has the following recurring fair value measurements as of June 30, 2017:

	Balance at Year End	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Common stock	$ 30,773,224	$ 30,773,224	$ -
Preferred stock	894,786	894,786	-
Bonds	13,058,252	13,058,252	-
International funds	10,268,842	10,268,842	-
Alternative investments	6,305,937	-	6,305,937
Total	$ 61,301,041	$ 54,995,104	$ 6,305,937

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

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

The City is invested in two alternative investments as of June 30, 2017 which are considered Level 3. The Ironwood Institutional Multi-Strategy Fund and Mesirow Institutional Multi Strategy Fund LP are privately offered and invest in various third party private investment funds.

The Ironwood Institutional Multi-Strategy Fund's holds units that are not redeemable. The Board, in its sole and absolute discretion, may authorize the Fund to make a tender offer to repurchase members' unites at the net asset value per unit on repurchase date. Ironwood expenses that it will recommend to the Board that the Fund make an offer to repurchase not less than 10% of outstanding units as of June 30 and December 31 of each year. Responses to a repurchase offer must be received by the Fund at least 95 calendar days prior to the repurchase date. Units held less than one year are subject to a fee of 5% of the value of the units repurchased by the Fund, payable to the Fund.

For the Mesirow Institutional Multi-Strategy Fund LP's, the City can make additional contributions on the first business day of each calendar quarter at the discretion of the general partner. The City may also withdraw capital at the end of any calendar quarter upon 95 days prior written notice to the general partner or at any time with the consent of the general partner.

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

Beginning balance, July 1	$ 5,974,019
Unrealized gain	331,918
Ending balance, June 30	$ 6,305,937

Note 5 - Receivables

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

	Due After One Year
Special assessments	$ 282,785

The receivables are included in the Special Assessment Revolving Fund.

Contributions receivable are scheduled to be collected as follows:

Receivable in less than one year	$ 4,705,000
Receivable in two years	1,110,000
Total	$ 5,815,000

Discounts on contributions receivable were not considered material. The receivables are accounted for in the General Fund, Major Street Fund, and Washington Woods Enterprise Fund.

Note 6 - Unearned Revenue

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

Grants and contributions	$ 51,526
Utility overpayments	47,329
State PPT reimbursement	947,825
Other revenue	99,092
Total	$ 1,145,772

Note 7 - Capital Assets

Capital assets activity of the City for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 6,336,468	$ -	$ 410	$ 6,336,058
Construction in progress	4,397,485	7,189,474	4,088,838	7,498,121
Total capital assets not being depreciated	10,733,953	7,189,474	4,089,248	13,834,179
Capital assets being depreciated				
Major and local streets	89,286,404	2,478,006	-	91,764,410
Sidewalks	5,843,109	75,557	-	5,918,666
Buildings	33,452,926	1,096,651	-	34,549,577
Land improvements	27,586,642	830,884	-	28,417,526
Library circulation materials	4,571,808	-	-	4,571,808
Equipment	15,739,768	247,495	28,731	15,958,532
Vehicles	17,193,215	2,202,594	1,416,690	17,979,119
Total capital assets being depreciated	193,673,872	6,931,187	1,445,421	199,159,638
Less accumulated depreciation for				
Major and local streets	43,490,345	3,490,633	-	46,980,978
Sidewalks	3,726,289	191,827	-	3,918,116
Buildings	15,275,726	800,113	-	16,075,839
Land improvements	9,350,302	602,553	-	9,952,855
Library circulation materials	4,465,658	79,964	-	4,545,622
Equipment	10,304,880	1,032,953	28,731	11,309,102
Vehicles	10,203,687	1,413,373	1,381,915	10,235,145
Total accumulated depreciation	96,816,887	7,611,416	1,410,646	103,017,657
Net capital assets being depreciated	96,856,985	(680,229)	34,775	96,141,981
Governmental activities capital assets, net	$ 107,590,938	$ 6,509,245	$ 4,124,023	$ 109,976,160

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 2,777,794	$ -	$ -	$ 2,777,794
Construction in progress	1,534,280	5,340,802	1,671,863	5,203,219
Total capital assets not being depreciated	4,312,074	5,340,802	1,671,863	7,981,013
Capital assets being depreciated				
Water and sewer lines	98,906,278	2,406,872	-	101,313,150
Building and building improvements	87,288,752	87,351	-	87,376,103
Land improvements	9,432,472	177,214	-	9,609,686
Landfill improvements	13,657,183	36,253	-	13,693,436
Equipment	9,069,687	519,526	18,350	9,570,863
Vehicles	2,377,212	-	180,223	2,196,989
Total capital assets being depreciated	220,731,584	3,227,216	198,573	223,760,227
Less accumulated depreciation for				
Water and sewer lines	41,668,881	1,910,877	-	43,579,758
Building and building improvements	45,917,209	1,918,462	-	47,835,671
Land improvements	2,602,284	183,302	-	2,785,586
Landfill improvements	9,595,227	246,109	-	9,841,336
Equipment	6,328,901	544,566	11,355	6,862,112
Vehicles	1,455,425	149,781	180,223	1,424,983
Total accumulated depreciation	107,567,927	4,953,097	191,578	112,329,446
Net capital assets being depreciated	113,163,657	(1,725,881)	6,995	111,430,781
Business-type capital assets, net	$ 117,475,731	$ 3,614,921	$ 1,678,858	$ 119,411,794

Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	$ 178,153
Public safety	505,433
Public works	5,318,054
Sanitation	461,327
Parks and recreation	486,679
Library	395,053
Airport	73,476
Transportation	183,137
Other functions	10,104
Total governmental activities	$ 7,611,416
Business-type activities:	
Civic Arena	$ 241,590
Landfill	678,696
Senior Housing	525,775
Golf course	188,242
Parking system	36,880
Wastewater	1,762,239
Water	1,519,675
Total business-type activities	$ 4,953,097

Note 8 - Construction Commitments

The City had active construction projects as of June 30, 2017. The projects included sidewalk, streets, storm, senior housing, wastewater, and water system projects.

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

	Spent to Date	Remaining Commitment
General construction projects	$ 136,545	$ 14,502
Street projects	3,234,297	4,054,385
Storm projects	-	30,209
Senior housing projects	2,012,424	422,842
Wastewater projects	565,567	371,679
Water projects	516,918	216,880
Total	$ 6,465,751	$ 5,110,497

Note 9 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Sanitary Landfill	Internal Service Funds	$ 21,365
Nonmajor governmental funds	Nonmajor governmental funds	86,054
		$ 107,419

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:

Advances to other funds	Advances from other funds	Amount
Sanitary Landfill	Internal Service Funds	$ 287,660

Payments of $22,910 including interest at 0.5% are due annually for the advance between the Sanitary Landfill Fund and Renewable Energy Services Fund. Future principal payments are as follows, which include the current amount of $21,365 recorded in interfund balances:

Year ending June 30,	
2018	$ 21,365
2019	21,472
2020	21,579
2021	21,687
2022	21,795
2023-2027	110,622
2028-2030	90,505
Total	$ 309,025

The detail for interfund transfers is as follows:

	General Fund	Major Street Fund	Local Street Fund	Community Development Block Grant Fund	Special Activities Fund	Downtown Development Authority Fund	Debt Service Fund	Water Fund	Wastewater Fund	Special Assessment Revolving Fund	Total
Transfers In											
General Fund	$ -	$ -	$ -	$ -	$ 5,456	$ -	$ -	$ -	$ -	$ 25,246	$ 30,702
Major Street Fund	149,837	-	-	-	-	767,900	-	-	-	-	917,737
Local Street Fund	-	2,896,075	-	-	-	-	-	-	-	-	2,896,075
Stormwater Management Fund	670,000	147,714	152,194	-	-	-	-	-	-	-	969,908
Grace A. Dow Memorial Library Fund	865,907	-	-	-	-	-	-	-	-	-	865,907
Dial-a-Ride Fund	494,642	-	-	-	-	-	-	-	-	-	494,642
Downtown Development Authority Fund	10,000	-	-	-	-	-	-	-	-	-	10,000
Special Activities	-	-	-	-	-	5,000	-	-	-	-	5,000
Debt Service Fund	1,819,749	-	-	-	-	-	-	-	-	-	1,819,749
Civic Arena Fund	350,000	-	-	-	-	-	-	-	-	-	350,000
Washington Woods Fund	-	-	-	34,259	-	-	-	-	-	-	34,259
Currie Golf Course Fund	540,000	-	-	-	-	-	-	-	-	-	540,000
Parking Fund	10,000	-	-	-	-	45,000	-	-	-	-	55,000
Wastewater Fund	-	-	-	-	-	-	827,471	-	-	-	827,471
Municipal Service Center Fund	-	-	-	-	-	-	-	48,192	-	-	48,192
Renewable Energy Fund	-	-	-	-	-	-	-	-	60,000	-	60,000
Total	$ 4,910,135	$ 3,043,789	$ 152,194	$ 34,259	$ 5,456	$ 817,900	$ 827,471	$ 48,192	$ 60,000	$ 25,246	$ 9,924,642

The transfers from the General Fund to the Major Street Maintenance, Stormwater Management, Library, Dial-A-Ride, Downtown Development Authority (DDA), Civic Arena, Currie Municipal Golf Course and Parking Funds represent the use of unrestricted resources to finance these programs, in accordance with the budgetary operations. The transfer from the General Fund to the Debt Service Fund is to provide funding for the debt service payments for the 2008 Judgement bonds. The transfers from the Major Street Fund to the Local Street Fund represent the sharing of gas and weight tax in accordance with Act 51, as well as sharing the 1-mill County Road Millage and 1-mill special County Road Millage that is accounted for in the City's Major Street Fund. Both the Major Street Fund and the Local Street Fund transfer funding to the Stormwater Management Fund to offset roadside drainage costs that are accounted for in that fund. The transfers from Community Development Block Grant Fund to Washington Woods Fund are for grant funding as approved by HUD. The transfers from the Special Activities Fund to the General Fund are in accordance with budgetary authorization.

The transfer from the Downtown Development Authority to the Parking Fund is an annual contribution made by the DDA to help fund parking enforcement and related activities within the downtown district. The transfer from Downtown Development Authority Fund to Special Activities Fund is to fund some Special Activity programs run by the Downtown Development Authority. The transfer from DDA to Major Street is to fund the Streetscape project. The transfer from the Debt Service Fund to the Wastewater Fund is necessary to transfer an additional millage for debt retirement to the Wastewater Fund, which is the fund that accounts for the related debt. The transfers from the Wastewater Fund to the Renewable Energy Fund were to provide assistance for start up costs in the Fund's operations. The transfers from the Water Fund to the Municipal Service Annex fund transfers in accordance with budgetary authorization. The transfers from the Special Assessment Revolving Fund to the General Fund is for Special Assessments related to construction projects in the General Fund.

Note 10 - Lease

Operating Leases

The City leases its police facility under a non-cancelable operating lease. Total costs for the lease were $262,891 for the year ended June 30, 2017. According to the terms of its lease with the Midland City/County Joint Building Authority, the City's obligation for operating leases amounts to 64.8 percent of total operating expenses of the police facility.

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

Year ending June 30,	
2018	$ 275,723
2019	283,995
2020	292,515
2021	301,290
2022	310,329
2023-2027	1,697,006
Total	$ 3,160,858

Capital Leases

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

Year ending June 30,	Amount
2018	$ 29,456
2019	29,456
2020	29,456
2021	30,697
2022	10,969
Total minimum lease payments	130,034
Less amount representing interest	9,332
Present value of minimum lease payments	$ 120,702
Asset	
Equipment	$ 136,074
Less accumulated depreciation	9,071
Total	$ 127,003

Note 11 - Long-Term Debt

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2008 Judgment Funding Bonds	$ 17,890,000	Sept. 2023	4.125%	$1,270,000	$ 2,490,000	$ -	$ 1,220,000	$ 1,270,000	$ 1,270,000
2010 Renewable Energy*	6,000,000	October 2031	2.50%	$270,000 - $375,000	4,765,000	-	265,000	4,500,000	270,000
2016 Judgment Refunding Bonds	7,725,000	May '2023	1.50%	$130,000 - $1,530,000	7,725,000	-	145,000	7,580,000	130,000
Total bonds payable					14,980,000	-	1,630,000	13,350,000	1,670,000
Compensated absences					3,672,462	1,832,593	1,961,439	3,543,616	2,080,653
Total governmental activities					$ 18,652,462	$ 1,832,593	$ 3,591,439	$ 16,893,616	$ 3,750,653
Business-type activities									
Bonds and notes payable									
General obligation bonds									
2001 Sewer Construction - State Revolving Fund	$ 5,130,000	May 2022	2.50%	$280,000 - $304,063	$ 1,739,064	$ -	$ 275,000	$ 1,464,064	$ 280,000
2012 Civic Arena Refunding Bonds	4,550,000	May 2030	1.80 - 3.55%	$240,000 - $345,000	3,980,000	-	240,000	3,740,000	240,000
2015 Sewer Refunding Bonds	5,965,000	May 2021	1.69%	$990,000 - $1,040,000	5,035,000	-	975,000	4,060,000	990,000
Total bonds payable					10,754,064	-	1,490,000	9,264,064	1,510,000
Capital leases					-	135,723	15,021	120,702	25,776
Compensated absences					745,030	457,226	423,489	778,767	402,436
Landfill closure and postclosure					3,998,000	72,000	-	4,070,000	-
Total business-type activities					$ 15,497,094	$ 664,949	$ 1,928,510	$ 14,233,533	$ 1,938,212

*Recorded in internal service funds.

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

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

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

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

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

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

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

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

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, 2017, the City's general obligation debt statutory and legal debt limit amounted to $227,852,583 and the

indebtedness subject to the limitation aggregated $22,614,063.

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

Fiscal Year	Governmental Activities		Business-type Activities	
Ending June 30,	Principal	Interest	Principal	Interest
2018	$ 1,670,000	$ 275,213	$ 1,510,000	$ 213,384
2019	1,730,000	214,000	1,535,000	185,333
2020	1,755,000	185,188	1,570,000	156,200
2021	1,785,000	155,888	1,605,000	125,753
2022	1,810,000	126,100	574,064	94,052
2023 - 2027	3,150,000	307,325	1,475,000	312,603
2028 - 2032	1,450,000	73,500	995,000	70,234
	$ 13,350,000	$ 1,337,214	$ 9,264,064	$ 1,157,559

Deferred Amount of Debt Refunding
The City issued bonds in 2012 to advance refund and retire previously issued term bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through the fiscal year.

Deferred amount on refunding activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
2016 Judgment Refunding Bonds	$ 630,780	$ -	$ 90,111	$ 540,669
Business-type activities				
2012 Civic Arena Refunding Bonds	$ 269,574	$ -	$ 19,255	$ 250,319

Defeased Debt
In the current and prior years, the City defeased bonds issued by creating separate irrevocable trust funds. New debt was issued and the net proceeds of the refunding was placed in special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At June 30, 2017, $12,010,000 of bonds outstanding are considered defeased.

Note 12 - Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as operating expense in each period based on landfill capacity used as of each year end. The $4,070,000 reported as landfill closure and post closure care liability at June 30, 2017 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), 92 percent of the estimated capacity of cell 15, and 39 percent of the estimated capacity of cell 16.

The City will recognize the remaining estimated cost of closure and post closure care of $682,608 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 2018 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, 2017, cash and cash equivalents in the amount of $2,220,260 were held for these purposes, and reported as restricted assets on the statement of net position. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

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

Note 13 - Restricted Cash

Cash and cash equivalents are restricted within the Water and Wastewater Funds for future debt service obligations in the amounts of $93,890 and $1,287,798, 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 $2,220,260 of restricted assets that are for closure and postclosure costs.

