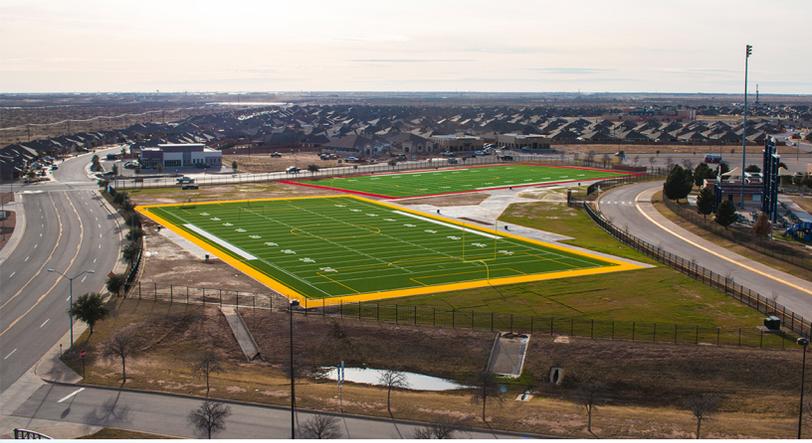


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED - SEPTEMBER 30, 2017 - MIDLAND, TEXAS



**CITY OF MIDLAND, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Year Ended  
September 30, 2017

Prepared by the Finance Department

Pam Simecka  
Director of Finance

Mark Gonzales  
Comptroller

Shelby Zuniga  
Accounting Manager

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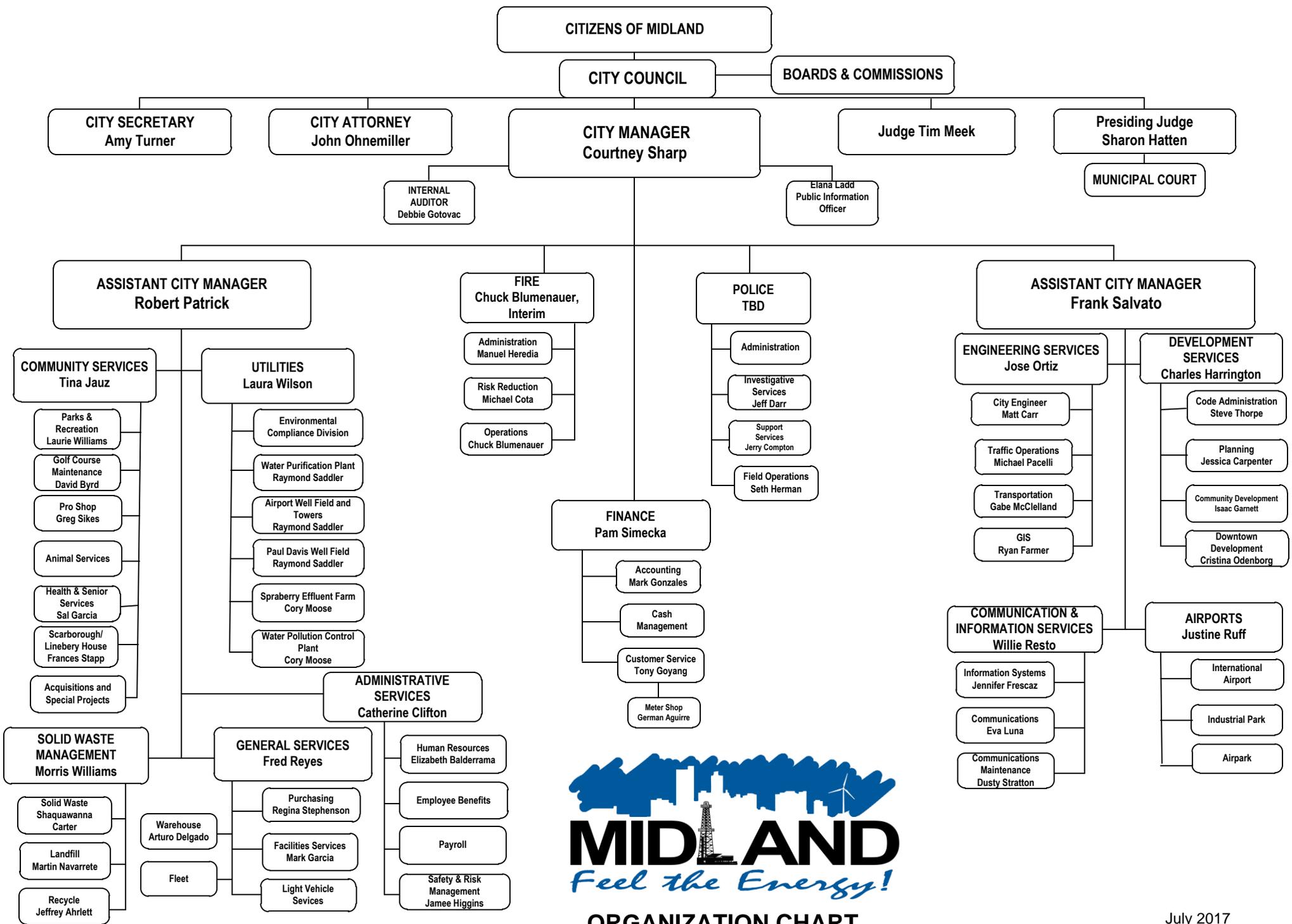
## **INTRODUCTORY SECTION**

CITY OF MIDLAND  
PRINCIPAL OFFICIALS  
CITY COUNCIL

The Honorable Jerry F. Morales ..... Mayor  
J. Ross Lacy..... District 4 ..... Mayor Pro Tem  
Spencer Robnett ..... At Large ..... Council Member  
W. Jeffrey Sparks ..... District 1 ..... Council Member  
John B. Love III ..... District 2 ..... Council Member  
Sharla Hotchkiss ..... District 3 ..... Council Member  
A. Scott Dufford ..... At Large ..... Council Member

OTHER PRINCIPAL OFFICERS

Courtney B. Sharp .....City Manager  
Frank Salvato ..... Assistant City Manager  
Robert Patrick ..... Assistant City Manager  
John Ohnemiller .....City Attorney  
Amy M. Turner .....City Secretary  
Price Robinson ..... Chief of Police  
Interim ..... Fire Chief  
Pam Simecka ..... Director of Finance  
Catherine Clifton ..... Director of Administrative Services  
Tina Jauz .....Director of Community Services  
Justine Ruff ..... Director of Airports  
Laura Wilson ..... Director of Utilities  
Morris Williams .....Director of Solid Waste Management  
Chuck Harrington ..... Director of Development Services  
Fred Reyes ..... Director of General Services  
Jose Ortiz ..... Director of Engineering Services  
Willie Resto ..... Director of Communications & Information Services  
Sharon Hatten ..... Presiding Judge



**ORGANIZATION CHART**

July 2017



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Midland  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morvill*

Executive Director/CEO



300 N. Loraine  
P.O. Box 1152  
Midland, TX 79702-1152

432.685.7203  
Fax 432.686.1600

March 28, 2018

Honorable Mayor  
and Members of the City Council  
City of Midland, Texas

Dear Mayor and Council:

The Comprehensive Annual Financial Report (CAFR) for the City of Midland (the City) for the year ended September 30, 2017 is submitted herewith in compliance with Article IV, Section 29, of the City Charter. This report is published to give our citizens convenient access to a report of the financial condition of our City, its resources during the past fiscal year and uses made of such resources, the results of operations of the various proprietary funds, and comparative and statistical information. The information contained herein will also serve our City Council, management, and staff as a guide in formulating policies and conducting the City's day-to-day affairs. The City's Finance Department is responsible for the accuracy of the data presented and the completeness and fairness of the presentation.