Note 14 - Employee Retirement and Benefit Systems

Police and Fire Pension System

Plan Description – The Police and Fire Pension System is a single-employer defined benefit pension plan that is administered by the City of Midland Police and Fire Employees Retirement System. This plan covers all police and fire employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2016, the date of the most recent actuarial valuation, membership consisted of 141 retirees and beneficiaries currently receiving benefits, 2 inactive and non-retired members, and 89 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

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

As of December 31, 2016, the plan's legally required reserves have been fully funded as follows:

Reserves:	
Reserve for employees' contributions	$ 5,119,386
Reserve for employer contributions	2,711,635
Reserve for retired benefit payment	53,561,628

Net pension liability – The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2015 using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3%	
Salary increases	4% to 9.2%	including inflation
Investment rate of return	7%	net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table projected 10 years. The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period of 2002-2017, with an additional table added in the 2011 valuation for members hired after July 1, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Projected Rate of Return
U.S. large cap equity	35.00%	3.90%
U.S. mid cap	7.50%	7.50%
U.S. small cap	7.50%	8.00%
International/EM equity	15.00%	6.70%
Cored fixed income	35.00%	2.90%

A single discount rate of 7.00 percent was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.00 percent and municipal bond rate of 3.56 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Changes in net pension liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Opening balances	$ 81,247,156	$ 57,426,524	$ 23,820,632
Changes for the year			
Service cost	1,858,502	-	1,858,502
Interest	5,546,214	-	5,546,214
Difference between expected and actual experience	793,929	-	793,929
Assumption changes	2,284,416		2,284,416
Employer contributions	-	2,575,684	(2,575,684)
Employee contributions	-	578,989	(578,989)
Net investment income	-	7,690,217	(7,690,217)
Benefit payments, including refunds of employee contributions	(5,889,565)	(5,889,565)	-
Other	-	15,348	(15,348)
Net changes	4,593,496	4,970,673	(377,177)
Closing balances	$ 85,840,652	$ 62,397,197	$ 23,443,455

The City's annual money-weighted rate of return, net of investment expenses is 13.68%. The plan's net position as a percent of total pension liability is 72.69%

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

	1% Decrease 6.00%	Current Single Rate 7.00%	1% Increase 8.00%
Total pension liability	$ 96,426,029	$ 85,840,652	$ 77,078,530
Plan fiduciary net position	62,397,197	62,397,197	62,397,197
Net pension liability	$ 34,028,832	$ 23,443,455	$ 14,681,333

Deferred outflows of resources related to pensions – For the year ended June 30, 2017, the employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Total to Amortize
Difference between expected and actual experience	$ 1,189,208	$ 1,189,208
Assumption changes	1,821,262	1,821,262
Net difference between projected and actual earnings on pension plan investments	873,535	873,535
Total	$ 3,884,005	$ 3,884,005

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

Year ending June 30,	
2018	$ 1,532,550
2019	1,479,290
2020	1,043,404
2021	(171,239)
Total	$ 3,884,005

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

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

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

Employees covered by benefit terms – At the December 31, 2016 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	326
Inactive employees entitles to but not yet receiving benefits	22
Active employees	101
	449

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

Net pension liability – The employer's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases of 3.50% in the long-term; 3) Investment rate of return of 7.00%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.50% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study prepared as of December 31, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

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

Change in the net pension liability:

Total Pension Liability	
Service cost	$ 1,045,540
Interest on the total pension liability	10,994,431
Experience differences	1,190,327
Benefit changes	(4,063,218)
Other changes	1,887
Benefit payments and refunds	(9,414,060)
Net change in total pension liability	(245,093)
Total pension liability - beginning	141,659,850
Total pension liability - ending (a)	$ 141,414,757
Plan Fiduciary Net Position	
Employer contributions	$ 6,200,113
Employee contributions	114,789
Pension plan net investment income	8,120,002
Benefit payments and refunds	(9,414,060)
Net transfers	(90,421)
Pension plan administrative expense	(160,386)
Net change in plan fiduciary net position	4,770,037
Plan fiduciary net position - beginning	72,520,246
Plan fiduciary net position - ending (b)	$ 77,290,283
Net pension liability (a-b)	$ 64,124,474
Plan fiduciary net position as a percentage of total pension liability	54.66%
Covered employee payroll	$ 6,861,725
Net pension liability as a percentage of covered employee payroll	934.52%

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

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	$ 155,829,790	$ 141,414,757	$ 129,103,377
Fiduciary net position	77,290,283	77,290,283	77,290,283
Net pension liability	$ 78,539,507	$ 64,124,474	$ 51,813,094

Pension expense and deferred outflows of resources related to pensions – For the year ended June 30, 2017, the City recognized pension expense of $5,830,257. The City reported deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Total to Amortize
Differences in experience	$ 595,163	$ 595,163
Net difference between projected and actual earnings on pension plan investments	3,001,194	3,001,194
Contributions subsequent to the measurement date*	3,463,179	-
Total	$ 7,059,536	$ 3,596,357

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2018.

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

Year ending June 30,	
2018	$ 1,851,650
2019	1,256,485
2020	978,699
2021	(490,477)
Total	$ 3,596,357

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

The City participates in the Municipal Employee's Retirement System of Michigan (MERS) defined contribution plan for all employees hired on or after July 1, 2005, with the exception of police and fire employees. In the defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution, the City contributes 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 $24,762,450. The current year contribution was calculated based on covered payroll of $7,058,157, resulting in an employer contribution of $458,061. 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 $24,762,450. The current year contribution was calculated based on covered payroll of $7,273,512, resulting in an employer contribution of $267,580 and employee contributions of $267,580.

Note 15 - Postemployment Benefits

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

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

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

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

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

Year	Number of Retirees	Amount
2015	389	$ 5,058,810
2016	392	5,994,594
2017	395	6,143,293

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

The covered wages for the retiree health post employment for the fiscal year were $10,473,580.

Health Care Savings Program

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

The City's total payroll during the current year was $24,762,450. The current year contribution was calculated based on covered payroll of $6,963,950, resulting in an employer contribution of $139,279.

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

The current year contribution was calculated based on a covered payroll of $1,115,273, resulting in an employer contribution of $22,306 and employee contributions of $22,306.

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

The current year contribution was calculated based on a covered payroll of $891,293 resulting in an employer contribution of $17,826 and employee contributions of $0.

Other Post Employment Benefits

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

Plan membership – At June 30, 2017, the plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	399
Inactive plan members entitle to but not yet receiving benefit payments	-
Active plan members	166
	565

The OPEB plan is closed to new members.

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

Contributions – The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the year ended June 30, 2017, the City contributed $5,276,990 to the plan which was $221,756 more than the Annual Required Contribution (ARC). Plan members are not required to contribute to the plan.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2017 are summarized below along with the Boards adopted asset allocation policy:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic fixed income	10.00%	3.00%
International fixed income	7.00%	5.75%
Domestic equity	38.00%	8.50%
International equity	12.50%	8.75%
Private equity	5.00%	9.75%
Real estate	9.00%	7.00%
Cash	1.50%	2.00%
Other	17.00%	2.50%
Total	100%	

Rate of return – For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 14.61%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – the components of the net OPEB liability as of June 30, 2017 were as follows:

Total OPEB liability	$	93,106,765
Plan fiduciary net position		45,704,601
Net OPEB liability	$	47,402,164

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 5,055,234	100%	$ -
6/30/2016	5,069,409	100%	-
6/30/2015	5,097,424	100%	-

Plan fiduciary net position as a percentage of the total OPEB liability is 49.09%.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar
Remaining amortization period	23 years, closed
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	General: 4.0% to 17.0%, including inflation
	Act 345: 4.0% to 9.2%, including inflation
Investment rate of return	8.0%, net of OPEB plan investment expense, including inflation
Retirement age	General: Experience-based table of rates that are specific to that type of eligibility condition.
	Act 345: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2008 valuation pursuant to an experience study of the period 2002-2007.
Mortality	General: The RP-2000 Mortality Table projected 20 years with Scale BB.
	Act 345: The RP-2000 Male (unadjusted) and Female (unadjusted) Health Life Mortality Table projected 10 years.
Health care trend rates	9.00% trend, gradually decreasing to 4.00% in year 10
Excise tax	A 1.5% load was applied in connection with the "Cadillac" tax

Aging factors	Based on an internal GRS study using several pricing manuals from National Health Care Consultant groups and incorporating analysis and data from a SOA curvey regarding aging practices used in health care valuations

The actuarial assumptions used in the June 30, 2017 valuation were based on a pension experience study performed by the actuary for the period January 1, 2011 through December 31, 2015 the actuary recommended changes to various valuation assumptions. These recommendations included the use of the RP-2014 Healthy Annuity Fully Generational Mortality Tables, with a base year of 2006, and future mortality improvements assumed each year using scale MP-2015. The new assumptions were reflected in the June 30, 2016 funding valuation, which develops the contribution rate for the fiscal years ending June 30, 2018 and June 30, 2019. The tables used to model the impact of aging on claims utilization were developed by the Society of Actuaries in 2013. The other OPEB specific assumptions (health care trend, plan elections, etc.) are reviewed during each OPEB valuation and updated as needed.

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

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

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Net OPEB liability	$ 57,690,126	$ 47,402,164	$ 38,751,332

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

	1% Decrease 8.0%	Current Healthcare Cost Trend Rate Assumption 9.0%	1% Increase 10.0%
Net OPEB liability	$ 38,180,290	$ 47,402,164	$ 58,159,389

Note 16 - Claims, Litigation, and Other Contingencies

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

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already

collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Note 17 - Enterprise Fund Contractual Revenue

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

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

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

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

Total payments received under these agreements during the fiscal year were $141,348, consisting of principal and interest of $130,444 and $10,904, respectively. These payments have been recorded as nonoperating revenue in the City's Enterprise Funds. Under the terms of these agreements, no equity accrues to either company.

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

Note 18 - Urban Cooperation Act Agreement

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

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

The City's obligation under provision 3 above shall cease if and when total cumulative payments there under reach $15,000,000. The amount of revenue sharing due to the Township by the City under this agreement during the year ended June 30, 2017 was $129,409. The total cumulative payments from the City through June 30, 2017 were $4,213,504.

Note 19 - Risk Management

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

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

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

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

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

	2017	2016
Unpaid claims - beginning of year	$ 459,485	$ 406,102
Incurred claims, including claims incurred but not reported	7,845,875	10,235,111
Claims paid	(7,937,820)	(10,181,728)
Unpaid claims - end of year	$ 367,540	$ 459,485

Note 20 - Tax Abatements

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

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

PA198 (Industrial Property Tax Abatement) allows abatements to encourage Michigan manufacturers to build new plans, expand existing plans, renovate aging plants, or add new machinery and equipment. High technology operations are also eligible for the

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

As of June 30, 2017, the City of Midland provides tax abatements through five major categories, which are explained below.

Industrial Facilities Tax Exemptions. The City approves Industrial Facility Tax (IFT) Exemptions to encourage job growth and capital investment within the community. IFTs are authorized under Public Act 198 of 1974, as amended. Approved IFT projects will pay approximately half of the property tax burden when compared to non-IFT investments. In exchange for this tax benefit, investors will create projects that either maintain jobs or increase jobs in the community, while making a capital investment to the tax base. IFT exemptions must also receive approval from the State of Michigan, and be located on an established Industrial Development District. IFT exemption holders can maintain this benefit for up to 12 years, providing that they pay their taxes on time, maintain the level of employment promised, make the required amount of capital investment in a timely manner, and meet the City's annual reporting requirement. The current ITFs within the City total approximately $116 million in taxable value, and $874,191 in abated City property taxes.

Brownfield Redevelopment Districts. Brownfield Redevelopment Districts are authorized under Public Act 381 of 1996 to encourage development in areas that are economically disadvantaged by conditions of blight or contamination. Conceptually, a developer performs redevelopment and environmental cleanup activities to a qualified site. The increase in taxable value caused by this developer investment is then captured through tax increment financing and the related property taxes are used to repay the developer for all qualified costs. The City makes no other commitments other than the repayment of eligible costs. Brownfield Redevelopment projects require approval by not only the local brownfield authority, but also the State of Michigan. For the year ended June 30, 2017, approximately $27.9 million in taxable value and $410,571 in City property taxes were abated by Brownfield Redevelopment Districts.

Payment In Lieu Of Taxes. Payment In Lieu Of Taxes, or PILOTs are offered to encourage the development of housing for citizens of low and moderate income. They must satisfy several local and State requirements. They are authorized by The Michigan State Housing Development Authority Act of 1966, as amended. Locally they are authorized by Section 202.60 of the City of Midland Code of Ordinances. If approved, a PILOT exemption recipient will be exempted from all property taxes. Instead the recipient will pay an annual fee based upon a fixed percentage of eligible rents for that year. Should any of these PILOTs fail to fulfill the agreed upon requirements, they will be placed back on the roll at full value, and the PILOT exemption will be forfeited. The value of the abated taxes represents the amount of taxes these PILOTs would have paid, less the PILOT fee actually paid. The City currently has 18 PILOT developments valued at approximately $11.6 million in taxable value, abating $135,218 in City property taxes.

New Personal Property Exemption. Michigan Public Act 328 of 1998, as amended, affords a 100% property tax exemption for specific businesses located within eligible distressed communities. The City may determine the number of years granted for the exemption, and

may offer this abatement on new personal property within a certain geographical area in order to stimulate economic development that would not otherwise be sited in the City of Midland. Approval is required by the City Council and the State Treasurer. The City may recapture the taxes if the recipient defaults on any of the terms of the agreement. Approximately $55.7 million in taxable value and $835,453 in property taxes have been abated under this program.

Renaissance Zones. Renaissance Zones are provided for by the Michigan Renaissance Zone Act, or Act 376 of 1996. The City has entered into agreements with the applicants and the Michigan Economic Development Corporation to incentivize investment and job creation in Michigan. Projects that are designated as Renaissance Zones are exempt from all property taxes, except for debt millage. Abatements are for up to 15 years, and are phased out at 25% per year, during the final years of the abatement period. Renaissance Zones can be revoked by the State if the recipient fails to satisfy the terms of the developer agreement. As of June 30, 2017, the City has four Renaissance Zones that abate approximately $120 million in taxable value and $1,770,311 in City property taxes.

Note 21 - Subsequent Events

Bond Issue

On October 5, 2017, the City issued general obligation bonds of $3,795,000 (par value) with an interest rate of 2.09% to advance refund term bonds with an interest rate of 1.8 – 3.55% and a par value of $3,740,000. The term bonds mature on May 1 2030, which is the same maturity date of the bonds being refunded, the 2012 Civic Arena Refunding Bonds. The City included $50,000 of cash on hand, and after issuance costs of $51,988, the net proceeds were $3,793,012. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statements.

As a result of the advance refunding, the City reduced its total debt service requirements by $219,124, which resulted in an economic gain of $193,200.

Flood

Between June 22 and June 23, 2017 the City experienced a 100-year rain event, which overtook the City's infrastructure in many areas and resulting in surface and basement flooding throughout the City. At 6 PM on June 24 the Tittabawassee River crested at 32.15 feet, second only to 1986 when it rose to 33.6 feet. This caused significant flooding and damage throughout areas near the river and Sturgeon Creek, including city parks, the Currie Golf Course, and many neighborhoods. Many streets were closed including for the first time, US-10.

The City sustained significant damage to its library and golf course. The lower level of the Grace A. Dow Memorial Library flooded. The cost to remediate and restore is estimated to be $1.5 million. Insurance will pay for $1 million of these costs, while a local foundation has pledged $400,000 to help fund the remainder. The Currie Golf Course incurred damage to a building, equipment, and property with the total costs expecting to exceed $300,000. Insurance will cover $100,000 of these costs. During and immediately following the rain event, the City incurred overtime costs of $165,000. The City has been approved for a FEMA grant in the amount of $100,000 to fund a portion of these overtime costs.

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Taxes				
Property taxes	$ 27,466,302	$ 26,967,097	$ 26,967,097	$ -
Other taxes	39,000	37,000	37,294	294
Penalties and interest	110,000	89,638	117,216	27,578
Administration fee	1,000,000	945,677	945,677	-
Licenses and permits	403,990	480,940	544,328	63,388
Federal grants	10,615	343,450	-	(343,450)
State revenue sharing	3,445,000	3,445,000	3,552,392	107,392
State grants	3,515,274	8,030,795	8,032,211	1,416
Local contributions	130,000	811,994	434,598	(377,396)
Charges for services	2,376,202	2,386,980	2,379,764	(7,216)
Use and admission charges	275,600	311,823	340,977	29,154
Interest income	30,000	70,000	88,062	18,062
Rental income	78,000	80,278	80,178	(100)
Other revenue	947,955	885,517	980,867	95,350
Total revenues	39,827,938	44,886,189	44,500,661	(385,528)

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Expenditures				
General government	$ 7,140,754	$ 6,931,027	$ 6,571,540	$ (359,487)
Public safety	17,559,025	17,527,177	17,167,728	(359,449)
Public works	2,259,981	2,091,471	1,886,803	(204,668)
Sanitation	3,468,322	3,473,587	3,538,019	64,432
Parks and recreation	5,586,652	5,829,025	5,669,618	(159,407)
Airport	337,925	289,938	272,336	(17,602)
Property tax appeals	546,000	402,500	344,557	(57,943)
Reserve for contingencies	400,000	146,500	-	(146,500)
Capital outlay	800,250	2,882,901	516,182	(2,366,719)
Total expenditures	38,098,909	39,574,126	35,966,783	(3,607,343)
Excess of revenues over expenditures	1,729,029	5,312,063	8,533,878	3,221,815
Other financing sources (uses)				
Proceeds from sale of capital assets	-	7,522	9,632	2,110
Transfer in	24,000	38,388	30,702	(7,686)
Transfers out	(5,385,282)	(5,228,057)	(4,910,135)	317,922
Total other financing sources (uses)	(5,361,282)	(5,182,147)	(4,869,801)	312,346
Net change in fund balance	(3,632,253)	129,916	3,664,077	3,534,161
Fund balance - beginning of year	12,602,139	12,602,139	12,602,139	-
Fund balance - end of year	$ 8,969,886	$ 12,732,055	$ 16,266,216	$ 3,534,161

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Taxes	$ 4,200,000	$ 4,518,393	$ 4,311,906	$ (206,487)
Licenses and permits	80,000	80,000	97,098	17,098
Federal grants	2,000	750	-	(750)
Other State grants	3,461,000	3,660,450	3,684,842	24,392
Local contributions	50,000	3,150,000	3,120,000	(30,000)
Charges for services	198,013	177,872	128,582	(49,290)
Interest income	4,000	13,000	24,157	11,157
Other revenue	16,000	19,300	19,357	57
Total revenues	8,011,013	11,619,765	11,385,942	(233,823)
Expenditures				
Public works				
Engineering	238,007	236,032	236,934	902
Right of way inspections	23,134	22,459	6,291	(16,168)
Roadway maintenance	179,909	170,202	150,697	(19,505)
Guardrail maintenance	8,263	8,625	6,562	(2,063)
Sweeping and flushing	178,204	164,661	156,398	(8,263)
Shoulder maintenance	10,808	10,077	4,479	(5,598)
Roadside drainage	120,864	109,699	138,099	28,400
Curb and gutter maintenance	65,738	68,805	61,237	(7,568)
Roadside cleanup	24,109	32,458	29,060	(3,398)
Capital outlay	2,952,000	9,637,596	4,107,718	(5,529,878)
Snow and ice control	572,803	524,306	395,016	(129,290)
Stormwater activities credit	(136,313)	(133,811)	(147,714)	(13,903)
Trunkline maintenance	198,013	177,872	105,591	(72,281)
Other charges	5,000	2,500	750	(1,750)
Reserve for contingencies	20,000	20,000	-	(20,000)
Traffic services	552,209	506,562	461,951	(44,611)
Total public works	5,012,748	11,558,043	5,713,069	(5,844,974)
Excess of revenues over expenditures	2,998,265	61,722	5,672,873	5,611,151

City of Midland, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Other financing sources (uses)				
Transfers in	$ -	$ 917,737	$ 917,737	$ -
Transfers out	(2,856,313)	(2,926,991)	(3,043,789)	(116,798)
Total other financing sources and (uses)	(2,856,313)	(2,009,254)	(2,126,052)	(116,798)
Net change in fund balance	141,952	(1,947,532)	3,546,821	5,494,353
Fund balance - beginning of year	7,549,006	7,549,006	7,549,006	-
Fund balance - end of year	$ 7,690,958	$ 5,601,474	$ 11,095,827	$ 5,494,353

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

Actuarial Valuation Date	Annual Determined Contribution	Annual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2007	$ 2,682,994	$ 2,682,994	$ -	$ 12,173,842	22.04%
12/31/2008	2,953,178	2,953,178	-	11,873,441	24.87%
12/31/2009	3,065,297	3,065,297	-	11,011,467	27.84%
12/31/2010	3,356,011	3,356,011	-	10,363,303	32.38%
12/31/2011	3,676,496	3,676,496	-	9,897,469	37.15%
12/31/2012	3,917,669	3,917,669	-	9,227,199	42.46%
12/31/2013	4,433,654	4,433,654	-	8,741,747	50.72%
12/31/2014	4,968,967	4,968,967	-	8,685,943	57.21%
12/31/2015	5,382,317	5,382,317	-	7,759,320	69.37%
12/31/2016	5,950,113	6,200,113	(250,000)	6,861,725	90.36%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Fixed
Remaining amortization period	10 for closed divisions and 22 for open divisions
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	60
Mortality	2014 Group annuity mortality table of 50%

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

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

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

City of Midland, Michigan
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of the City's Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2015	$ 132,629,483	$ 77,209,112	$ 55,420,371	58.21%	$ 8,685,943	638.05%
2016	141,659,850	72,520,246	69,139,604	51.19%	7,759,320	891.05%
2017	141,414,757	77,290,283	64,124,474	54.66%	6,861,725	934.52%

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

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

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

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

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2015	$ 78,947,095	$ 60,910,340	$ 18,036,755	77.15%	$ 7,027,322	256.67%
2016	81,247,156	57,426,524	23,820,632	70.68%	7,458,145	319.39%
2017	85,840,652	62,397,197	23,443,455	72.69%	7,237,356	323.92%

Note: Information from 2005 - 2014 is not available. Additional years will be presented on this schedule on a prospective basis.

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

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

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

The information presented above was determined as part of the actuarial valuations at the date indicated above. Additional information as of December 31, 2016, the latest actuarial valuation, follows:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	23 years, closed
Asset valuation method	4-year smoothed market
Inflation	3.00%
Salary increases	4.0% to 9.2%
Investment rate of return	7.0% (net of administrative expenses)
Retirement age	Experience-based table of rates that are specific to type of eligiblity condition
Mortality	RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table projected 10 years

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

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

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

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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%
6/30/14	39,331,790	85,125,933	45,794,143	46.2%
6/30/16	40,317,063	91,458,225	51,141,162	44.1%

City of Midland, Michigan
Required Supplementary Information
Other Post Employment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2017

Fiscal year ended June 30,	2017
Total OPEB Liability	
Service cost	$ 510,303
Interest	6,663,524
Differences between expected and actual experience	207,499
Benefit payments	(5,732,786)
Net change in total OPEB liability	1,648,540
Total OPEB liability - beginning	91,458,225
Total OPEB liability - ending (a)	$ 93,106,765
Plan Fiduciary Net Position	
Employer contributions	$ 5,276,990
Net investment income (loss)	5,097,143
Benefit payments and refunds	(5,732,786)
Other	740,340
Net change in plan fiduciary net position	5,381,687
Plan fiduciary net position - beginning	40,322,914
Plan fiduciary net position - ending (b)	$ 45,704,601
Net OPEB liability (a-b)	$ 47,402,164
Plan fiduciary net position as a percentage of total OPEB liability	49.09%
Covered employee payroll	$ 10,473,580
Net OPEB liability as a percentage of covered employee payroll	452.59%

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

City of Midland, Michigan
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
June 30, 2017

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

The information presented above was determined as part of the actuarial valuations at the date indicated above. Additional information as of June 30, 2017, the latest actuarial valuation, follows:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar
Remaining amortization period	23 years, closed
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	General: 4.0% to 17.0%, including inflation
	Act 345: 4.0% to 9.2%, including inflation
Investment rate of return	8.0%, net of OPEB plan investment expense, including inflation
Retirement age	General: Experience-based table of rates that are specific to that type of eligibility condition.
	Act 345: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2008 valuation pursuant to an experience study of the period 2002-2007.
Mortality	General: The RP-2000 Mortality Table projected 20 years with Scale BB. Act 345: The RP-2000 Male (unadjusted) and Female (unadjusted) Health Life Mortality Table projected 10 years.
Health care trend rates	9.00 % trend, gradually decreasing to 4.00% in year 10
Excose tax	A 1.5% load was applied in connection with the "Cadillac" tax
Aging factors	Based on an internal GRS study using several pricing manuals from National Health Care Consultant groups and incorporating analysis and data from a SOA survey regarding aging practices used in health care valuations.

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

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

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

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

NOTE – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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

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

City of Midland, Michigan
Other Supplementary Information
Nonmajor Governmental Funds
Fund Descriptions
Year Ended June 30, 2017

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

City of Midland, Michigan
Other Supplementary Information
Nonmajor Governmental Funds
Fund Descriptions
Year Ended June 30, 2017

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

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

Debt Service Fund

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

Permanent Fund

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

City of Midland, Michigan
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds											Debt Service Fund	Permanent Fund	
	Local Street Fund	Smart Zone Fund	Center City Authority Fund	Stormwater Management Fund	Grace A. Dow Memorial Library Fund	Community Development Block Grant Fund	Dial-A-Ride Fund	Downtown Development Authority Fund	Midland Community Television Fund	Special Activities Fund	Midland Housing Fund	Debt Service Fund	Cemetery Fund	Total Nonmajor Governmental Funds
Assets														
Cash and cash equivalents	$ 4,839,989	$ 193,425	$ 50,937	$ 1,042,864	$ 569,356	$ -	$ -	$ 318,940	$ 1,144,361	$ 92,607	$ 113,996	$ 69,251	$ 2,019,020	$ 10,454,746
Receivables - net of allowances														
Taxes	-	-	-	-	143	-	-	-	-	-	-	-	-	143
Trust deeds	-	-	-	-	-	1,101,936	-	-	-	-	-	-	-	1,101,936
Customers	-	-	-	-	-	-	-	-	-	4,646	-	-	-	4,646
Accounts and contracts	-	-	-	1,456	-	-	2,160	91,917	180,825	-	444,622	-	350	721,330
Accrued interest and other	4,710	-	52	1,024	1,151	-	-	508	1,153	46	167	245	2,036	11,092
Due from other units of government	188,744	-	-	-	-	178,478	190,817	-	-	-	-	-	-	558,039
Due from other funds	-	-	-	-	-	86,054	-	-	-	-	-	-	-	86,054
Prepaid items	-	-	-	-	-	-	-	-	-	-	3,592	-	-	3,592
Total assets	$ 5,033,443	$ 193,425	$ 50,989	$ 1,045,344	$ 570,650	$ 1,366,468	$ 192,977	$ 411,365	$ 1,326,339	$ 97,299	$ 562,377	$ 69,496	$ 2,021,406	$ 12,941,578
Liabilities														
Accounts payable	$ 211,027	$ -	$ 120	$ 7,525	$ 193,259	$ 188,478	$ 76,612	$ 42,680	$ 6,394	$ 9,193	$ 95,009	$ -	$ -	$ 830,297
Due to other funds	-	-	-	-	-	-	-	-	-	-	86,054	-	-	86,054
Deposits	-	-	-	5,258	2,685	-	-	-	-	25,920	-	-	-	33,863
Unearned revenue	-	-	-	-	-	-	51,526	-	-	-	-	-	-	51,526
Total liabilities	211,027	-	120	12,783	195,944	188,478	128,138	42,680	6,394	35,113	181,063	-	-	1,001,740
Deferred inflows of resources														
Grants	-	-	-	-	-	-	22,304	-	-	-	-	-	-	22,304
Customers	-	-	-	-	-	-	-	-	-	-	164,073	-	-	164,073
Trust deeds	-	-	-	-	-	1,101,936	-	-	-	-	-	-	-	1,101,936
Total deferred inflows of resources	-	-	-	-	-	1,101,936	22,304	-	-	-	164,073	-	-	1,288,313
Total liabilities and deferred inflows of resources	211,027	-	120	12,783	195,944	1,290,414	150,442	42,680	6,394	35,113	345,136	-	-	2,290,053
Fund balances														
Non-spendable														
Prepaid items	-	-	-	-	-	-	-	-	-	-	3,592	-	-	3,592
Restricted for														
Local street	4,822,416	-	-	-	-	-	-	-	-	-	-	-	-	4,822,416
Smart Zone	-	110,425	-	-	-	-	-	-	-	-	-	-	-	110,425
Center city authority	-	-	50,869	-	-	-	-	-	-	-	-	-	-	50,869
Grace A. Dow Memorial Library	-	-	-	-	374,706	-	-	-	-	-	-	-	-	374,706
Downtown development authority	-	-	-	-	-	-	-	294,257	-	-	-	-	-	294,257
Community development block grant	-	-	-	-	-	76,054	-	-	-	-	-	-	-	76,054
Dial-A-Ride	-	-	-	-	-	-	42,535	-	-	-	-	-	-	42,535
Midland housing	-	-	-	-	-	-	-	-	-	-	204,849	-	-	204,849
Special activities	-	-	-	-	-	-	-	-	-	62,186	-	-	-	62,186
Debt service	-	-	-	-	-	-	-	-	-	-	-	69,496	-	69,496
Cemetery operations	-	-	-	-	-	-	-	-	-	-	-	-	2,021,406	2,021,406
Committed														
Future year expenditures	-	83,000	-	145,031	-	-	-	74,428	-	-	8,800	-	-	311,259
Assigned	-	-	-	887,530	-	-	-	-	1,319,945	-	-	-	-	2,207,475
Total fund balances	4,822,416	193,425	50,869	1,032,561	374,706	76,054	42,535	368,685	1,319,945	62,186	217,241	69,496	2,021,406	10,651,525
Total liabilities, deferred inflows of resources and fund balances	$ 5,033,443	$ 193,425	$ 50,989	$ 1,045,344	$ 570,650	$ 1,366,468	$ 192,977	$ 411,365	$ 1,326,339	$ 97,299	$ 562,377	$ 69,496	$ 2,021,406	$ 12,941,578

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, 2017

	Special Revenue Funds											Debt Service Fund	Permanent Fund	
	Local Street Fund	Smart Zone Fund	Center City Authority Fund	Stormwater Management Fund	Grace A. Dow Memorial Library Fund	Community Development Block Grant Fund	Dial-A-Ride Fund	Downtown Development Authority Fund	Midland Community Television Fund	Special Activities Fund	Midland Housing Fund	Debt Service Fund	Cemetery Fund	Total Nonmajor Governmental Funds
Revenues														
Taxes	$ -	$ -	$ -	$ -	$ 2,130,937	$ -	$ -	$ 582,569	$ -	$ -	$ -	$ 543,270	$ -	$ 3,256,776
Licenses and permits	99,922	-	-	19,234	-	-	-	-	-	-	-	-	-	119,156
Federal grants	-	-	-	-	-	222,186	590,794	-	-	-	-	-	-	812,980
State revenue sharing	-	-	-	-	336,368	-	-	-	-	-	-	-	-	336,368
Other state grants	975,723	-	-	-	-	-	815,160	-	-	8,780	-	86,419	-	1,886,082
Local contributions	-	75,000	-	-	491,334	-	-	17,500	307	34,985	-	-	26,631	645,757
Charges for services	-	-	-	-	548,656	-	120,657	-	740,378	-	-	-	-	1,409,691
Interest income	13,076	-	162	3,037	3,506	-	-	1,961	3,330	136	784	1,769	6,037	33,798
Other revenue	14,527	-	-	60	9,176	14,175	-	9,016	-	1,115	11,259	-	-	59,328
Total revenues	1,103,248	75,000	162	22,331	3,519,977	236,361	1,526,611	611,046	744,015	45,016	12,043	631,458	32,668	8,559,936
Expenditures														
Current														
General government	-	-	-	-	-	-	-	-	-	5,001	-	-	-	5,001
Public safety	-	-	-	-	-	-	-	-	-	8,548	-	-	-	8,548
Public works	1,290,689	41,234	11,823	717,057	-	-	-	-	-	-	-	-	-	2,060,803
Community and economic development	-	-	-	-	-	210,231	-	447,525	-	48,365	8,492	-	-	714,613
Library and community television	-	-	-	-	3,867,024	-	-	-	630,770	-	-	-	-	4,497,794
Transportation	-	-	-	-	-	-	1,990,729	-	-	-	-	-	-	1,990,729
Capital outlay	2,257,310	-	-	183,718	195,153	-	-	-	63,988	-	-	-	-	2,700,169
Debt service														
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	1,365,000	-	1,365,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	200,244	-	200,244
Total expenditures	3,547,999	41,234	11,823	900,775	4,062,177	210,231	1,990,729	447,525	694,758	61,914	8,492	1,565,244	-	13,542,901
Excess (deficiency) of revenues over (under) expenditures	(2,444,751)	33,766	(11,661)	(878,444)	(542,200)	26,130	(464,118)	163,521	49,257	(16,898)	3,551	(933,786)	32,668	(4,982,965)
Other financing sources (uses)														
Proceeds from sale of capital assets	-	-	-	-	-	-	12,011	-	2,433	-	-	-	-	14,444
Transfers in	2,896,075	-	-	969,908	865,907	-	494,642	10,000	-	5,000	-	1,819,749	-	7,061,281
Transfers out	(152,194)	-	-	-	-	(34,259)	-	(817,900)	-	(5,456)	-	(827,471)	-	(1,837,280)
Total other financing sources and uses	2,743,881	-	-	969,908	865,907	(34,259)	506,653	(807,900)	2,433	(456)	-	992,278	-	5,238,445
Net change in fund balance	299,130	33,766	(11,661)	91,464	323,707	(8,129)	42,535	(644,379)	51,690	(17,354)	3,551	58,492	32,668	255,480
Fund balance - beginning of year	4,523,286	159,659	62,530	941,097	50,999	84,183	-	1,013,064	1,268,255	79,540	213,690	11,004	1,988,738	10,396,045
Fund balance - end of year	$ 4,822,416	$ 193,425	$ 50,869	$ 1,032,561	$ 374,706	$ 76,054	$ 42,535	$ 368,685	$ 1,319,945	$ 62,186	$ 217,241	$ 69,496	$ 2,021,406	$ 10,651,525