We believe the data presented is accurate in all material aspects and that all disclosures necessary to enable the reader to acquire an understanding of the City's financial activity have been provided.

Independent audits are an essential element of financial control and accountability. The City Charter requires an annual audit to be made of the financial records of the City by a competent public accountant selected by the City Council. Federal guidelines established for local governments receiving federal assistance require that programs receiving federal assistance be audited in conjunction with the local government's annual audit under the "single audit" concept. The City has complied with these requirements. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements, including comparative data from the past year. It can be found immediately following the independent auditor's report. MD&A complements this letter of transmittal and should be read in conjunction with it.

### PROFILE OF THE GOVERNMENT

The City was incorporated on January 25, 1911, under the provisions of H.B. 901 of the Texas Legislature. It was subsequently chartered on November 5, 1940 (amended May 4, 1996) and operates under a Council-Manager form of government. The City Council comprises a Mayor and seven members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, City Secretary, and Municipal Judge. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and

ordinances, the appointment and supervision of department managers, and the performance of functions within the municipal organization.

The financial reporting entity contains all funds of the primary government (i.e., the City of Midland as legally defined), as well as its component units. Component units are legally separate entities for which the primary government is financially accountable.

The City provides a wide range of services to the citizens, including police and fire protection, health and social services, public improvements, streets, traffic control, planning and zoning, water and sewer, solid waste, airports, parks and recreation facilities and general administrative services.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Midland Football/Soccer and Baseball Complex Development Corporation (SCDC), the Midland Development Corporation (MDC) and the Midland Spaceport Development Corporation (Spaceport) are reported as discretely presented component units.

### LOCAL ECONOMY

Midland is located midway between Fort Worth and El Paso, along Interstate 20, in West Texas. The city has remained a management center, reflecting a unique concentration of highly trained and educated personnel. According to the U.S. Census Bureau 2012-2016 American Community Survey 5-year estimates, bachelor's degrees are held by 18.8% of the population 25 years and older, and graduate or professional degrees are held by 7.5%. Attributes, such as the educational levels of the populace, in conjunction with good weather, the high quality of life, and the central location, which facilitates travel and shipping to both coasts, have made Midland a viable candidate in the recruitment of new and relocating businesses.

In 2016, published in 2017 by the U.S. Department of Commerce Bureau of Economic Analysis, the Midland Metropolitan Area attained the nation's second highest per capita personal income (PCPI) in the United States. Midland serves as a regional administrative center for petroleum production.

According to the Texas Workforce Commission, the Midland Metropolitan Statistical Area reported an unemployment rate of 2.8% for September 2017. Midland utilizes economic development resources, primarily economic development tax funds, to expand the economic base by attracting new companies and assisting existing local businesses with the funding of expansion projects.

The city's residential, commercial and industrial growth has been influenced by the development of two city airports: Midland International Air & Space Port and Midland Airpark. Midland International Air & Space Port is the hub of aviation activity for a 43 county area of West Texas and southeast New Mexico. The full service Foreign Trade Zone (FTZ) at the Midland International Air & Space Port assists in the development of a diversified economy. Midland International is also a designated Port of Entry and has a U.S. Customs Office.

The U.S. Census Bureau estimated the population of the Midland Metropolitan Statistical Area to be 168,288 as of July 1, 2016. A steady growth in the number of utility connections and annexations has created more demand on the water system. Development of the T-Bar well field and the clear water well fields has helped meet the demands for water for the City. Midland's growth helps create opportunities in commercial, industrial and residential areas. The

past several years have seen the opening of a number of new national chain retail and service businesses.

### LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

Service to the citizenry is a priority of the City and a large part of that service is maintaining and improving infrastructure and the quality of life. In 2017, in its efforts to continue to provide great service, the following activities occurred:

- The City completed a new \$14.4 million municipal court building and it opened for business in October 2016.
- The City completed the widening and extension of Briarwood Avenue at a cost of \$6.7 million.
- The City completed utility improvements to Tradewinds Boulevard at a cost of \$2.7 million.
- The City completed renovations to the Washington Aquatic Center at a cost of \$5.2 million.
- The City completed a new \$5.0 million Fire Station 6, which opened in April 2017.
- The City continues construction of a new Midland Convention Center, estimated to cost \$42.9 million. The building is anticipated to be completed in 2019 and is to be funded through the hotel occupancy tax.
- The Midland International Air and Space Port completed a project to rehabilitate several runways and taxiways at a cost of \$3.5 million.

### ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The accrual basis of accounting is used to report all City financial activity in the government-wide financial statements. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and expenses are recorded in the accounting period incurred.

The City uses the modified accrual basis of accounting for all Governmental Funds (General, Special Revenue, Debt Service, and Capital Projects) and the financial statements for these funds have been prepared on this basis. Under the modified accrual basis, expenditures are recorded when liabilities are incurred and revenues are recorded when they become both measurable and available.

The accrual basis of accounting is followed for the Enterprise and Internal Service Funds and the financial statements for these funds are presented on this basis. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and expenses are recorded in the accounting period incurred.

The City Manager, through his appointee, the Director of Finance, is responsible for maintaining an adequate and effective system of accounts and for establishing and maintaining an internal accounting control system that gives reasonable assurance that assets are being safeguarded against loss from unauthorized use or disposition, and that the financial records can be relied upon for preparing financial statements and maintaining accountability for assets.

We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the upcoming fiscal year. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which comments from all interested persons concerning the budget are heard. The budget is legally enacted by the City Council through passage of an ordinance.

Appropriations are legally adopted at the department level for the General Fund and Debt Service Fund on a basis consistent with generally accepted accounting principles. Budgetary controls are maintained at the major category of expenditure level. All anticipated expenditures are budgeted for control purposes. Encumbrances are used for managerial control through the year.

### FINANCIAL PRACTICES

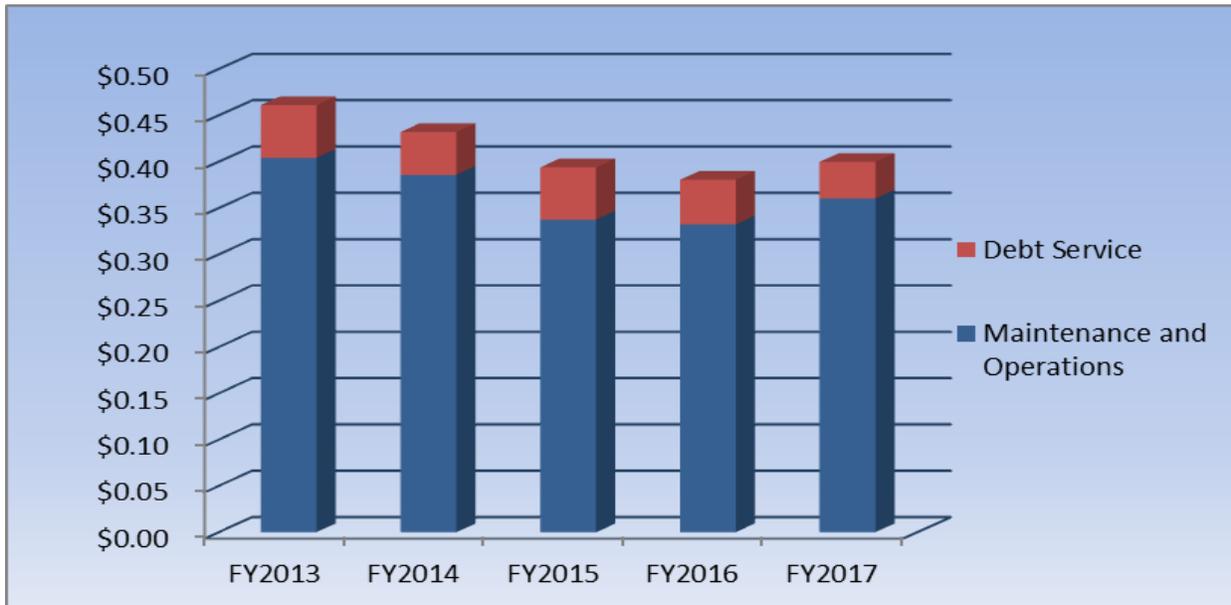
The City adheres to the following financial and managerial practices:

1. Prudent budgeting and effective budget control. Budgeting replacement of capital equipment as the need arises (office machines, automobiles, heavy equipment, etc.).
2. Prudent use of federal funds when available.
3. Pay-as-you-go financing of capital improvements where feasible.
4. Scheduling bond issues so that retirements over the life of the issues produce a total debt service schedule with a declining balance.
5. Plan capital improvements on a five-year plan, updated annually.
6. Passing a share of the cost of extending utilities and improvements in subdivisions to property owners of the subdivisions rather than to the general public.
7. Providing working capital in all funds sufficient to meet current operating needs.
8. Protection of investment principal, including required pledging of collateral to protect deposits within our depository bank.
9. Accounting and reporting in accordance with methods prescribed by the Governmental Accounting Standards Board (GASB), and making such reports available to bond rating agencies and other financially interested organizations.

### GENERAL GOVERNMENTAL FUNCTIONS

All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. According to Article V, Section 2, of the City Charter, the maximum tax levy is \$2.00 per \$100.00 of assessed valuation, which includes debt service. Based upon an assessed valuation of 100% of market valuation, the tax rate for fiscal year 2017 was established at 39.9679 cents per \$100.00 of assessed valuation.

The following graph shows a comparison of tax rates, including the maintenance and operations and debt service components, over the last five years.



The City general purpose sales tax rate is 1%. Sales taxes are collected by the State of Texas (the State) and remitted to the City monthly. The City general purpose sales tax revenues amounted to \$42,762,809 in 2017, which was an increase of 13.3% from the prior fiscal year. Sales tax receipts increased due to an upturn in the local economy resulting from increased activity in the oil and gas industry.

Gross receipt taxes include franchise taxes levied on the electric, gas, telephone, water, sanitation, and cable television utilities.

A hotel occupancy tax provides funding for the enhancement and promotion of tourism. The hotel occupancy tax was up 3.9% in 2017 compared to 2016. Similar to sales taxes, the increase in the hotel occupancy tax was due to increased oil and gas activity.

### DEBT ADMINISTRATION

The City's strong, positive, and responsive management is reflected by the fact the City has maintained its strong ratings through the challenges of changing economies. In 2017, the City issued Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016, in the amount of \$27,245,000 for the construction of a new convention center. As of September 30, 2017, Fitch Ratings and Standard & Poor's credit ratings on the City's general obligation debt were AAA and AA+, respectively.

The City of Midland has never defaulted on any required debt payment or other debt obligation. Additional information regarding bonded debt is presented in the supplementary information in the statistical tables.

## FISCAL RESPONSIBILITIES

The City adheres to a policy of a balanced budget and careful and conservative management of the City's resources, primarily on a pay-as-you-go basis. Because of this, the City has maintained and will maintain a strong financial condition for the benefit of its citizens.

## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Midland, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the thirty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report, and the maintenance of the records upon which it is based, required the services and cooperation of the staff of the Accounting Division, together with assistance from other departments and divisions of the City, and the assistance of the City's independent auditors. All of these efforts are greatly appreciated.

We also wish to thank the Mayor and members of the City Council for their responsible manner of conducting the financial operations of the City.

Respectfully submitted,



Courtney Sharp  
City Manager



Pam Simecka  
Director of Finance

## **FINANCIAL SECTION**

## Independent Auditor's Report

The Honorable Mayor, City Council and City Manager  
City of Midland, Texas  
Midland, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Midland, Texas (City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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.

### *Auditor's 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. 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 auditor's 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of September 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, budgetary comparison, pension and other postemployment information as listed 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, introductory, statistical, and supplemental sections as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, statistical and supplemental 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.

**BKD, LLP**

Dallas, Texas  
March 28, 2018

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

CITY OF MIDLAND, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2017  
(Unaudited)

As management of the City of Midland, Texas (City of Midland or City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City of Midland for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv – ix of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets of the City of Midland exceeded its liabilities at the close of the most recent fiscal year by \$502.3 million (net position). Unrestricted net position of \$90.0 million, an increase of \$6.6 million from the prior year, may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2017, the City of Midland governmental activities reported combined net position of \$205.4 million, an increase of \$39.7 million from the prior year. Unrestricted net position was \$24.8 million, an increase of \$33.9 million from the prior year.
- As of September 30, 2017, unassigned fund balance of the General Fund was \$90.9 million, or 76.8% of total General Fund expenditures. At the close of the prior fiscal year, unassigned fund balance for the General Fund was \$43.6 million or 37.3% of that year's expenditures. In fiscal year 2017, the General Fund received a \$28.0 million transfer from the Scharbauer Sports Complex which contributed to the increase in unassigned fund balance.
- The government's business-type activities total net position decreased from \$321.8 million in fiscal year 2016 to \$297.0 million in the current year, a change of 7.7%. This decrease was due to \$33.8 million in total transfers out to governmental activities.
- The City's total bonds payable increased by \$8.8 million during the current fiscal year. The increase was due to the issuance of Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 in the amount of \$27,245,000. This issuance was offset by the payoff of the General Obligation Refunding Bonds, Series 2006B in the principal amount of \$13,620,000 and by normal scheduled debt principal payments of \$4,825,000.