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Licenses and permits	$ 70,000	$ 70,000	$ 99,922	$ 29,922
Other State grants	922,000	962,400	975,723	13,323
Local contributions	50,000	50,000	-	(50,000)
Interest income	3,000	10,000	13,076	3,076
Other revenue	-	7,000	14,527	7,527
Total revenues	1,045,000	1,099,400	1,103,248	3,848
Expenditures				
Public works				
Engineering	141,706	139,169	118,397	(20,772)
Right of way inspections	14,908	15,157	6,475	(8,682)
Roadway maintenance	273,840	284,367	259,134	(25,233)
Guardrail maintenance	4,855	1,089	546	(543)
Sweeping and flushing	277,638	304,518	306,453	1,935
Shoulder maintenance	5,721	5,187	3,508	(1,679)
Roadside drainage	141,327	115,842	152,196	36,354
Curb and gutter maintenance	198,334	186,785	166,405	(20,380)
Roadside cleanup	17,211	27,389	25,580	(1,809)
Dust control	18,293	14,499	3,189	(11,310)
Snow and ice control	498,398	421,362	245,065	(176,297)
Stormwater activities credit	(141,327)	(134,942)	(152,194)	(17,252)
Traffic services	136,760	150,088	155,935	5,847
Reserve for contingencies	20,000	20,000	-	(20,000)
Total expenditures	1,607,664	1,550,510	1,290,689	(259,821)
Capital outlay	2,249,000	3,778,277	2,257,310	(1,520,967)
Total public works	3,856,664	5,328,787	3,547,999	(1,780,788)
Deficiency of revenues under expenditures	(2,811,664)	(4,229,387)	(2,444,751)	1,784,636
Other financing sources (uses)				
Transfers in	2,720,000	2,793,180	2,896,075	102,895
Transfers out	(141,327)	(134,942)	(152,194)	(17,252)
Total other financing sources (uses)	2,578,673	2,658,238	2,743,881	85,643
Net change in fund balance	(232,991)	(1,571,149)	299,130	1,870,279
Fund balance - beginning of year	4,523,286	4,523,286	4,523,286	-
Fund balance - end of year	$ 4,290,295	$ 2,952,137	$ 4,822,416	$ 1,870,279

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Smart Zone Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Taxes	$ -	$ 18,000	$ -	$ (18,000)
Local contributions	-	82,334	75,000	(7,334)
Total revenues	-	100,334	75,000	(25,334)
Expenditures				
Public works				
Administration	-	44,000	37,991	(6,009)
Other	48,000	23,000	3,243	(19,757)
Total expenditures	48,000	67,000	41,234	(25,766)
Capital outlay	-	5,000	-	(5,000)
Total expenditures	48,000	72,000	41,234	(30,766)
Net change in fund balance	(48,000)	28,334	33,766	5,432
Fund balance - beginning of year	159,659	159,659	159,659	-
Fund balance - end of year	$ 111,659	$ 187,993	$ 193,425	$ 5,432

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Center City Authority Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Taxes	$ 4,252	$ 3,305	$ -	$ (3,305)
Interest income	-	80	162	82
Other revenue	300	-	-	-
Total revenues	4,552	3,385	162	(3,223)
Expenditures				
Public works				
Other	4,252	35,386	11,823	(23,563)
Net change in fund balance	300	(32,001)	(11,661)	20,340
Fund balance - beginning of year	62,530	62,530	62,530	-
Fund balance - end of year	$ 62,830	$ 30,529	$ 50,869	$ 20,340

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Stormwater Management Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Licenses and permits	$ 24,500	$ 24,500	$ 19,234	$ (5,266)
Interest income	450	1,600	3,037	1,437
Other revenue	-	60	60	-
Total revenues	24,950	26,160	22,331	(3,829)
Expenditures				
Public works				
Administration	19,895	14,775	14,775	-
Open drain maintenance	59,859	76,512	80,736	4,224
Storm sewer maintenance	230,293	287,610	241,495	(46,115)
Inspection expenses	35,108	37,987	23,649	(14,338)
Storm sewer repair	44,312	64,678	51,908	(12,770)
Purchased services	285,640	280,753	304,494	23,741
Reserve for contingencies	25,000	25,000	-	(25,000)
Total public works	700,107	787,315	717,057	(70,258)
Capital outlay	253,000	639,030	183,718	(455,312)
Total expenditures	953,107	1,426,345	900,775	(525,570)
Deficiency of revenues under expenditures	(928,157)	(1,400,185)	(878,444)	521,741
Other financing sources				
Transfers in	947,640	938,753	969,908	31,155
Net change in fund balance	19,483	(461,432)	91,464	552,896
Fund balance - beginning of year	941,097	941,097	941,097	-
Fund balance - end of year	$ 960,580	$ 479,665	$ 1,032,561	$ 552,896

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Grace A. Dow Memorial Library Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Taxes	$ 2,098,877	$ 2,130,938	$ 2,130,937	$ (1)
State revenue sharing	307,724	336,708	336,368	(340)
Local contributions	205,000	500,000	491,334	(8,666)
Charges for services	559,736	558,388	548,656	(9,732)
Interest income	1,000	2,000	3,506	1,506
Other revenue	12,500	9,880	9,176	(704)
Total revenues	3,184,837	3,537,914	3,519,977	(17,937)
Expenditures				
Library and community television				
Personal services	3,005,749	2,901,696	2,812,070	(89,626)
Supplies	501,860	541,443	496,090	(45,353)
Other changes	689,627	687,515	558,864	(128,651)
Capital outlay	230,000	520,000	195,153	(324,847)
Total expenditures	4,427,236	4,650,654	4,062,177	(588,477)
Deficiency of revenues under expenditures	(1,242,399)	(1,112,740)	(542,200)	570,540
Other financing sources				
Transfers in	1,242,399	1,061,741	865,907	(195,834)
Net change in fund balance	-	(50,999)	323,707	374,706
Fund balance - beginning of year	50,999	50,999	50,999	-
Fund balance - end of year	$ 50,999	$ -	$ 374,706	$ 374,706

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Community Development Block Grant Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Federal grants	$ 322,392	$ 404,294	$ 222,186	$ (182,108)
Other revenue	10,497	15,000	14,175	(825)
Total revenues	332,889	419,294	236,361	(182,933)
Expenditures				
Community and economic development				
Administration	43,000	43,000	34,388	(8,612)
Residential home rehabs	97,392	97,392	55,846	(41,546)
Public facilities improvements	80,000	80,000	62,500	(17,500)
Public services project	41,497	41,497	41,497	-
Affordable housing	11,000	11,000	11,000	-
Removal of architectural barriers	5,000	5,000	5,000	-
Reserve for contingencies	10,000	10,000	-	(10,000)
Total expenditures	287,889	287,889	210,231	(77,658)
Excess of revenues over expenditures	45,000	131,405	26,130	(105,275)
Other financing uses				
Transfers out	(45,000)	(45,000)	(34,259)	10,741
Net change in fund balance	-	86,405	(8,129)	(94,534)
Fund balance - beginning of year	84,183	84,183	84,183	-
Fund balance - end of year	$ 84,183	$ 170,588	$ 76,054	$ (94,534)

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Dial-A-Ride Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Federal grants	$ 636,890	$ 639,227	$ 590,794	$ (48,433)
Other State grants	794,815	858,207	815,160	(43,047)
Charges for services	111,124	114,744	120,657	5,913
Total revenues	1,542,829	1,612,178	1,526,611	(85,567)
Expenditures				
Transportation				
Operations	1,591,424	1,568,223	1,421,159	(147,064)
Administration	233,956	218,531	221,817	3,286
Dispatching	386,377	386,959	347,753	(39,206)
Reserve for contingencies	10,000	10,000	-	(10,000)
Total transportation	2,221,757	2,183,713	1,990,729	(192,984)
Capital outlay	64,206	57,206	-	(57,206)
Total expenditures	2,285,963	2,240,919	1,990,729	(250,190)
Deficiency of revenues under expenditures	(743,134)	(628,741)	(464,118)	164,623
Other financing sources				
Proceeds from sale of capital assets	-	12,011	12,011	-
Transfers in	743,134	616,730	494,642	(122,088)
Total other financing sources	743,134	628,741	506,653	(122,088)
Net change in fund balance	-	-	42,535	42,535
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ 42,535	$ 42,535

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Downtown Development Authority Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Taxes	$ 542,549	$ 542,374	$ 582,569	$ 40,195
Local contributions	16,500	17,500	17,500	-
Interest income	800	800	1,961	1,161
Other revenue	5,000	9,016	9,016	-
Total revenues	564,849	569,690	611,046	41,356
Expenditures				
Community and economic development				
Personal services	176,127	175,367	146,432	(28,935)
Supplies	1,800	1,800	338	(1,462)
Other charges	302,205	336,641	300,755	(35,886)
Total expenditures	480,132	513,808	447,525	(66,283)
Excess of revenues over expenditures	84,717	55,882	163,521	107,639
Other financing sources (uses)				
Transfers in	10,000	10,000	10,000	-
Transfers out	(50,000)	(817,900)	(817,900)	-
Total other financing sources and uses	(40,000)	(807,900)	(807,900)	-
Net change in fund balance	44,717	(752,018)	(644,379)	107,639
Fund balance - beginning of year	1,013,064	1,013,064	1,013,064	-
Fund balance - end of year	$ 1,057,781	$ 261,046	$ 368,685	$ 107,639

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Midland Community Television Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Local contributions	$ 1,000	$ 307	$ 307	$ -
Charges for services	780,050	780,750	740,378	(40,372)
Interest income	1,100	1,100	3,330	2,230
Total revenues	782,150	782,157	744,015	(38,142)
Expenditures				
Library and community television				
Personal services	506,785	510,636	432,957	(77,679)
Supplies	12,600	12,533	11,880	(653)
Other charges	210,734	198,068	185,933	(12,135)
Reserve for contingencies	20,000	14,000	-	(14,000)
Total library and community television	750,119	735,237	630,770	(104,467)
Capital outlay	30,000	95,178	63,988	(31,190)
Total expenditures	780,119	830,415	694,758	(135,657)
Excess (deficiency) of revenues over (under) expenditures	2,031	(48,258)	49,257	97,515
Other financing sources				
Proceeds from sale of capital assets	-	2,433	2,433	-
Net change in fund balance	2,031	(45,825)	51,690	97,515
Fund balance - beginning of year	1,268,255	1,268,255	1,268,255	-
Fund balance - end of year	$ 1,270,286	$ 1,222,430	$ 1,319,945	$ 97,515

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Special Activities Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Other state grants	$ 9,000	$ 9,000	$ 8,780	$ (220)
Local contributions	23,275	25,275	34,985	9,710
Interest income	50	50	136	86
Other revenue	49,500	35,000	1,115	(33,885)
Total revenues	81,825	69,325	45,016	(24,309)
Expenditures				
General government				
Supplies	21,000	23,750	11,369	(12,381)
Other charges	52,500	48,500	50,545	2,045
Total expenditures	73,500	72,250	61,914	(10,336)
Excess (deficiency) of revenues over (under) expenditures	8,325	(2,925)	(16,898)	(13,973)
Other financing sources (uses)				
Transfers in	5,000	5,000	5,000	-
Transfers out	(10,000)	(10,000)	(5,456)	4,544
Total other financing sources and uses	(5,000)	(5,000)	(456)	4,544
Net change in fund balance	3,325	(7,925)	(17,354)	(9,429)
Fund balance - beginning of year	79,540	79,540	79,540	-
Fund balance - end of year	$ 82,865	$ 71,615	$ 62,186	$ (9,429)

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Midland Housing Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Interest income	$ 200	$ 800	$ 784	$ (16)
Other revenue	-	-	11,259	11,259
Total revenues	200	800	12,043	11,243
Expenditures				
Community and economic development				
Warranty maintenance	8,100	27,803	8,492	(19,311)
Excess (deficiency) of revenues over (under) expenditures	(7,900)	(27,003)	3,551	30,554
Other financing sources				
Proceeds from sale of capital assets	445,000	521,603	-	(521,603)
Net change in fund balance	437,100	494,600	3,551	(491,049)
Fund balance - beginning of year	213,690	213,690	213,690	-
Fund balance - end of year	$ 650,790	$ 708,290	$ 217,241	$ (491,049)

City of Midland, Michigan
Other Supplementary Information
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Taxes	$ 555,941	$ 543,269	$ 543,270	$ 1
Other state grants	80,415	86,419	86,419	-
Interest income	250	1,000	1,769	769
Total revenues	636,606	630,688	631,458	770
Expenditures				
Debt service				
Principal retirement	1,220,000	1,220,000	1,365,000	145,000
Interest and fiscal charges	408,663	408,663	200,244	(208,419)
Total expenditures	1,628,663	1,628,663	1,565,244	(63,419)
Deficiency of revenues under expenditures	(992,057)	(997,975)	(933,786)	64,189
Other financing sources (uses)				
Transfers in	1,819,749	1,819,749	1,819,749	-
Transfers out	(827,471)	(827,471)	(827,471)	-
Total other financing sources and uses	992,278	992,278	992,278	-
Net change in fund balance	221	(5,697)	58,492	64,189
Fund balance - beginning of year (deficit)	-	-	11,004	11,004
Fund balance - end of year (deficit)	$ 221	$ (5,697)	$ 69,496	$ 75,193

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Fund Descriptions
Year Ended June 30, 2017

Enterprise Funds

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

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

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

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

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

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Net Position
June 30, 2017

	Enterprise Funds				
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	Total Nonmajor Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	$ 1,258,555	$ 1,508,386	$ -	$ 41,309	$ 2,808,250
Investments	-	-	490,054	-	490,054
Receivables - net of allowances					
Customers	9,936	781	11,290	-	22,007
Accounts and contracts	-	-	-	20,877	20,877
Accrued interest	1,699	1,532	-	37	3,268
Contributions	1,000,000	-	-	-	1,000,000
Inventories	-	-	39,621	-	39,621
Prepaid items	-	-	33,235	-	33,235
Total current assets	2,270,190	1,510,699	574,200	62,223	4,417,312
Noncurrent assets					
Capital assets, net of accumulated depreciation	3,463,857	6,596,500	4,599,590	948,605	15,608,552
Capital assets not being depreciated	2,211,892	538,000	288,354	536,223	3,574,469
Total noncurrent assets	5,675,749	7,134,500	4,887,944	1,484,828	19,183,021
Total assets	7,945,939	8,645,199	5,462,144	1,547,051	23,600,333
Deferred outflows of resources					
Deferred amount relating to net pension liability - MERS	113,038	117,124	-	3,405	233,567
Total assets and deferred outflows of resources	8,058,977	8,762,323	5,462,144	1,550,456	23,833,900