Overview of the Financial Statements

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

CITY OF MIDLAND, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2017  
(Unaudited)

Government-wide Financial Statements

The Statement of Net Position presents information on all of the City's assets and outflows of resources, and liabilities and inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Midland is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City of Midland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, development services, engineering, community services, police and fire. The business-type activities of the City include airport, water and sewer, sanitation, sports complex and golf course operations.

The government-wide financial statements include not only the City of Midland itself (known as the primary government), but also legally separate development corporations for a sports complex, economic development and spaceport development for which the City is financially accountable or can impose its will. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Midland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

1. Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Midland maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, both of which are considered to be major funds. Data for the other 22 governmental funds is 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.

2. Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Midland uses enterprise funds to account for its airport, water and sewer, sanitation, sports complex and golf course operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City of Midland's various functions. The City uses internal service funds to account for its warehouse, garage, technology equipment and support, and four self-insurance funds. Because the warehouse services predominantly benefit business-type rather than governmental functions, the Warehouse Fund has been included within business-type activities in the government-wide financial statements. The remaining internal service funds predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport Fund, the Water and Sewer Fund, the Sanitation Fund and for the Scharbauer Sports Complex Fund, each of which is considered to be a major fund or designated major fund of the City of Midland.

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Although it does not meet the criteria for a major fund, the Golf Course Fund is also presented separately since it is the only remaining enterprise fund. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Midland's progress in funding its obligation to provide pension benefits to its employees, other postemployment benefits, and budgetary comparison schedules. The City of Midland adopts annual appropriated budgets for its General and Debt Service Funds. A budgetary comparison schedule is presented as required supplementary information for the General Fund to demonstrate budgetary compliance.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position was \$502.3 million at September 30, 2017.

By far the largest portion of the City's net position, 77.4%, reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Midland 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.

The restricted portion of the City's net position, \$23.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, which is net of net investments in capital assets and the restricted portion, is referred to as unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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Table 1  
City of Midland's Net Position  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 188,658	\$ 137,444	\$ 114,422	\$ 140,148	\$ 303,080	\$ 277,592
Capital assets	210,115	191,228	514,672	527,374	724,787	718,602
Total assets	<u>398,774</u>	<u>328,672</u>	<u>629,094</u>	<u>667,522</u>	<u>1,027,868</u>	<u>996,195</u>
Deferred outflows of resources	26,604	30,261	4,075	5,647	30,679	35,908
Long-term liabilities outstanding	205,995	171,634	320,470	334,510	526,465	506,144
Other liabilities	12,099	20,950	15,374	16,780	27,472	37,730
Total liabilities	<u>218,094</u>	<u>192,584</u>	<u>335,844</u>	<u>351,291</u>	<u>553,937</u>	<u>543,875</u>
Deferred Inflow of resources	<u>1,934</u>	<u>744</u>	<u>371</u>	<u>43</u>	<u>2,305</u>	<u>787</u>
Net position:						
Net investment in capital assets	164,184	145,003	224,677	222,764	388,862	367,767
Restricted	16,363	29,725	7,033	6,490	23,396	36,214
Unrestricted	24,802	(9,122)	65,245	92,583	90,047	83,460
Total net position	<u>\$ 205,350</u>	<u>\$ 165,606</u>	<u>\$ 296,955</u>	<u>\$ 321,836</u>	<u>\$ 502,304</u>	<u>\$ 487,442</u>

At the end of the current fiscal year, for both governmental activities and business-type activities, all three categories of net position were positive.

Overall, the City's net position increased \$14.9 million during the current fiscal year, with governmental activities reflecting an increase of \$39.7 million and business-type activities decreasing \$24.8 million. The increase in governmental activities net position is due to an increase in revenues and transfers in while the decrease in the net position of business type activities is attributable primarily to an increase in transfers out.

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The following table provides a summary of the City's operations for the year ended September 30, 2017 with comparative totals for the year ended September 30, 2016.

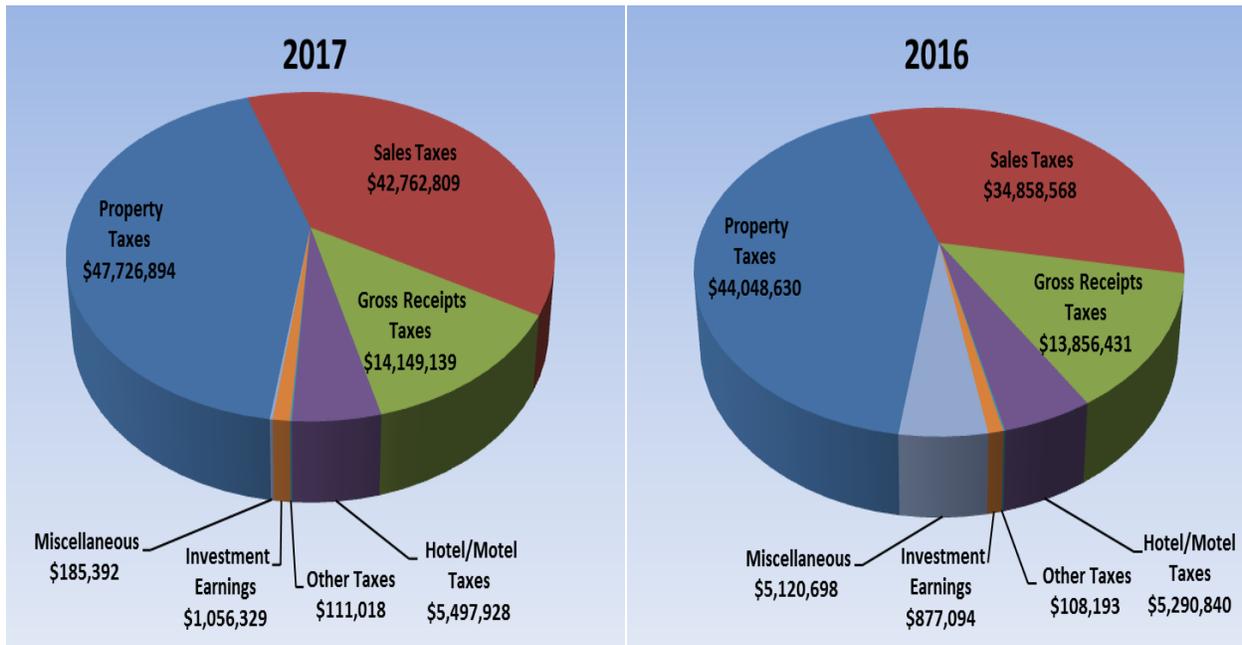
Table 2  
City of Midland's Changes in Net Position  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 14,526	\$ 10,971	\$ 106,995	\$ 99,345	\$ 121,520	\$ 110,317
Operating grants and contributions	1,738	1,527	-	34	1,738	1,561
Capital grants and contributions	6,696	503	7,394	5,225	14,090	5,728
General revenues:						
Property taxes	47,727	44,049	-	-	47,727	44,049
Sales taxes	42,763	34,859	-	-	42,763	34,859
Other taxes	19,758	19,255	-	-	19,758	19,255
Other	1,242	5,998	779	723	2,021	6,721
Total revenues	<u>134,449</u>	<u>117,162</u>	<u>115,168</u>	<u>105,327</u>	<u>249,617</u>	<u>222,489</u>
Expenses:						
General government:						
Administration	1,328	531	-	-	1,328	531
Support services	17,835	9,648	-	-	17,835	9,648
Fiscal management	2,282	2,206	-	-	2,282	2,206
Other	4,126	7,377	-	-	4,126	7,377
Development services	3,609	5,313	-	-	3,609	5,313
Engineering	17,837	14,919	-	-	17,837	14,919
Community services	17,218	13,654	-	-	17,218	13,654
Police	29,056	28,458	-	-	29,056	28,458
Fire	32,303	32,557	-	-	32,303	32,557
Interest on long-term debt	2,868	1,801	-	-	2,868	1,801
Airport	-	-	13,625	10,718	13,625	10,718
Water and sewer	-	-	71,978	70,466	71,978	70,466
Sanitation	-	-	13,731	13,305	13,731	13,305
Sports complex	-	-	4,258	4,439	4,258	4,439
Golf course	-	-	2,701	2,762	2,701	2,762
Total expenses	<u>128,462</u>	<u>116,464</u>	<u>106,293</u>	<u>101,690</u>	<u>234,755</u>	<u>218,154</u>
Increase in net position						
before transfers	5,987	697	8,876	3,637	14,863	4,334
Transfers	33,757	4,829	(33,757)	(4,829)	-	-
Increase (decrease) in net position	39,744	5,527	(24,881)	(1,192)	14,863	4,334
Net position - October 1	165,606	160,079	321,836	323,028	487,442	483,107
Net position - September 30	<u>\$ 205,350</u>	<u>\$ 165,606</u>	<u>\$ 296,955</u>	<u>\$ 321,836</u>	<u>\$ 502,304</u>	<u>\$ 487,442</u>

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Governmental Activities

The following charts show the City's general revenues as of September 30, 2017 and 2016.



Revenues for governmental activities were \$133.4 million, excluding transfers from other funds of \$33.8 million, and were used to pay for expenses associated with governmental activities of \$128.5 million.

The City's general revenues provided \$111.5 million, an increase of \$7.3 million from the previous year, to fund the costs associated with activities that are not self-supporting. It is anticipated that governmental activities will not be self-supporting and be paid for through general revenues.

The primary sources of revenue for governmental activities are taxes, fees, investment earnings, grants and contributions, and miscellaneous revenues. During fiscal year 2017, property taxes generated \$47.7 million, an increase of \$3.7 million over the previous year, and were derived from a property tax base of \$11.859 billion, up from \$11.529 billion the previous year, and a property tax rate of 39.9679 cents per hundred dollars valuation, an increase of 0.019199 cents from the previous year. Sales taxes generated \$42.8 million, an increase of \$7.9 million from the previous year. Sales taxes increased due to an upturn in the local economy resulting from increased activity in the oil and gas industry. Gross receipts taxes, or franchise fees, contributed \$14.1 million to operations. Operating grants and contributions provided \$1.7 million, while capital grants and contributions provided another \$6.7 million. Capital grants and contributions increased due to the City meeting certain obligations set out in agreements with the Midland Development Corporation (MDC), a component unit of the City, resulting in the forgiveness of interest free forgivable loans. Investment income provided \$1.1 million, an increase of \$0.2 million from the prior year due to higher short term interest rates. Miscellaneous revenues provided \$0.2 million, a decrease of \$4.9

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million from the previous year. In 2016, the City received lease bonus payments related to oil and gas leases which resulted in higher miscellaneous income in that year.

The most significant expenses of governmental activities are those associated with providing police protection, fire protection, engineering, community services and the support services necessary to provide these services.

Police protection, \$29.1 million, and fire protection, \$32.3 million, represent a combined 47.8% of all governmental activities expenses. Police and fire protection increased \$0.3 million from the previous year.

When combining police and fire protection with engineering, \$17.8 million, community services, \$17.2 million, and support services, \$17.8 million, this represents 88.9% of total governmental activities expenses.

Support services increased \$8.2 million compared to the prior year and was mainly due to support services focusing on larger capital projects in the prior year including a new municipal court building and fire station. Additionally, the completion and capitalization of these large capital projects in the current year resulted in increased depreciation expense which also contributed to the increase in support services.

Governmental activities expenses were primarily funded by \$14.5 million charged for services rendered, \$6.7 million received as capital grants and contributions, and \$145.2 million in general revenues and transfers.

#### Business-Type Activities

Net position of business-type activities decreased \$24.8 million or 7.7% from \$321.8 million to \$297.0 million. Business-type revenues contributed \$115.2 million to the operations of the City while business-type expenses, not including transfers, amounted to \$106.3 million. Transfers to governmental activities amounted to \$33.8 million, an increase of \$28.9 million from the prior year. In the current year, the Sports Complex Development Corporation (SCDC), a component unit of the City, was terminated. As part of the termination, all funds held in trust by the City for SCDC were required to be transferred to the General Fund. The funds were held in trust by the City in the Scharbauer Sports Complex proprietary fund and the transfer amounted to \$28.0 million.

Charges for services for business-type activities increased by \$7.7 million or 7.7%. Airport, water and sewer, sanitation, and golf course combined increased by \$9.7 million. The largest of this increase was water and sewer charges, which increased by \$6.3 million and was primarily due to increased water and sewer rates that became effective in October 2016. The increase was partially offset by a decrease in sports complex charges for services of \$2.0 million. This decrease was due to the termination of the SCDC in June 2017 which resulted in less receipts being remitted from the SCDC to the sports complex.

Grants and contributions, \$7.4 million, and investment earnings, \$0.8 million, were the other components of business-type activity revenue for the City. Compared to the prior year, grants and contributions increased by \$2.1 million and investment earnings increased by \$0.05 million.

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Grant and contributions increased due to airport related grant receipts being \$3.7 million higher than the prior year offset by a reduction in water and sewer developer contributions of \$1.6 million compared to last fiscal year.

Expenses of business-type activities were less than combined revenues and grants. Not including transfers, the water and sewer system had \$72.0 million in expenses, and sanitation had \$13.7 million in expenses. Airport expenses were \$13.6 million, an increase of \$2.9 million from FY16. This increase was due to an increase in project related non-capital expenditures. Expenses were \$4.3 million and \$2.7 million, respectively, for the sports complex and golf course. Net position of the airport and sanitation increased from fiscal year 2016.

Financial Analysis of the Government's Funds

As noted earlier, the City of Midland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

1. Governmental Funds

The focus of the City of Midland'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 of Midland's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Midland's governmental funds reported combined ending fund balance of \$153.4 million, an increase of \$56.5 million in comparison with the prior year. Approximately \$90.9 million or 59.3% of this total amount constitutes unassigned fund balance and is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has already been 1) restricted by specific legal requirements, such as by debt covenants or other purposes (\$50.5 million), 2) committed to pay for specific types of expenditures (\$11.1 million), 3) nonspendable – prepayments or advances (\$0.9 million).