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Net Position
June 30, 2017

	Enterprise Funds				
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	Total Nonmajor Proprietary Funds
Liabilities					
Current liabilities					
Accounts payable	$ 146,582	$ 13,906	$ 200,685	$ 197	$ 361,370
Accrued and other liabilities	-	-	15,413	-	15,413
Deposits	22,750	24,100	72,180	-	119,030
Unearned revenue	-	-	63,109	-	63,109
Total current liabilities	169,332	38,006	351,387	197	558,922
Noncurrent liabilities					
Net pension liability	1,064,466	1,102,941	-	32,062	2,199,469
Current portion of noncurrent liabilities	26,016	24,966	25,776	-	76,758
Long-term debt net of current portion	18,232	14,535	94,926	-	127,693
Total noncurrent liabilities	1,108,714	1,142,442	120,702	32,062	2,403,920
Total liabilities	1,278,046	1,180,448	472,089	32,259	2,962,842
Net position					
Net investment in capital assets	5,675,749	7,134,500	4,767,242	1,484,828	19,062,319
Restricted for					
Washington Woods project	1,000,000	-	-	-	1,000,000
Unrestricted	105,182	447,375	222,813	33,369	808,739
Total net position	$ 6,780,931	$ 7,581,875	$ 4,990,055	$ 1,518,197	$ 20,871,058

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	Enterprise Funds				
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	Total Nonmajor Proprietary Funds
Operating revenue					
Use and admission charges	$ -	$ -	$ 843,335	$ 109,532	$ 952,867
Rental income	1,113,527	1,443,912	-	-	2,557,439
Sale of meals	247,325	451,729	-	-	699,054
Other revenue	145,199	158,810	9,209	11,632	324,850
Total operating revenue	1,506,051	2,054,451	852,544	121,164	4,534,210
Operating expenses					
Operations	1,727,339	1,772,494	1,019,432	42,980	4,562,245
Maintenance	-	-	-	113,811	113,811
Other expenses	1,199	-	-	-	1,199
Depreciation	241,050	284,724	188,242	36,880	750,896
Total operating expenses	1,969,588	2,057,218	1,207,674	193,671	5,428,151
Operating loss	(463,537)	(2,767)	(355,130)	(72,507)	(893,941)
Nonoperating revenue (expense)					
Interest income	6,366	4,498	116,517	119	127,500
Gain (loss) on disposition of assets	2,000	(4,995)	-	-	(2,995)
Interest expense	-	-	(2,162)	-	(2,162)
Total nonoperating revenues (expense)	8,366	(497)	114,355	119	122,343
Loss before contributions and transfers	(455,171)	(3,264)	(240,775)	(72,388)	(771,598)

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	Enterprise Funds				
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	Total Nonmajor Proprietary Funds
Capital contributions	$ -	$ 29,874	$ 52,000	$ -	$ 81,874
Transfers in	34,259	-	540,000	55,000	629,259
Change in net position	(420,912)	26,610	351,225	(17,388)	(60,465)
Net position - beginning of year	7,201,843	7,555,265	4,638,830	1,535,585	20,931,523
Net position - end of year	$ 6,780,931	$ 7,581,875	$ 4,990,055	$ 1,518,197	$ 20,871,058

City of Midland, Michigan
Other Supplementary Information
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2017

	Enterprise Funds				
	Washington Woods Fund	Riverside Place Fund	Currie Municipal Golf Course Fund	Parking Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities					
Receipts from customers	$ 2,805,239	$ 2,053,659	$ 851,820	$ 123,226	$ 5,833,944
Payments to suppliers	(1,572,137)	(1,254,016)	(849,050)	(127,804)	(3,803,007)
Payments to employees	(465,291)	(632,857)	(520,793)	(36,174)	(1,655,115)
Net cash provided (used) by operating activities	767,811	166,786	(518,023)	(40,752)	375,822
Cash flows from noncapital financing activities					
Transfer from other funds	34,259	-	540,000	55,000	629,259
Cash flows from capital and related financing activities					
Capital contributions	-	29,874	52,000	-	81,874
Purchases/construction of capital assets	(2,121,683)	(53,147)	(69,505)	-	(2,244,335)
Principal and interest paid on long-term debt	-	-	(17,182)	-	(17,182)
Proceeds from sale of capital assets	2,000	2,005	-	-	4,005
Net cash used by capital and related financing activities	(2,119,683)	(21,268)	(34,687)	-	(2,175,638)
Cash flows from investing activities					
Interest received	6,366	4,498	12,710	119	23,693
Net change in cash and cash equivalents	(1,311,247)	150,016	-	14,367	(1,146,864)
Cash and cash equivalents - beginning of year	2,569,802	1,358,370	-	26,942	3,955,114
Cash and cash equivalents - end of year	$ 1,258,555	$ 1,508,386	$ -	$ 41,309	$ 2,808,250
Noncash investing activities - changes in fair value of investments	$ -	$ -	$ 103,807	$ -	239,530
Noncash capital financing activities - capital leases	$ -	$ -	$ 135,723	$ -	$ 135,723
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating loss	$ (463,537)	$ (2,767)	$ (355,130)	$ (72,507)	$ (893,941)
Adjustments to reconcile operating loss to net cash from operating activities					
Depreciation expense	241,050	284,724	188,242	36,880	750,896
Noncash portion of deferred outflows related to net pension liability	(347,609)	(208,255)	-	(11,053)	(566,917)
Changes in assets and liabilities					
Receivables (net)	1,299,188	(792)	(724)	2,062	1,299,734
Inventories	-	-	(2,001)	-	(2,001)
Prepaid items	-	-	(12,167)	-	(12,167)
Deferred amount relating to net pension liability - MERS	147,422	115,325	-	5,383	268,130
Accounts payable	(100,792)	(27,036)	(354,441)	(1,517)	(483,786)
Accrued and other liabilities	(5,361)	3,212	(276)	-	(2,425)
Deposits	(2,550)	2,375	16,085	-	15,910
Unearned revenue	-	-	2,389	-	2,389
Net cash provided (used) by operating activities	$ 767,811	$ 166,786	$ (518,023)	$ (40,752)	$ 375,822

City of Midland, Michigan
Other Supplementary Information
Fiduciary Funds
Fund Descriptions
Year Ended June 30, 2017

Trust Fund

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

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

Agency Funds

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

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

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

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

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

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

City of Midland, Michigan
Other Supplementary Information
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds
Statement of Plan Net Position
June 30, 2017

	Police and Fire Pension
Assets	
Cash and cash equivalents	$ 1,525,811
Investments	
Common stock	30,283,170
Preferred stock	894,786
Bonds	13,058,252
International funds	10,268,842
Alternative investments	6,305,937
Receivables	
Accrued interest and other	67,861
Total assets	62,404,659
Liabilities	
Accounts payable	7,463
Net position	
Net position restricted for pensions	$ 62,397,196

City of Midland, Michigan
Other Supplementary Information
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds
Statement of Changes in Plan Net Position
For the Year Ended June 30, 2017

	Police and Fire Pension
Additions	
Contributions	
Employer	$ 2,575,684
Plan members	578,989
Total contributions	3,154,673
Investment earnings	
Net gain on fair value of assets	7,066,029
Interest	252,322
Dividends	790,231
Total investment earnings	8,108,582
Less investment expense	(418,365)
Net investment earnings	7,690,217
Other expense	(816,801)
Total additions	10,028,089
Deductions	
Benefits paid, including refunds of member contributions	5,064,042
Change in net position	4,964,047
Net positions restricted from pensions - beginning of year	57,433,149
Net positions restricted for pensions - end of year	$ 62,397,196

City of Midland, Michigan
Other Supplementary Information
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Payroll Fund				
Assets				
Cash and cash equivalents	$ 995,678	$ 44,861,641	$ 44,252,032	$ 1,605,287
Prepaids	79,242	89,104	79,242	89,104
Total assets	$ 1,074,920	$ 44,950,745	$ 44,331,274	$ 1,694,391
Liabilities				
Accrued payroll liabilities	$ 1,074,920	$ 46,270,808	$ 45,651,337	$ 1,694,391
Midland Downtown Business Association Fund				
Assets				
Cash and cash equivalents	$ 14,122	$ 74,788	$ 57,302	$ 31,608
Accrued interest and other	17	92	80	29
Total assets	$ 14,139	$ 74,880	$ 57,382	$ 31,637
Liabilities				
Accounts payable	$ -	$ 40,730	$ 40,730	$ -
Due to other units of government	14,139	31,637	14,139	31,637
Total liabilities	$ 14,139	$ 72,367	$ 54,869	$ 31,637
DDA Facade Improvement Fund				
Assets				
Cash and cash equivalents	$ 17,976	$ 3,217	$ 15,000	$ 6,193
Receivables				
Accounts and contracts	18,684	10,000	3,165	25,519
Accrued interest and other	14	37	45	6
Total assets	$ 36,674	$ 13,254	$ 18,210	$ 31,718
Liabilities				
Accounts payable	$ -	$ 15,000	$ 15,000	$ -
Due to foundations	36,674	31,718	36,674	31,718
Total liabilities	$ 36,674	$ 46,718	$ 51,674	$ 31,718

City of Midland, Michigan
Other Supplementary Information
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Tax Collection Fund				
Assets				
Cash and cash equivalents	$ 1,733,487	$ 96,109,480	$ 97,432,303	$ 410,664
Receivables				
Accounts and contracts	101,528	1,975,740	1,670,298	406,970
Total assets	$ 1,835,015	$ 98,085,220	$ 99,102,601	$ 817,634
Liabilities				
Due to other units of government	$ 1,835,015	$ 162,361,081	$ 163,378,462	$ 817,634
Center City Façade Improvements Fund				
Assets				
Cash and cash equivalents	$ 97,508	$ 4,237	$ 21,746	$ 79,999
Receivables				
Accounts and contracts	18,000	10,000	4,000	24,000
Accrued interest and other	79	228	228	79
Total assets	$ 115,587	$ 14,465	$ 25,974	$ 104,078
Liabilities				
Accounts payable	$ -	$ 21,746	$ 21,746	$ -
Due to foundations	115,587	104,078	115,587	104,078
Total liabilities	$ 115,587	$ 125,824	$ 137,333	$ 104,078
Total All Agency Funds				
Assets				
Cash and cash equivalents	$ 2,858,771	$ 141,053,363	$ 141,778,383	$ 2,133,751
Accounts and contracts	138,212	1,995,740	1,677,463	456,489
Accrued interest and other	110	357	353	114
Prepaids	79,242	89,104	79,242	89,104
Total assets	$ 3,076,335	$ 143,138,564	$ 143,535,441	$ 2,679,458
Liabilities				
Accounts payable	$ -	$ 77,476	$ 77,476	$ -
Accrued payroll liabilities	1,074,920	46,270,808	45,651,337	1,694,391
Due to foundations	152,261	135,796	152,261	135,796
Due to other units of government	1,849,154	162,392,718	163,392,601	849,271
Total liabilities	$ 3,076,335	$ 208,876,798	$ 209,273,675	$ 2,679,458

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Fund Descriptions
Year Ended June 30, 2017

Internal Service Funds

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

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

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

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

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

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

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

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

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

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

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Combining Statement of Net Position
June 30, 2017

	Information Services Fund	Store Revolving Fund	Equipment Revolving Fund	Municipal Service Center Fund	Renewable Energy Services Fund	Property and Liability Insurance Fund	Health Insurance Fund	Special Assessment Revolving Fund	Municipal Service Annex Fund	Total
Assets										
Current assets										
Cash and cash equivalents	$ 2,346,005	$ 35,404	$ 2,825,169	$ 992,810	$ 695,217	$ 1,531,382	$ 2,451,873	$ 2,013,565	$ 156,487	$ 13,047,912
Receivables - net of allowances										
Customers	-	470	-	-	268,912	-	-	-	-	269,382
Special assessments, current	-	-	-	-	-	-	-	90,388	-	90,388
Accounts and contracts	726	-	13,610	-	-	1,186	590,293	-	-	605,815
Accrued interest	2,375	45	2,798	1,003	661	-	2,114	2,026	124	11,146
Inventories	-	454,496	307,751	-	-	-	-	-	-	762,247
Prepaid items	-	-	-	-	-	6,584	1,925,989	-	-	1,932,573
Total current assets	2,349,106	490,415	3,149,328	993,813	964,790	1,539,152	4,970,269	2,105,979	156,611	16,719,463
Noncurrent assets										
Special assessments receivable	-	-	-	-	-	-	-	282,785	-	282,785
Capital assets not being depreciated	-	-	-	55,000	-	-	-	-	-	55,000
Capital assets, net of accumulated depreciation	75,437	-	7,221,686	1,336,726	6,815,405	-	-	-	259,787	15,709,041
Total noncurrent assets	75,437	-	7,221,686	1,391,726	6,815,405	-	-	282,785	259,787	16,046,826
Total assets	2,424,543	490,415	10,371,014	2,385,539	7,780,195	1,539,152	4,970,269	2,388,764	416,398	32,766,289
Deferred outflows of resources										
Deferred amount relating to net pension liability - MERS	183,177	-	345,924	3,405	38,814	-	-	-	-	571,320
Total assets and deferred outflows of resources	2,607,720	490,415	10,716,938	2,388,944	7,819,009	1,539,152	4,970,269	2,388,764	416,398	33,337,609
Liabilities										
Current liabilities										
Accounts payable	9,933	20,115	14,445	4,253	14,169	24,467	-	-	116	87,498
Deposits	-	-	-	-	-	-	3,000	-	-	3,000
Due to other funds	-	-	-	-	21,365	-	-	-	-	21,365
Accrued interest	-	-	-	-	28,125	-	-	-	-	28,125
Deferred revenue	-	-	-	-	-	-	-	35,946	-	35,946
Estimated healthcare claims	-	-	-	-	-	-	367,540	-	-	367,540
Total current liabilities	9,933	20,115	14,445	4,253	63,659	24,467	370,540	35,946	116	543,474

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Combining Statement of Net Position
June 30, 2017

	Information Services Fund	Store Revolving Fund	Equipment Revolving Fund	Municipal Service Center Fund	Renewable Energy Services Fund	Property and Liability Insurance Fund	Health Insurance Fund	Special Assessment Revolving Fund	Municipal Service Annex Fund	Total
Noncurrent liabilities										
Net pension liability	$ 1,724,948	$ -	$ 3,257,523	$ 32,062	$ 365,510	$ -	$ -	$ -	$ -	$ 5,380,043
Current portion of noncurrent liabilities	75,341	-	59,631	-	270,000	-	-	-	-	404,972
Advances from other funds	-	-	-	-	287,660	-	-	-	-	287,660
Long-term debt net of current portion	84,714	-	48,097	-	4,230,000	-	-	-	-	4,362,811
Total noncurrent liabilities	1,885,003	-	3,365,251	32,062	5,153,170	-	-	-	-	10,435,486
Total liabilities	1,894,936	20,115	3,379,696	36,315	5,216,829	24,467	370,540	35,946	116	10,978,960
Net position										
Net investment in capital assets	75,437	-	7,221,686	1,391,726	2,315,405	-	-	-	259,787	11,264,041
Unrestricted	637,347	470,300	115,556	960,903	286,775	1,514,685	4,599,729	2,352,818	156,495	11,094,608
Total net position	$ 712,784	$ 470,300	$ 7,337,242	$ 2,352,629	$ 2,602,180	$ 1,514,685	$ 4,599,729	$ 2,352,818	$ 416,282	$ 22,358,649

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Combining Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2017

	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	$ 1,090,102	$ -	$ -	$ -	$ 986,529	$ 514,387	$ 9,502,862	$ -	$ -	$ 12,093,880
Rental income	-	-	4,384,960	384,593	-	-	-	-	34,744	4,804,297
Other revenue	31,326	561,327	282,903	564	-	108,019	1,123,853	9,403	-	2,117,395
Total operating revenue	1,121,428	561,327	4,667,863	385,157	986,529	622,406	10,626,715	9,403	34,744	19,015,572
Operating expenses										
Operations	1,265,424	582,049	3,304,323	248,715	705,728	715,579	10,344,116	-	16,277	17,182,211
Depreciation	33,227	-	1,301,908	109,235	658,083	-	-	-	6,185	2,108,638
Total operating expenses	1,298,651	582,049	4,606,231	357,950	1,363,811	715,579	10,344,116	-	22,462	19,290,849
Operating income (loss)	(177,223)	(20,722)	61,632	27,207	(377,282)	(93,173)	282,599	9,403	12,282	(275,277)
Nonoperating revenue										
Interest income	7,175	19	10,050	2,937	2,002	-	6,111	15,213	333	43,840
Gain on disposition of assets	-	-	98,615	2,500	-	-	-	-	-	101,115
Total nonoperating revenues	7,175	19	108,665	5,437	2,002	-	6,111	15,213	333	144,955
Income (loss) before contributions and transfers	(170,048)	(20,703)	170,297	32,644	(375,280)	(93,173)	288,710	24,616	12,615	(130,322)
Capital contributions	-	-	102,758	-	-	-	-	-	-	102,758
Transfers in	-	-	-	-	60,000	-	-	-	48,192	108,192
Transfers out	-	-	-	-	-	-	-	(25,246)	-	(25,246)
Change in net position	(170,048)	(20,703)	273,055	32,644	(315,280)	(93,173)	288,710	(630)	60,807	55,382
Net position - beginning of year	882,832	491,003	7,064,187	2,319,985	2,917,460	1,607,858	4,311,019	2,353,448	355,475	22,303,267
Net position - end of year	$ 712,784	$ 470,300	$ 7,337,242	$ 2,352,629	$ 2,602,180	$ 1,514,685	$ 4,599,729	$ 2,352,818	$ 416,282	$ 22,358,649

City of Midland, Michigan
Other Supplementary Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2017

	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	$ 31,326	$ 560,827	$ 4,671,859	$ 384,850	$ -	$ 177,348	$ 559,384	$ 57,968	$ 34,691	$ 6,478,253
Receipts from other funds	1,089,663	-	-	-	951,026	514,387	9,502,862	-	-	12,057,938
Payments to suppliers	(347,412)	(563,536)	(1,073,811)	(234,676)	(283,392)	(763,626)	(12,181,992)	35,946	(15,334)	(15,427,833)
Payments to employees	(845,637)	-	(1,896,976)	(13,990)	(705,728)	-	-	-	(904)	(3,463,235)
Net cash provided (used) by operating activities	(72,060)	(2,709)	1,701,072	136,184	(38,094)	(71,891)	(2,119,746)	93,914	18,453	(354,877)
Cash flows from noncapital financing activities										
Transfer from other funds	-	-	-	-	60,000	-	-	-	48,192	108,192
Transfers to other funds	-	-	-	-	-	-	-	(25,246)	-	(25,246)
Repayment of advances from other funds	-	-	-	-	(21,365)	-	-	-	-	(21,365)
Net cash provided (used) by noncapital financing activities	-	-	-	-	38,635	-	-	(25,246)	48,192	61,581
Cash flows from capital and related financing activities										
Capital contributions	-	-	102,758	-	-	-	-	-	-	102,758
Purchases/construction of capital assets	(48,452)	-	(2,211,090)	(43,812)	(27,670)	-	-	-	-	(2,331,024)
Proceeds from sale of capital assets	-	-	98,615	2,500	-	-	-	-	-	101,115
Net cash used by capital and related financing activities	(48,452)	-	(2,009,717)	(41,312)	(27,670)	-	-	-	-	(2,127,151)
Cash flows from investing activities										
Interest received	7,175	19	10,050	2,937	2,002	-	6,111	15,213	333	43,840
Net change in cash and cash equivalents	(113,337)	(2,690)	(298,595)	97,809	(25,127)	(71,891)	(2,113,635)	83,881	66,978	(2,376,607)
Cash and cash equivalents - beginning of year	2,459,342	38,094	3,123,764	895,001	720,344	1,603,273	4,565,508	1,929,684	89,509	15,424,519
Cash and cash equivalents - end of year	$ 2,346,005	$ 35,404	$ 2,825,169	$ 992,810	$ 695,217	$ 1,531,382	$ 2,451,873	$ 2,013,565	$ 156,487	$ 13,047,912
Reconciliation of operating income (loss) to net cash provided (used) by operating activities										
Operating income (loss)	$ (177,223)	$ (20,722)	$ 61,632	$ 27,207	$ (377,282)	$ (93,173)	$ 282,599	$ 9,403	$ 12,282	$ (275,277)
Adjustments to reconcile operating income to net cash from operating activities										
Depreciation and amortization expense	33,227	-	1,301,908	109,235	658,083	-	-	-	6,185	2,108,638
Noncash portion of deferred outflows related to net pension liability	(95,051)	-	92,531	(4,537)	(42,815)	-	-	-	-	(49,872)
Changes in assets and liabilities										
Receivables (net)	(439)	(500)	3,996	(307)	(35,610)	69,329	(564,469)	48,565	(53)	(479,488)
Inventories	-	(644)	-	-	-	-	-	-	-	(644)
Prepaid items	-	-	-	-	-	-	(1,733,728)	-	-	(1,733,728)
Deferred amount relating to net pension liability - MERS	152,279	-	249,711	893	32,812	-	-	-	-	435,695
Accounts payable	4,373	19,157	(27,578)	3,693	(6,733)	(48,047)	(15,203)	-	39	(70,299)
Accrued and other liabilities	10,774	-	18,872	-	(266,656)	-	(91,945)	-	-	(328,955)
Deposits	-	-	-	-	-	-	3,000	-	-	3,000
Due to other funds	-	-	-	-	107	-	-	-	-	107
Unearned revenue	-	-	-	-	-	-	-	35,946	-	35,946
Net cash provided (used) by operating activities	$ (72,060)	$ (2,709)	$ 1,701,072	$ 136,184	$ (38,094)	$ (71,891)	$ (2,119,746)	$ 93,914	$ 18,453	$ (354,877)

Statistical Section

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

The statistical section is organized into the following main categories:

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

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

Financial Trends

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

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

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

Source: City's Comprehensive Annual Financial Report
(1) 2008 was restated to incorporate 2009 prior period adjustment to defer certain revenue in the Midland Housing Fund.
(2) 2012 was restated to incorporate 2013 prior period adjustment for a change in accounting principle, due to the implementation of GASB Standards 63 and 65.
(3) 2014 was restated to incorporate a prior-period adjustment for a change in accounring principle, due to the implementation of GASB Standard 68

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

	Fiscal Year Ended June 30,							
	2010	2011	2012	2013	2014	2015	2016	2017
Expenses								
General government	$ 4,063,142	$ 3,738,504	$ 4,377,616	$ 4,379,126	$ 4,053,402	$ 3,887,452	$ 5,263,396	$ 4,673,742
Public safety	14,806,966	15,305,454	14,954,815	15,679,391	15,596,565	16,623,855	19,183,327	19,216,981
Public works	9,632,256	8,258,151	8,853,319	9,416,912	9,188,965	8,409,654	10,776,785	10,248,793
Sanitation	2,419,772	2,475,323	2,492,955	2,398,083	3,017,452	3,245,915	3,261,473	3,559,725
Community and economic development	1,070,986	578,321	1,116,838	567,424	991,057	1,083,657	1,169,189	721,798
Parks and recreation	4,063,153	4,466,591	5,029,397	5,126,073	4,715,868	5,196,202	6,634,939	6,070,849
Library and community television	4,515,161	4,414,619	4,374,397	4,471,374	4,860,097	4,887,711	5,196,160	4,981,722
Airport	473,735	378,055	257,459	418,304	421,280	361,345	369,144	338,803
Transportation	1,739,854	1,738,124	1,772,164	1,901,342	1,836,649	1,961,687	2,144,140	2,194,919
Property tax appeals	195,163	315,612	752,824	573,260	317,798	315,967	634,724	344,557
Interest on long-term debt	702,517	668,251	633,430	589,971	586,291	506,836	441,174	287,828
Total governmental activities	43,682,705	42,337,005	44,615,214	45,521,260	45,585,424	46,480,281	55,074,451	52,639,717
Program revenues								
Charges for services								
Public safety	55,158	56,364	74,391	102,133	118,052	86,745	92,027	78,332
Public works	721,551	1,196,193	968,728	1,049,135	1,041,080	996,278	1,129,663	1,102,087
Sanitation	217,317	35,935	34,295	34,756	33,345	38,274	38,893	41,009
Community and economic development	4,451	3,725	4,875	5,100	233,717	4,475	32,345	18,772
Parks and recreation	293,757	347,276	390,375	421,685	410,641	412,815	441,471	455,477
Library and community television	1,347,405	1,337,765	1,368,016	1,359,160	1,365,146	1,395,346	1,390,818	1,289,034
Airport	196,841	248,531	322,813	258,776	269,631	210,738	197,867	197,618
Transportation	135,949	129,788	123,280	118,839	144,588	108,435	114,230	120,657
Total charges for services	2,972,429	3,355,577	3,286,773	3,349,584	3,616,200	3,253,106	3,437,314	3,302,986

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

	Fiscal Year Ended June 30,							
	2010	2011	2012	2013	2014	2015	2016	2017
Operating grants and contributions	$ 4,766,634	$ 4,841,547	$ 5,679,405	$ 5,397,059	$ 6,907,656	$ 5,993,971	$ 7,786,912	$ 15,742,014
Capital grants and contributions	1,388,911	727,076	1,986,926	4,309,370	2,304,230	1,630,546	10,411,312	8,140,836
Total program revenue	9,127,974	8,924,200	10,953,104	13,056,013	12,828,086	10,877,623	21,635,538	27,185,836
Net (expense) revenue	(34,554,731)	(33,412,805)	(33,662,110)	(32,465,247)	(32,757,338)	(35,602,658)	(33,438,913)	(25,453,881)
General revenues:								
Property taxes	31,971,428	31,549,496	33,846,512	33,949,025	35,309,085	35,240,503	35,222,815	31,324,060
Other tax related revenue	2,072,970	2,117,699	2,108,016	2,012,014	2,289,586	2,197,581	4,411,948	4,311,906
Intergovernmental	2,918,791	2,918,791	3,187,163	3,262,543	3,343,960	3,399,564	3,396,505	3,579,913
Unrestricted investment earnings	106,025	72,980	59,313	44,690	48,014	42,812	87,527	146,017
Gain on sale of capital assets	344,211	12,416	303,677	-	271,934	258,664	407,713	-
Miscellaneous revenues	666,042	765,507	755,552	862,213	728,404	717,628	751,393	673,962
Transfers	(1,650,312)	(1,038,466)	(841,992)	(1,797,796)	(1,783,790)	(2,413,600)	(1,886,637)	(1,698,538)
Total general revenues and transfers	36,429,155	36,398,423	39,418,241	38,332,689	40,207,193	39,443,152	42,391,264	38,337,320
Change in governmental net position	$ 1,874,424	$ 2,985,618	$ 5,756,131	$ 5,867,442	$ 7,449,855	$ 3,840,494	$ 8,952,351	$ 12,883,439

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

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

	Fiscal Year Ended June 30,							
	2010	2011	2012	2013	2014	2015	2016	2017
Nonoperating revenue (expenses)								
Federal grant	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,708	$ -
State grant	-	-	-	-	-	-	3,118	-
Interest income (losses)	219,266	212,289	94,324	44,213	211,615	37,561	73,919	188,124
Contractual revenues	847,664	504,154	453,978	683,454	796,982	430,590	461,288	280,471
Gain(loss) on disposition of assets	12,195	(16,356)	(978)	62,766	(36,337)	(24,827)	(7,522)	23,750
Sales of meals - revenue	530,282	-	-	-	-	-	-	-
Sales of meals - expenses	(657,883)	-	-	-	-	-	-	-
Other revenue	623,984	-	7,335	304,625	122	-	10,106	-
Interest expense	(776,434)	(683,148)	(618,300)	(531,576)	(500,999)	(443,740)	(294,006)	(257,346)
Other expenses	(128,889)	-	-	-	-	-	-	-
Total non-operating revenues (expenses)	670,185	16,939	(63,641)	563,482	471,383	(416)	265,611	234,999
Income (loss) - before contributions and transfers	331,086	1,918,922	557,077	377,523	(426,031)	392,080	234,008	2,373,662
Capital contributions	452,000	813,196	858,000	386,559	1,459,632	526,929	5,662,030	425,874
Operating transfers in	1,661,116	1,160,466	1,440,432	1,949,796	1,949,647	2,523,600	1,993,609	1,806,730
Operating transfers out	(10,804)	(122,000)	(598,440)	(152,000)	(165,857)	(110,000)	(106,972)	(108,192)
Change in net position	2,433,398	3,770,584	2,257,069	2,561,878	2,817,391	3,332,609	7,782,675	4,498,074
Some amounts reported for business-type activities in the statement of activities are different because of net revenue (expense) of certain internal services is reported with business-type activities.	4,537,681	179,846	(324,263)	(217,379)	(88,776)	505,489	(489,977)	(316,780)
Change in net position of business-type activities	**$ 6,971,079**	**$ 3,950,430**	**$ 1,932,806**	**$ 2,344,499**	**$ 2,728,615**	**$ 3,838,098**	**$ 7,292,698**	**$ 4,181,294**
Total primary government changes in net position	**$ 8,845,503**	**$ 6,936,048**	**$ 7,688,937**	**$ 8,211,941**	**$ 10,178,470**	**$ 7,678,592**	**$ 16,245,049**	**$17,064,733**

Source: City's Comprehensive Annual Financial Report

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

	2007	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Non-spendable	$ -	$ -	$ -	$ 136,717	$ 133,810	$ 112,293	$ 131,276	$ 112,689	$ 109,727	$ 69,925
Reserved/restricted	26,171,316	503,605	608,739	-	-	-	-	-	-	-
Committed	-	-	-	1,202,239	3,316,281	3,475,477	4,070,246	4,715,292	5,132,253	8,581,454
Assigned	-	-	-	570,175	441,498	724,234	1,587,549	2,521,867	1,811,616	1,975,527
Unreserved/unassigned	7,386,734	5,946,963	6,489,409	5,381,543	4,847,648	4,673,073	5,381,936	5,569,212	5,548,543	5,639,310
Total general fund	33,558,050	6,450,568	7,098,148	7,290,674	8,739,237	8,985,077	11,171,007	12,919,060	12,602,139	16,266,216
All other governmental funds:										
Non-spendable	-	-	-	544,266	260,964	262,318	263,948	377,847	233,492	3,592
Reserved/restricted	5,678,635	2,364,469	3,455,381	1,991,078	8,321,213	14,079,025	11,403,386	11,126,587	15,048,316	17,969,914
Committed	-	-	-	4,980,494	787,232	745,674	1,805,573	913,441	453,891	1,566,371
Assigned	-	-	-	2,280,930	2,474,649	1,505,368	1,529,650	2,185,102	2,209,352	2,207,475
Unreserved/unassigned	7,206,067	5,518,346	5,255,550	-	-	-	(295,629)	-	-	-
Total all governmental funds	$ 46,442,752	$ 14,333,383	$ 15,809,079	$ 17,087,442	$ 20,583,295	$ 25,577,462	$ 25,877,935	$ 27,522,037	$ 30,547,190	$ 38,013,568

Notes:

a. The City changed its accounting for trust deeds resulting in a restatement of the beginning fund balance for 2006-07

b. GASB #54 was adopted in fiscal year 2011 which changed fund balance classification to depict the relative strength of spending constraints. Previous years' fund balances were not restated to

c. The City adopted GASB 63 and 65 during fiscal year 2012-13. Beginning fund balances were restated to reflect the implementation. Information from prior years has not