The General Fund is the chief operating fund of the City of Midland. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$90.9 million compared to \$43.6 million last year, while total fund balance was \$99.6 million compared to \$63.0 million in the prior year. As noted above, due to the termination of the SCDC, the Scharbauer Sports Complex proprietary fund transferred \$28.0 million to the General Fund. This transfer contributed to both the increase in unassigned fund balance and total fund balance.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance currently represents 76.8% of total General Fund expenditures, up from 37.3% in 2016, while total fund balance represents 84.1%, compared with 54.0% in 2016, of that same amount.

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Fund balance of the City of Midland's General Fund increased \$36.6 million during the current fiscal year. Key factors for this increase are as follows:

Taxes were up \$12.8 million or 14.6% compared to the prior year mainly due to increases in property taxes and sales taxes. Property taxes were up \$4.6 million or 11.9% due to an increase in both the property tax base and the property tax rate. Sales tax receipts were up \$7.9 million or 22.7% compared to 2016. Sales tax receipts increased due to increased activity in the oil and gas industry resulting in an upturn in the local economy.

As noted, contributions were up \$6.2 million mainly due to the City meeting certain obligations set out in agreements with the MDC resulting in the forgiveness of interest free forgivable loans.

The SCDC was terminated in the current year and as part of the termination procedures, all funds held in trust by the City for SCDC were required to be transferred to the General Fund. The transfer to the General Fund from the Scharbauer Sports Complex proprietary fund amounted to \$28.0 million.

The total fund balance for the Debt Service Fund was \$0.4 million in the current year, all of which is restricted for the payment of debt service.

2. Proprietary Funds

The City of Midland's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$48.5 million, an increase of \$3.9 million from 2016. Water and Sewer Fund net investment in capital assets decreased by \$6.5 million and total net position decreased by \$2.6 million.

Airport Fund unrestricted net position amounted to \$9.6 million, up from \$7.1 million in fiscal year 2016. Airport Fund net investment in capital assets decreased by \$2.7 million and total net position increased \$1.7 million.

Unrestricted net position of the Sanitation Fund at the end of the year amounted to \$0.5 million, up from (\$1.3) million in 2016. Sanitation Fund net investment in capital assets decreased by \$1.6 million from \$14.5 million in 2016 to \$12.9 million in 2017. Overall, total net position in the Sanitation Fund increased \$0.2 million from 2016 to 2017.

The Scharbauer Sports Complex Fund unrestricted net position decreased by \$36.9 million from \$39.3 million in 2016 to \$2.4 million in 2017. Total net position at the end of 2017 was \$32.5 million, a decrease of \$25.2 million compared to the prior fiscal year.

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Unrestricted net position of the Golf Course Fund at the end of the year amounted to (\$1.7) million, a decrease of \$0.3 million from the previous fiscal year. Overall, total net position of the Golf Course Fund decreased \$0.6 million from 2016 to 2017.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. These changes resulted in an overall increase in budgeted expenditures of \$5.3 million or 4.2% from the original budget. Overall, expenditures were \$13.5 million under budget mainly due to capital outlay expenditures being \$12.8 million under budget. This was due to less than anticipated capital related activity in FY17.

Management's estimate of the General Fund's budgeted revenues was unchanged from the original budget. Taxes of \$100.1 million were \$8.2 million higher than budgeted. This was mainly due to sales taxes of \$42.8 million being \$6.8 million higher than budgeted resulting from improvements in the local economy as activity in the oil and gas industry increased. Contributions and donations of \$6.6 million were \$6.6 million higher than budgeted. The City met certain requirements set forth in agreements with the MDC that resulted in the forgiveness of interest free forgivable loans.

Transfers in to the General Fund include the \$28.0 million transfer from the Scharbauer Sports Complex proprietary fund resulting from the termination of the SCDC. This is the primary reason why transfers in are higher than budgeted.

Capital Assets and Debt Administration

Capital Assets

The City of Midland's investment in capital assets for its governmental and business type activities as of September 30, 2017 amounts to \$724.8 million (net of accumulated depreciation), compared to \$718.6 million (net of accumulated depreciation) at September 30, 2016. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, intangible and other assets, and construction in progress. Capital asset detail can also be found in note 5 to the financial statements.

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Table 4  
Capital Assets  
(Net of Depreciation, In Thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 10,080	\$ 9,822	\$ 14,479	\$ 14,419	\$ 24,559	\$ 24,241
Buildings	38,610	19,527	38,403	40,370	77,012	59,897
Improvements other than buildings	18,113	15,253	50,487	48,122	68,601	63,375
Machinery and equipment	31,527	33,243	3,423	3,510	34,950	36,753
Infrastructure	100,183	86,537	403,597	407,460	503,780	493,998
Intangible and other	820	1,158	985	1,304	1,805	2,462
Construction in progress	10,782	25,687	3,298	12,189	14,080	37,876
Totals	<u>\$ 210,115</u>	<u>\$ 191,228</u>	<u>\$ 514,672</u>	<u>\$ 527,374</u>	<u>\$ 724,787</u>	<u>\$ 718,602</u>

Major capital asset events during fiscal year 2017 included the following:

Support Services – Construction of a new Municipal Court building was completed and it opened for service in October 2017.

Engineering – The City completed several street projects including the Briarwood Avenue extension project and utility improvements to Tradewinds Boulevard.

Community Services – The City completed renovations to the Washington Aquatic Center and it opened for service in June 2017.

Support Services – The City completed construction of a new fire station, Fire Station 6, and it opened for service in April 2017.

Airport – Reconstruction of several runways and taxiways at the Midland International Air and Space Port were completed.

Long-Term Debt

At the end of the current fiscal year, the City of Midland had total bond debt outstanding of \$136.1 million. Of this amount, \$80.1 million is general government bond debt. Business-type activity debt supported by Water and Sewer system revenues was \$288.3 million, comprised of bond debt of \$54.2 million and a capital lease obligation of \$234.1 million. Bond debt supported by Golf Course revenues was \$1.8 million.

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Table 5  
General Obligation Debt, at Year-end  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Certificates of Obligation serviced by tax revenues	\$ 78,536	\$ 50,100	\$ -	\$ -	\$ 78,536	\$ 50,100
General Obligation Bonds serviced by tax revenues	1,560	2,335	-	-	1,560	2,335
Certificates of Obligation serviced by Enterprise Funds revenues	-	-	56,053	58,087	56,053	58,087
General Obligation Bonds serviced by Enterprise Funds revenues	-	-	-	13,798	-	13,798
Capital Lease Obligation	-	-	234,097	232,897	234,097	232,897
	<u>\$ 80,096</u>	<u>\$ 52,435</u>	<u>\$ 290,150</u>	<u>\$ 304,781</u>	<u>\$ 370,246</u>	<u>\$ 357,216</u>

The City of Midland's general obligation debt increased by \$11.8 million during the current fiscal year. The increase was primarily due to the issuance of Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 in the amount of \$27,245,000. This issuance was offset by the payoff of the General Obligation Refunding Bonds, Series 2006B in the principal amount of \$13,620,000 and by normal scheduled debt service payments. Debt serviced by tax revenues increased by \$27.6 million and debt serviced by enterprise fund revenues decreased by \$15.8 million. The City maintains a AAA rating with Fitch Ratings, Inc. and AA+ rating with Standard & Poor's on tax-supported debt.