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue										
Taxes	$ 32,780,512	$ 29,856,356	$ 32,958,572	$ 32,601,169	$ 34,821,993	$ 33,949,025	$ 35,309,085	$ 35,240,503	$ 35,222,815	$31,324,060
Other tax related revenue	1,284,513	993,504	1,085,826	1,066,026	1,132,535	2,012,014	2,289,586	2,197,581	4,411,948	4,311,906
Licenses and permits	723,926	691,818	589,383	826,957	697,201	687,480	705,846	615,087	780,344	760,582
Federal grants	1,091,510	589,931	720,821	639,710	768,916	583,218	512,378	1,790,873	1,506,675	812,980
Intergovernmental - other	8,304,033	7,626,527	6,999,278	7,172,217	9,285,967	8,980,832	8,082,919	8,440,204	9,796,443	17,491,895
Charges for services	3,730,365	4,039,431	3,955,473	3,903,492	3,895,197	3,738,361	3,781,899	3,934,671	3,959,152	3,918,037
Use and admission charges	179,457	203,733	202,759	256,399	266,000	282,393	304,482	289,388	320,406	340,977
Interest income	2,167,082	554,437	106,028	72,980	59,313	44,671	50,441	44,947	87,527	146,017
Contributions and other revenues	1,886,786	1,564,536	1,671,296	2,041,456	2,043,569	4,787,548	3,666,261	2,361,388	2,250,039	5,340,085
Total revenue	52,148,184	46,120,273	48,289,436	48,580,406	52,970,691	55,065,542	54,702,897	54,914,642	58,335,349	64,446,539
Expenditures										
Current:										
General government	5,219,281	6,529,289	6,221,120	6,045,687	6,213,044	6,139,588	5,812,138	6,140,897	6,340,081	6,576,541
Public safety	12,667,757	14,768,233	14,867,678	15,779,974	15,182,480	15,724,988	15,942,908	15,826,112	16,553,084	17,176,276
Public works	6,203,605	6,445,296	5,988,481	5,850,900	5,361,940	5,858,277	5,860,312	5,744,942	6,017,698	5,552,957
Sanitation	2,344,715	2,500,680	2,480,790	2,491,420	2,542,662	2,450,295	3,116,963	3,214,241	3,058,597	3,538,019
Community and economic development	911,615	1,075,003	1,077,207	579,551	1,116,817	566,585	987,265	1,072,069	1,146,158	714,613
Parks and recreation	3,471,155	4,115,310	3,971,848	4,262,675	4,773,512	4,888,990	4,625,415	4,832,184	5,313,123	5,669,618
Library and community television	3,901,737	4,358,371	4,270,662	4,161,210	4,132,462	4,079,055	4,465,518	4,185,644	4,257,415	4,497,794
Airport	308,020	295,589	285,333	326,472	429,792	362,084	357,187	313,461	288,406	272,336
Transportation	1,676,251	1,730,521	1,693,097	1,629,824	1,715,709	1,819,483	1,776,592	1,822,045	1,869,850	1,990,729
Property tax appeals	13,310,099	36,535,706	195,163	315,612	752,824	573,260	317,798	315,967	634,724	344,557
Other functions	5,056,228	236,363	1,216	-	-	-	-	-	-	-
Capital outlay	6,163,166	4,093,449	3,400,930	3,287,839	4,596,798	4,125,670	7,701,939	6,765,986	6,695,692	7,324,069
Debt service										
Principal retirement	100,000	930,000	930,000	965,000	1,000,000	1,040,000	1,085,000	1,130,000	1,175,000	1,365,000
Interest and fiscal charges	4,255	594,207	686,907	652,854	618,243	582,106	546,394	501,793	455,878	200,244
Bond issuance costs	-	106,177	-	-	-	-	-	-	62,413	-
Total expenditures	61,337,884	84,314,194	46,070,432	46,349,018	48,436,283	48,210,381	52,595,429	51,865,341	53,868,119	55,222,753
Excess of revenue over (under) expenditures	(9,189,700)	(38,193,921)	2,219,004	2,231,388	4,534,408	6,855,161	2,107,468	3,049,301	4,467,230	9,223,786

City of Midland, Michigan

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Proceeds from sale of capital assets	$ 202,853	$ 231,991	$ 373,270	$ 12,416	$ 303,677	$ -	$ 292,266	$ 275,233	$ 418,550	$ 24,076
Issuance of debt	-	17,890,000	-	-	-	-	-	-	7,725,000	-
Bond discount	-	(212,243)	-	-	-	-	-	-	(7,662,587)	-
Operating transfers in	3,990,577	6,250,006	6,112,146	5,475,599	5,365,648	5,775,177	5,447,117	5,950,157	6,821,336	8,009,720
Operating transfers out	(5,568,058)	(7,240,941)	(7,228,724)	(6,441,040)	(6,707,880)	(7,636,171)	(7,546,379)	(7,630,589)	(8,744,376)	(9,791,204)
Total other financing sources (uses)	(1,374,628)	16,918,813	(743,308)	(953,025)	(1,038,555)	(1,860,994)	(1,806,996)	(1,405,199)	(1,442,077)	(1,757,408)
Net change in fund balances	(10,564,328)	(21,275,108)	1,475,696	1,278,363	3,495,853	4,994,167	300,472	1,644,102	3,025,153	7,466,378
Fund balances - beginning of year	46,442,752	35,878,424	14,333,383	15,809,079	17,087,442	20,583,295	25,577,463	25,877,935	27,522,037	30,547,190
Prior period adjustment	-	(269,933)	-	-	-	-	-	-	-	-
Fund balances - beginning of year restated	46,442,752	35,608,491	14,333,383	15,809,079	17,087,442	20,583,295	25,577,463	25,877,935	27,522,037	30,547,190
Fund Balances - end of year	$ 35,878,424	$ 14,333,383	$ 15,809,079	$ 17,087,442	$ 20,583,295	$ 25,577,462	$ 25,877,935	$ 27,522,037	$ 30,547,190	$38,013,568
Debt service as a percentage of noncapital expenditures	0.18%	1.91%	3.82%	3.85%	3.70%	3.70%	3.62%	3.73%	3.39%	3.24%

Notes:

a. The City changed ints accounting for trust deeds resulting in a restatement of the beginning fund balance for 2006-07

b. GASB #54 was adopted in fiscal year 2011 which changed fund balance classification to depict the relative strength of spending constraints. Previous years' fund balances were not restated to reflect the implementation.

c. The City adopted GASB 63 and 65 during fiscal year 2012-13. Beginning fund balances were restated to reflect the implementation. Information from prior years has not been restated on this schedule.

Source: City's Comprehensive Annual Financial Report

Revenue Capacity

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

City of Midland, Michigan

Taxable Value and Asessed 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
2007	985,927,900	275,311,300	852,016,300	411,946,800	116,559,600	2,641,761,900	12.24	2,814,224,200	93.87
2008	971,965,400	277,831,600	428,969,200	413,179,000	153,897,600	2,245,842,800	12.99	2,310,292,800	97.21
2009	979,020,097	297,391,800	437,612,915	443,958,900	186,616,300	2,344,600,012	13.94	2,390,601,500	98.08
2010	951,562,970	316,006,033	611,162,938	424,376,400	215,828,097	2,518,936,438	13.94	2,563,694,950	98.25
2011	952,144,178	327,111,317	638,919,909	444,685,633	210,469,800	2,573,330,837	14.79	2,619,321,633	98.24
2012	958,884,435	330,886,336	257,136,486	654,870,458	201,655,272	2,403,432,987	14.79	2,441,872,370	98.43
2013	959,609,754	333,110,965	274,004,530	758,978,000	193,860,700	2,519,563,949	15.08	2,558,592,000	98.47
2014	969,556,079	349,087,802	279,241,087	734,932,000	182,995,100	2,515,812,068	15.04	2,561,941,100	98.20
2015	979,134,599	373,540,395	277,562,138	728,568,800	181,073,100	2,539,879,032	15.00	2,588,238,100	98.13
2016	986,448,372	394,200,841	241,364,884	486,355,000	116,558,800	2,224,927,897	15.00	2,278,525,829	97.65

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

* includes voter approved debt millage

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

(1) City Charter authorizes 18 mills, but the State of Michigan Constitution (Headlee Amendment) restricts the maximum millage that may be levied by the City without a vote of our residents to 17.87 mills for General Operating.

(2) Public Act 37 of 2007 amended MCL 380.1211 to exempt Commercial Personal Property from up to 12 mills of local school district operating millage.

(3) Public Act 38 of 2007 amednded 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

	Overlapping Taxes				Total Tax Rate															
Tax Year	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	
2007	2.3500	20.3500	-		35.2267	50.0138	-		-		37.0138	55.0138	-		-		38.3656	56.3656	-		-	
2008	2.3500	20.3500	8.3500	(2)	35.2080	50.9138	41.2080	(2)	29.2080	(3)	37.9138	55.9138	43.9138	(2)	31.9138	(3)	39.1198	57.1198	45.1198	(2)	33.1198	(3)
2009	2.3500	20.3500	8.3500	(2)	36.2828	51.9938	42.2828	(2)	30.2828	(3)	40.4938	58.4938	46.4938	(2)	34.4938	(3)	40.0698	58.0698	46.0698	(2)	34.0698	(3)
2010	2.8000	20.8000	8.8000	(2)	36.2029	51.9938	42.2029	(2)	30.2029	(3)	40.4938	58.4938	46.4938	(2)	34.4938	(3)	40.4198	58.4198	46.4198	(2)	34.4198	(3)
2011	2.9900	20.9900	8.9900	(2)	36.4347	52.8438	42.4347	(2)	30.4347	(3)	41.3438	59.3438	47.3438	(2)	35.3438	(3)	41.5598	59.5598	47.5598	(2)	35.5598	(3)
2012	2.9900	20.9900	8.9900	(2)	36.2937	52.3438	42.2937	(2)	30.2937	(3)	41.3438	59.3438	47.3438	(2)	35.3438	(3)	42.2098	60.2098	48.2098	(2)	36.2098	(3)
2013	2.9900	20.9900	8.9900	(2)	36.7252	52.9338	41.7252	(2)	30.7252	(3)	41.9338	59.9338	47.9338	(2)	35.9338	(3)	42.4998	60.4998	48.4998	(2)	36.4998	(3)
2014	2.9900	20.9900	8.9900	(2)	36.3863	52.6463	43.3863	(2)	30.3863	(3)	41.6463	59.6463	47.6463	(2)	35.6463	(3)	42.4598	60.4598	48.4598	(2)	36.4598	(3)
2015	2.9900	20.9900	8.9900	(2)	40.4054	56.6288	46.4054	(2)	34.4054	(3)	42.6788	60.6788	48.6788	(2)	36.6788	(3)	42.4198	60.4198	48.4198	(2)	36.4198	(3)
2016	2.9900	20.9900	8.9900	(2)	40.2652	56.5838	46.2652	(2)	34.2652	(3)	42.7038	60.7038	48.7038	(2)	36.7038	(3)	42.5698	60.5698	48.5698	(2)	36.5698	(3)

* includes voter approved debt millage

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

(1) City Charter authorizes 18 mills, but the State of Michigan Constitution (Headlee Amendment) restricts the maximum millage that may be levied by the City without a vote of our residents to 17.87 mills for General Operating.

(2) Public Act 37 of 2007 amended MCL 380.1211 to exempt Commercial Personal Property from up to 12 mills of local school district operating millage.

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Source: City Assessing Department

City of Midland, Michigan
Principal Property Tax Payers

	Taxpayer	2017 Taxable Value	Percentage of total	2008 Taxable Value	Percentage of total	2008 rank
1	Dow Chemical/Dow Agrosciences	$ 246,519,599	11.89%	$ 375,388,300	17.94%	1
2	Midland Cogeneration Venture	206,484,500	9.96%	234,318,600	11.20%	2
3	Dow Corning	55,099,319	2.66%	117,748,300	5.63%	3
4	Trinseo LLC	25,493,338	1.23%	17,546,300	0.84%	4
5	Consumers Energy Company	19,263,300	0.93%	-	- %	-
6	Midland Downtown Partners LLC	14,081,378	0.68%	15,968,400	0.76%	5
7	Midland Mall LLC	10,616,900	0.51%	-	- %	-
8	Midland Country Club	9,909,100	0.48%	-	- %	-
9	H Hotel	9,224,700	0.44%	-	- %	-
10	Hotel Holdings LLC	8,149,367	0.39%	-	- %	-
	Total	$ 604,841,501	29.17%	$ 760,969,900	36.37%	

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
2008	$ 25,949,887	$ 9,610	$ 25,959,497	$ 25,939,185	99.96%	$ 20,312	$ 25,959,497	100.00%
2009	27,669,516	(5,655)	27,663,861	27,660,042	99.97%	3,143	27,663,185	100.00%
2010	30,629,774	(6,167)	30,623,607	30,623,319	99.98%	(824)	30,622,495	100.00%
2011	32,973,831	(498)	32,973,333	30,314,659	91.94%	2,656,718	32,971,377	99.99%
2012	35,569,456	(2,844,831)	32,724,625	32,715,296	91.98%	(11,356)	32,703,940	99.94%
2013	32,972,444	(89,110)	32,883,334	32,761,640	99.36%	112,900	32,874,540	99.97%
2014	33,821,073	(67,171)	33,753,902	33,743,484	99.77%	1,441	33,744,925	99.97%
2015	33,813,675	(24,802)	33,788,873	33,737,447	99.77%	44,347	33,781,794	99.98%
2016	34,264,769	(229,172)	34,035,597	34,027,775	99.31%	-	34,027,775	99.98%
2017	30,664,023	(403,604)	30,260,419	30,252,846	98.66%	-	30,252,846	99.97%

* 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

Debt Capacity

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

City of Midland, Michigan
Ratios of Outstanding Debt

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
General obligation bonds	$ -	$ 16,662,808	$ 15,754,036	$ 20,771,216	$ 19,559,396	$ 18,408,507	$ 17,092,657	$ 15,721,807	$ 14,980,000	$ 13,350,000
Capital leases	983,651	782,160	614,097	409,524	209,187	-	-	-	-	-
Total governmental activities	983,651	17,444,968	16,368,133	21,180,740	19,768,583	18,408,507	17,092,657	15,721,807	14,980,000	13,350,000
Business-type activities										
General obligation bonds	19,363,882	18,364,750	17,379,872	16,344,992	15,245,399	14,779,063	13,474,063	12,184,064	10,754,064	9,264,064
Revenue bonds	2,310,000	1,155,000	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	120,703
Total business-type activities	21,673,882	19,519,750	17,379,872	16,344,992	15,245,399	14,779,063	13,474,063	12,184,064	10,754,064	9,384,767
Total debt of the government	$ 22,657,533	$ 36,964,718	$ 33,748,005	$ 37,525,732	$ 35,013,982	$ 33,187,570	$ 30,566,720	$ 27,905,871	$ 25,734,064	$ 22,734,767
Total population (1)	41,054	40,917	40,807	41,863	41,863	42,020	42,202	42,181	42,200	42,096
Total debt per capita	$ 552	$ 903	$ 827	$ 896	$ 836	$ 790	$ 724	$ 662	$ 610	$ 540
Total per capita personal income (2)	$ 26,818	$ 26,818	$ 29,946	$ 30,803	$ 30,574	$ 32,185	$ 31,540	$ 31,627	$ 30,715	$ 31,343
Total debt per capita personal income	$ 845	$ 1,410	$ 1,153	$ 1,243	$ 1,145	$ 1,031	$ 969	$ 882	$ 838	$ 725
Total taxable value	$2,525,202,300	$2,091,945,200	$ 2,157,983,712	$ 2,303,108,341	$ 2,362,861,037	$2,201,777,715	$2,325,703,249	$2,332,816,968	$2,358,805,932	$ 2,108,369,097
Ratio of total debt to taxable value	0.90%	1.77%	1.56%	1.63%	1.48%	1.51%	1.31%	1.20%	1.09%	1.08%