The City of Midland carefully plans debt acquisitions to fund only capital replacement and new construction. This process includes matching the maturity of the debt to the useful lives of the assets to be funded, as closely as possible. This allows for the use of debt to compliment operations by allowing for matching the cash flows of asset cost to the period deriving the benefit from the asset.

Additionally, this allows the City to plan for and structure debt payments in such a manner that debt service tends to be generally declining across the years creating a known, decreasing demand upon resources for debt service and limiting the demand upon resources to a managed level. As a result of the development and refinement of this process, the impact of current debt upon present and future operations is minimized and annual operations can be based upon a known level of expendable, available resources to respond to the immediate needs of the City.

The Constitution and Statutes of the State of Texas and the Charter of the City of Midland do not provide for a legal debt limit. However, the 8% debt limit rate used to calculate the debt margin of \$821.5 million has been adopted by the City Council as a safe debt limit.

Additional information concerning the City's long-term debt may be found in note 9 of the Notes to Financial Statements.

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Economic Factors and Next Year's Budgets and Rates

Midland's economy slowed during 2016 due to declining oil prices but started to recover in 2017 as activity in the oil and gas industry increased. As a result, the City's sales tax receipts increased in the current year. Additionally, property taxes were up due to an increase in assessed property values and an increase in the property tax rate.

The budgetary process for fiscal year 2018 focused on maintaining funding for street improvements, increasing funding for drainage improvements and traffic control operations, increasing investment in personnel and equipment and vehicles, formulating strategies for replacement of water and sewer infrastructure, and evaluation of major revenue streams of the General Fund. The budget presented for the major operating funds of the City for fiscal year 2018 totals \$231.9 million, a 3.3% decrease from the prior year.

The fiscal year 2018 major operating funds budget is supported by combined revenues of \$231.7 million, up 4.2% from the prior year budget. The combined property tax rate is 40.8389 cents per \$100 valuation, compared with a rate of 39.9679 in fiscal year 2017, a 2.2% increase. Property tax revenue will increase from last year's budget by \$2.5 million or 5.3%. The property tax revenue to be raised from new property added to the tax roll is \$1.1 million. Sales tax receipts, another major revenue source, are budgeted at \$38.0 million, an increase of \$2.0 million compared to the prior year.

Request for Information

This financial report is designed to provide a general overview of the City of Midland's finances for all those with an interest in the government's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Midland, P.O. Box 1152, 300 N. Loraine, Midland, TX 79702-1152.

## **BASIC FINANCIAL STATEMENTS**

CITY OF MIDLAND, TEXAS

STATEMENT OF NET POSITION

September 30, 2017

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Sports Complex Development Corporation	Spaceport Development Corporation	Midland Economic Development Corporation
<b>ASSETS</b>						
Cash and cash equivalents	\$ 93,939,702	\$ 58,462,219	\$ 152,401,921	\$ -	\$ 1,247,983	\$ 26,942,246
Investments	32,966,105	25,702,294	58,668,399	-	-	-
Receivables (net of allowance where applicable)						
Property taxes	863,416	-	863,416	-	-	-
Sales taxes	9,551,715	-	9,551,715	-	-	1,910,343
Accounts	2,507,651	13,262,454	15,770,105	-	-	344
Interest	82,336	72,391	154,727	-	-	-
Assessments	509,058	-	509,058	-	-	-
Intergovernmental	238,591	-	238,591	-	1,687,484	-
Prepaid items and other assets	271,286	570,805	842,091	-	2,423	82,151
Inventories	448,752	434,975	883,727	-	-	-
Due from primary government	-	-	-	-	-	730,000
Internal balances	(4,278,024)	4,278,024	-	-	-	-
Notes receivable	-	515,857	515,857	-	-	2,506,579
Restricted assets						
Cash and cash equivalents	47,639,024	9,054,924	56,693,948	-	-	-
Investments	3,907,086	1,814,251	5,721,337	-	-	-
Interest receivable	11,729	-	11,729	-	-	-
Accounts receivable	-	253,866	253,866	-	-	-
Capital assets						
Nondepreciable	20,861,909	17,776,955	38,638,864	-	1,777,525	5,250,918
Depreciable, net of accumulated depreciation	189,253,342	496,894,809	686,148,151	-	-	9,634,104
<b>Total assets</b>	<b>398,773,678</b>	<b>629,093,824</b>	<b>1,027,867,502</b>	<b>-</b>	<b>4,715,415</b>	<b>47,056,685</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension contributions after measurement date	6,548,670	1,059,463	7,608,133	-	-	-
Difference in projected and actual earnings on pension assets	17,769,626	2,607,809	20,377,435	-	-	-
Difference in expected and actual experience	319,583	69,346	388,929	-	-	-
Change in pension assumptions	1,966,165	338,828	2,304,993	-	-	-
<b>Total deferred outflows of resources</b>	<b>26,604,044</b>	<b>4,075,446</b>	<b>30,679,490</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>425,377,722</b>	<b>633,169,270</b>	<b>1,058,546,992</b>	<b>-</b>	<b>4,715,415</b>	<b>47,056,685</b>

CITY OF MIDLAND, TEXAS

STATEMENT OF NET POSITION (Continued)

September 30, 2017

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Sports Complex Development Corporation	Spaceport Development Corporation	Midland Economic Development Corporation
<b>LIABILITIES</b>						
Accounts payable and other accrued liabilities	\$ 6,076,269	\$ 10,384,257	\$ 16,460,526	\$ -	\$ 49,646	\$ 622,725
Accrued payroll	4,014,649	753,765	4,768,414	-	-	-
Accrued interest payable	337,434	-	337,434	-	-	-
Retainage payable	893,743	21,453	915,196	-	88,454	41,207
Customer deposits	-	3,603,209	3,603,209	-	-	-
Due to component unit	730,000	-	730,000	-	-	-
Unearned revenue	46,700	267,356	314,056	-	-	-
Liabilities payable from restricted assets	-	343,531	343,531	-	-	-
Long-term liabilities						
Due within one year	8,931,309	2,552,593	11,483,902	-	2,000,000	69,304
Due in more than one year	197,063,631	317,917,404	514,981,035	-	-	290,569
Total liabilities	218,093,735	335,843,568	553,937,303	-	2,138,100	1,023,805
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Difference between expected and actual experience	1,934,423	370,979	2,305,402	-	-	-
Total deferred inflows of resources	1,934,423	370,979	2,305,402	-	-	-
Total liabilities and deferred inflows of resources	220,028,158	336,214,547	556,242,705	-	2,138,100	1,023,805

(This statement is continued on the following page.)