(1) Estimates provided by City Planning Department
(2) US Bureau of Census

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

City of Midland, Michigan

Ratios of General Bonded Debt Outstanding

Fiscal Year	General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population		Business Type Debt	Net General Bonded and Business Type Debt	Debt Per Capita	Per Capita Personal Income		% of Personal Income
2008	$ -	$ 2,525,202,300	0.000%	41,054	(1)	$ 21,673,882	$ 17,683,381	$ 431	$ 26,818	(2)	1.61%
2009	16,662,808	2,091,945,200	0.797%	40,917	(1)	19,519,750	32,008,561	782.28	26,818	(2)	2.92%
2010	15,754,036	2,157,983,712	0.730%	40,807	(1)	17,379,872	29,999,944	735.17	29,946	(2)	2.45%
2011	20,771,216	2,303,108,341	0.902%	41,863	(1)	16,344,992	33,883,116	809.38	30,803	(2)	2.63%
2012	19,559,396	2,362,861,037	0.828%	41,863	(1)	15,245,399	31,490,293	752.22	30,574	(2)	2.46%
2013	18,408,507	2,201,777,715	0.836%	42,020	(1)	14,779,063	29,815,482	709.55	32,185	(2)	2.20%
2014	17,092,657	2,325,703,249	0.735%	42,202	(1)	13,474,063	27,111,413	642.42	31,540	(2)	2.04%
2015	15,721,807	2,332,816,968	0.674%	42,181	(1)	12,184,064	24,391,315	578.25	31,627	(2)	1.83%
2016	14,980,000	2,358,805,932	0.635%	42,200	(1)	10,754,064	22,148,810	524.85	30,715	(2)	1.71%
2017	13,350,000	2,108,369,097	0.633%	42,096	(2)	9,264,064	19,012,116	451.64	31,343	(2)	1.44%

(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	$ 13,350,000	100.00%	$ 13,350,000
Overlapping debt:			
Bay City School District	51,040,000	0.25%	127,600
Bullock Creek School District	14,860,000	0.44%	65,384
Midland School District	54,910,000	80.77%	44,350,807
Bay County	5,329,218	0.15%	7,994
Midland County	32,525,344	59.40%	19,202,963
Bay-Arenac Intermediate School District	2,350,000	0.13%	3,055
Total overlapping debt	161,014,562		63,757,803
Total	$ 174,364,562		$ 77,107,803

* Overlapping debt is calculated as the issuer's proportionate share of the debt of other local governmental units that overlap it (the issuer is located either wholly or partly within the geographic limits of the other units) or underlie it (the other units are located within the geographic limits of the issuer). The debit is generally apportioned based upon relative assessed property values.
--- Source http://emma.msrb.org/educationcenter/Glossary.aspx

City of Midland, Michigan
Legal Debt Margin

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	$ 281,422,420	$ 231,029,280	$ 239,060,150	$ 256,369,495	$ 261,932,163	$ 244,187,237	$ 255,859,200	$ 256,194,110	$ 258,823,810	$ 227,852,583
Total net debt applicable to limit	19,363,882	35,027,558	33,133,908	37,116,208	34,804,795	33,187,570	30,566,720	27,905,871	25,734,064	22,614,064
Legal debt margin	$ 262,058,538	$ 196,001,722	$ 205,926,242	$ 219,253,287	$ 226,063,100	$ 210,999,667	$ 225,292,480	$ 228,288,239	$ 233,089,746	$ 205,238,519
Total net debt applicable to the limit as a percentage of debt limit	6.88%	15.16%	13.86%	14.48%	13.29%	13.59%	11.95%	10.89%	9.94%	9.92%

Legal Debt Margin Calculation for Fiscal Year 2017

Debt limit:	
2016 state equalized valuation	$ 2,278,525,829
Debt limit (10% of state equalized valuation) (1)	x 10.00%
Total debt limit	227,852,583
Debt applicable to debt limit:	
Total bonded debt	22,614,064
Less: deductions allowed by law:	
	-
Total amount of debt applicable to debt limit	22,614,064
Legal debt margin	$ 205,238,519

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						
		Operating		Debt service			
Fiscal Year	Gross Revenues	Expenses	Net Revenues	Principal	Interest	Total	Coverage
2007	$ 10,479,515	$ 7,786,003	$ 2,693,512	$ 1,155,000	$ 237,930	$ 1,392,930	1.93
2008	10,818,541	7,747,720	3,070,821	1,155,000	180,180	1,335,180	2.30
2009	10,975,338	8,078,020	2,897,318	1,155,000	121,275	1,276,275	2.27
2010	11,216,050	8,017,287	3,198,763	-	-	-	0.00
2011	11,499,995	8,180,881	3,319,114	-	-	-	0.00
2012	11,535,436	9,457,224	2,078,212	-	-	-	0.00
2013	11,723,866	9,915,667	1,808,199	-	-	-	0.00
2014	12,037,632	10,344,900	1,692,732	-	-	-	0.00
2015	11,824,433	10,386,152	1,438,281	-	-	-	0.00
2016	11,986,070	10,045,632	1,940,438	-	-	-	0.00
2017	12,018,253	9,774,005	2,244,248	-	-	-	0.00

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)
2008	41,054	(1)	(3)		26,818	36.2	5.1
2009	40,917	(1)	(3)		26,818	36.2	8.5
2010	40,807	(1)	25,723	(2)	29,946	36.5	7.5
2011	41,863	(1)	26,776	(2)	30,803	36.8	6.6
2012	41,863	(1)	26,446	(2)	30,574	36.5	5.7
2013	42,020	(1)	27,811	(2)	32,185	37.6	6.1
2014	42,202	(1)	27,575	(2)	31,540	37.4	5.0
2015	42,181	(1)	28,316	(2)	31,627	37.3	4.2
2016	42,200	(1)	29,749	(2)	30,715	37.4	3.4
2017	42,096	(2)	30,531	(2)	31,343	38.9	3.3

(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	2017 Employees (2)(3)	Percentage of Total	2008 Employees	Percentage of Total	2008 Rank
1	Dow Chemical Company	6,083	28.91%	5,800	28.56%	1
2	MidMichigan Health	2,066	9.82%	3,200	15.76%	2
3	Midland Public Schools	973	4.62%	1,700	8.37%	3
4	Chemical Bank	591	2.81%	420	2.07%	8
5	City of Midland	443	2.11%	490	2.41%	6
6	Northwood University	438	2.08%	(1)	(1)	(1)
7	Greater Midland	400	1.90%	(1)	(1)	(1)
8	Three Rivers	380	1.81%	(1)	(1)	(1)
9	Meijer	350	1.66%	600	2.95%	5
10	Midland County	315	1.50%	330	1.63%	9

(1) Information not available

(2) Source: Midland Tomorrow, 2016

(3) Full-time equivalents

City of Midland, Michigan

Full-time Government Employees

Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
City Manager	4	4	4	3	4	2	2	2	2	2
City Clerk	4	4	4	4	4	4	4	4	4	4
City Treasurer	6	6	4	4	4	4	4	4	4	4
Assessing	5	5	5	4	4	4	4	4	4	4
City Attorney	3	3	3	3	3	3	3	3	3	2
Finance	8	8	8	8	8	8	8	8	8	9
Human Resources/Risk Management	5	4	4	4	4	4	4	4	4	4
Purchasing	1	1	1	1	1	1	1	1	1	-
Public safety:										
Police	51	51	51	50	50	50	50	50	50	50
Fire	46	46	46	46	46	46	46	46	46	46
Building inspection	7	7	6	6	6	6	6	6	6	6
Planning	6	6	4	4	4	4	4	4	4	4
Public works:										
Engineering	15	15	14	12	12	12	12	12	12	12
Public Works	39	38	34	33	31	30	30	29	27	29
Sanitation	5	5	5	5	5	5	5	7	7	5
Parks and recreation	34	34	29	25	26	26	26	24	26	25
Grace A. Dow Library	23	21	20	19	19	18	18	18	18	18
Downtown Development Authority	1	1	1	-	-	-	1	1	1	1
Dial-A-Ride	6	6	6	6	5	5	5	5	6	6
Civic Arena	-	-	2	2	2	2	2	2	2	2
Landfill	8	9	9	9	9	9	10	10	10	10
Senior Housing										
Washington Woods	7	7	6	6	6	6	6	6	6	6
Riverside Place	6	6	6	6	6	6	6	6	6	5
Currie Municipal Golf Course	1	3	4	7	7	7	7	-	-	-
Wastewater	22	22	20	20	20	20	20	20	20	20
Water	36	36	35	34	34	33	33	33	32	32
Midland Community Television	3	3	3	3	3	3	3	3	3	3
Equipment Revolving	15	15	15	15	15	15	13	13	13	13
Municipal Service Center	1	1	1	1	1	1	1	-	-	-
Information Services - Operations	6	6	6	6	6	5	5	5	5	5
Geographic Information Systems	2	2	2	1	1	-	-	-	-	-
Total	376	375	358	347	346	339	339	330	330	327

Source: City of Midland Annual Budget

Operating Information

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

City of Midland, Michigan
Operating Indicators
Last Ten Fiscal Years

Function/ Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Building permits issued	3,021	2,601	3,023	3,789	3,594	3,020	2,727	2,504	3,055	3,151
Building inspections conducted (1)	6,226	4,989	7,211	5,959	3,377	3,502	3,404	4,174	3,303	2,616
Public safety										
Police										
Physical arrests	1,274	999	1,069	1,425	1,182	1,018	1,524	1,240	1,236	1,127
Traffic violations	5,856	6,224	4,679	4,009	4,294	4,549	3,989	3,988	3,905	3,805
Investigations/complaints	15,851	14,523	13,883	13,833	13,840	13,683	13,915	13,436	14,294	14,087
Fire										
Fire runs	104	68	109	82	97	118	70	80	86	64
Rescue/medical	3,080	3,080	3,018	2,999	3,018	3,127	3,141	3,147	3,192	3,474
Hazardous	347	389	322	458	339	317	391	333	292	421
All other calls	963	977	1,002	1,165	1,299	1,359	1,361	1,376	1,320	1,441
Public works										
Street maintenance (millions of dollars)	$ 2.50	$ 2.54	$ 1.73	$ 1.93	$ 1.56	$ 1.65	$ 2.20	$ 1.94	$ 1.91	$ 2.21
Sidewalk maintenance (thousands of dollars)	$ 436.98	$ 405.91	$ 364.99	$ 218.50	$ 121.47	$ 117.48	$ 148.40	$ 143.06	$ 268.88	$ 169.70
Refuse collected (compacted cubic yards)	54,331	54,956	52,364	49,482	46,343	42,420	54,157	57,006	48,589	57,528
Brush and heavy item (cubic yards)	64,229	61,456	51,306	52,073	54,039	43,591	58,300	54,527	56,722	52,475
Fall leaf collection (cubic yards)(2)	15,936	16,524	17,970	15,421	17,616	16,956	16,050	16,728	15,598	18,650
Parks and recreation										
Softball teams supported	311	282	263	260	236	201	204	195	196	202
Picnic reservations (sheltered and open area)	488	595	603	621	626	543	550	546	613	684
Library										
Volumes in collection	275,085	271,152	262,065	257,203	256,631	253,104	249,169	248,849	242,440	238,196
Circulation (books borrowed)	833,798	856,376	860,380	846,487	814,529	789,851	745,669	721,496	710,047	669,424
Airport (take-offs and landings)	9,161	9,336	9,083	9,424	9,578	8,061	7,851	7,465	7,850	10,571
Landfill										
Vehicle traffic	35,393	33,839	31,235	31,947	28,817	28,201	28,863	29,349	32,294	34,987
Tons per day	506	628	483	699	556	615	526	489	742	917
Senior housing apartment complexes										
Washington Woods										
Occupancy	99%	99.5%	99.0%	96.0%	94.0%	98.0%	96.0%	95.9%	91.0%	83.0%
Percent turnover	19%	15%	15%	24%	29%	28%	28%	22%	11%	22%
Average age of residents	83	80	83	81	80	80	79	78	78	78
Riverside Place										
Occupancy	100%	100%	100%	100%	100%	100%	100%	99%	99%	98%
Percent turnover	35%	23%	21%	25%	24%	26%	26%	33%	33%	23%
Average age of residents	86	86	87	87	87	86	85	86	86	85

City of Midland, Michigan
Operating Indicators
Last Ten Fiscal Years

Function/ Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public transportation (passengers served)	155,216	147,093	129,491	126,846	129,674	113,893	107,181	103,306	103,610	112,274
Sewer										
Average daily sewage treatment (MGD)	6.96	8.40	6.58	7.23	6.14	7.41	6.72	6.27	7.98	8.19
Annual sewage treatment (MG)	2,541.55	3,066.66	2,393.76	2,640.53	2,419.16	2,703.48	2,450.27	2,287.28	2,921.85	2,990.56
Water										
Finished water pumped (MG)										
Domestic	3,591.76	3,381.69	3,375.07	3,445.52	3,479.23	3,348.42	3,261.59	3,100.10	3,246.75	3,286.57
Industrial	4,117.73	3,584.78	3,561.20	3,695.13	4,172.44	3,790.94	3,752.69	3,894.11	4,057.97	4,161.28
Total	7,709.49	6,966.47	6,936.27	7,140.65	7,651.67	7,139.36	7,014.28	6,994.21	7,304.72	7,447.85

NA - Information not available
MG - Million gallons
MGD - Million gallons/day

Notes:
a. 2011 and prior accounted for by individual inspection; 2012 and later accounted for by project
b. 2015 in prior years, the quantity of leaves collected were multiplied by a compaction rate of 4. This computation has been revised and prior years have been restated.

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

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

Function/ Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	15	13	13	14	15	15	15	15	14
Detective vehicles	4	4	4	4	4	4	4	5	5	5
SWAT van	1	1	1	1	1	1	1	1	1	1
Administrative and warrant officer vehicle	3	3	4	2	3	3	3	3	3	3
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire response vehicles	6	6	6	6	6	6	6	6	6	6
Emergency response vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
Major streets (miles)	78	77	77	82	82	82	82	82	86	86
Local streets (miles)	155	156	156	151	151	152	152	153	150	150
State highways (miles)	16	16	16	16	16	16	16	16	16	16
Sidewalks (miles)	353	354	355	355	356	357	357	357	358	359
Traffic signals (city owned)	72	72	72	74	74	76	76	77	77	71
Refuse collection trucks	13	13	13	13	15	14	14	14	13	16
Parks and recreation										
Acreage	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Regional park and recreation areas	8	8	8	8	8	8	8	8	8	8
Community parks	7	7	7	7	7	7	7	7	7	7
Block and district parks	55	55	55	55	55	55	55	55	55	55
Golf courses										
9-hole municipal par-3	1	1	1	1	1	1	1	1	1	1
18-hole municipal	2	2	2	2	2	2	2	2	2	2
Golf course clubhouse	2	2	2	2	2	2	2	2	2	2
Ice arena (b)	1	1	1	1	1	1	1	1	1	1
Swimming pool	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Spray ground facilities (j)	2	2	2	2	2	2	2	2	2	2
Library branches	1	1	1	1	1	1	1	1	1	1
Airport										
Runways	2	2	2	2	2	2	2	2	2	2
Terminal building (c)	1	1	1	1	1	1	1	1	1	1
City-owned hangars (leased)	14	14	14	14	14	14	14	14	14	15

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

Function/ Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public transportation-Dial-A-Ride busses	14	14	14	14	14	14	14	14	14	14
Landfill										
Current airspace (compacted cubic yards) (d)(g)(h)	2,556,451	2,304,084	2,347,971	2,205,036	2,041,275	1,859,132	1,736,958	1,613,185	1,424,672	1,231,816
Total future airspace (compacted cubic yards) (e)	8,752,565	6,637,322	8,323,460	8,180,525	8,016,764	7,834,621	7,712,447	7,588,674	7,400,161	7,207,305
Senior housing apartment complexes										
Washington Woods (units)	214	214	214	214	214	214	214	214	214	214
Riverside Place (units)	150	150	150	150	150	150	150	150	150	150
Sewer										
Sanitary sewers (miles)	196	196	197	197	197	197	197	197	199	199
Storm sewers (miles)	173	174	174	174	174	175	175	175	176	176
Treatment capacity (million gallons/day)	18	18	18	18	18	18	18	18	18	18
Water (f)										
Water mains (miles)	333	359	360	384	385	398	400	402	405	399
Fire hydrants	2,979	3,193	3,205	3,240	3,254	3,273	3,309	3,336	3,402	3,412
Storage capacity (million gallons)	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Treatment plant capacity (million gallons/day)										
Potable water	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8
Industrial grade water	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Total	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

NA - Information not available

(a) 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 acutal survey completed, while 2009 was a calculated estimate.
2. A minor modification to Cell 16 design increased the available airspace by 56,947 compacted cubic yards.
(i) 2014 one sheet of ice arena was converted to turf.
(j) 2015 Thrune Park renovation included the addition of a Splash Pad

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