CITY OF MIDLAND, TEXAS

STATEMENT OF NET POSITION (Continued)

September 30, 2017

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Sports Complex Development Corporation	Spaceport Development Corporation	Midland Economic Development Corporation
<b>NET POSITION</b>						
Net investment in capital assets	\$ 164,184,133	\$ 224,677,468	\$ 388,861,601	\$ -	\$ 1,777,525	\$ 13,896,134
Restricted for						
Debt service	434,347	1,348,531	1,782,878	-	-	-
Public safety	1,065,548	-	1,065,548	-	-	-
Court	644,827	-	644,827	-	-	-
Downtown	24	-	24	-	-	-
Buildings and renovations	3,911,806	-	3,911,806	-	-	-
Passenger facility improvements	-	5,684,087	5,684,087	-	-	-
Economic development incentives	-	-	-	-	-	-
Other purposes	10,306,517	-	10,306,517	-	799,790	-
Unrestricted (deficit)	24,802,362	65,244,637	90,046,999	-	-	32,136,746
<b>TOTAL NET POSITION</b>	<b>\$ 205,349,564</b>	<b>\$ 296,954,723</b>	<b>\$ 502,304,287</b>	<b>\$ -</b>	<b>\$ 2,577,315</b>	<b>\$ 46,032,880</b>

See accompanying notes to financial statements.

CITY OF MIDLAND, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities				
General government				
Administration	\$ 1,328,282	\$ 854,890	\$ -	\$ -
Support services	17,834,534	441,414	-	6,593,377
Fiscal management	2,281,854	3,566	-	-
Other	4,126,084	2,207,871	-	-
Development services	3,608,938	2,617,349	874,389	-
Engineering	17,837,007	14,750	-	-
Community services	17,218,438	1,573,961	445,030	-
Police	29,056,164	5,044,751	353,585	87,820
Fire	32,302,838	1,766,971	65,332	14,429
Interest and fiscal charges on long-term debt	2,867,573	-	-	-
Total governmental activities	128,461,712	14,525,523	1,738,336	6,695,626
Business-Type Activities				
Airport	13,624,989	13,268,192	-	4,025,910
Water and sewer	71,977,966	68,281,460	-	3,368,330
Sanitation	13,730,752	15,600,965	-	-
Sports complex	4,257,900	7,585,308	-	-
Golf course	2,701,329	2,258,982	-	-
Total business-type activities	106,292,936	106,994,907	-	7,394,240
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 234,754,648</b>	<b>\$ 121,520,430</b>	<b>\$ 1,738,336</b>	<b>\$ 14,089,866</b>
<b>COMPONENT UNITS</b>				
Sports Complex Development Corporation	\$ 6,614,350	\$ -	\$ -	\$ -
Spaceport Development Corporation	49,561	-	1,737,012	-
Midland Economic Development Corporation	15,751,082	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 22,414,993</b>	<b>\$ -</b>	<b>\$ 1,737,012</b>	<b>\$ -</b>

Net (Expense) Revenue and Change in Net Position						
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Sports Complex Development Corporation	Spaceport Development Corporation	Midland Economic Development Corporation	
\$ (473,392)	\$ -	\$ (473,392)	\$ -	\$ -	\$ -	
(10,799,743)	-	(10,799,743)	-	-	-	
(2,278,288)	-	(2,278,288)	-	-	-	
(1,918,213)	-	(1,918,213)	-	-	-	
(117,200)	-	(117,200)	-	-	-	
(17,822,257)	-	(17,822,257)	-	-	-	
(15,199,447)	-	(15,199,447)	-	-	-	
(23,570,008)	-	(23,570,008)	-	-	-	
(30,456,106)	-	(30,456,106)	-	-	-	
(2,867,573)	-	(2,867,573)	-	-	-	
(105,502,227)	-	(105,502,227)	-	-	-	
-	3,669,113	3,669,113	-	-	-	
-	(328,176)	(328,176)	-	-	-	
-	1,870,213	1,870,213	-	-	-	
-	3,327,408	3,327,408	-	-	-	
-	(442,347)	(442,347)	-	-	-	
-	8,096,211	8,096,211	-	-	-	
(105,502,227)	8,096,211	(97,406,016)	-	-	-	
-	-	-	(6,614,350)	-	-	
-	-	-	-	1,687,451	-	
-	-	-	-	-	(15,751,082)	
-	-	-	(6,614,350)	1,687,451	(15,751,082)	
General Revenues						
Taxes						
Property	47,726,894	-	47,726,894	-	-	
Sales	42,762,809	-	42,762,809	6,614,350	-	9,875,432
Gross receipts	14,149,139	-	14,149,139	-	-	-
Hotel-motel	5,497,928	-	5,497,928	-	-	-
Other	111,018	-	111,018	-	-	-
Investment income	1,056,329	779,289	1,835,618	-	-	130,630
Miscellaneous	185,392	-	185,392	-	-	218,797
Transfers in (out)	33,756,716	(33,756,716)	-	-	-	-
Total	145,246,225	(32,977,427)	112,268,798	6,614,350	-	10,224,859
CHANGE IN NET POSITION	39,743,998	(24,881,216)	14,862,782	-	1,687,451	(5,526,223)
NET POSITION, OCTOBER 1	165,605,566	321,835,939	487,441,505	-	889,864	51,559,103
NET POSITION, SEPTEMBER 30	\$ 205,349,564	\$ 296,954,723	\$ 502,304,287	\$ -	\$ 2,577,315	\$ 46,032,880

See accompanying notes to financial statements.

**CITY OF MIDLAND, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

September 30, 2017

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor</b>	<b>Total</b>
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 72,400,310	\$ 261,524	\$ 50,485,217	\$ 123,147,051
Investments	25,721,651	150,798	4,995,257	30,867,706
Receivables (net, where applicable, of allowances for uncollectibles)				
Property taxes	743,519	119,897	-	863,416
Sales taxes	9,551,715	-	-	9,551,715
Accounts	1,055,914	4,941	1,183,349	2,244,204
Interest	64,578	968	13,924	79,470
Assessments	509,058	-	-	509,058
Intergovernmental	88,006	-	150,585	238,591
Prepaid items and other assets	167,827	-	-	167,827
Due from other funds	49,762	-	-	49,762
Advances to other funds	736,031	-	-	736,031
<b>TOTAL ASSETS</b>	<b>\$ 111,088,371</b>	<b>\$ 538,128</b>	<b>\$ 56,828,332</b>	<b>\$ 168,454,831</b>

(This statement is continued on the following page.)

**CITY OF MIDLAND, TEXAS**

BALANCE SHEET (Continued)  
GOVERNMENTAL FUNDS

September 30, 2017

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor</b>	<b>Total</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,578,154	\$ -	\$ 1,953,631	\$ 3,531,785
Accrued payroll	3,891,612	-	-	3,891,612
Retainage payable	381,282	-	498,066	879,348
Due to other funds	-	-	49,762	49,762
Due to component unit	730,000	-	-	730,000
Unearned revenue	46,700	-	-	46,700
Other liabilities	2,446,188	-	-	2,446,188
<b>Total liabilities</b>	<b>9,073,936</b>	<b>-</b>	<b>2,501,459</b>	<b>11,575,395</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	2,441,940	103,781	961,520	3,507,241
<b>Total deferred inflows of resources</b>	<b>2,441,940</b>	<b>103,781</b>	<b>961,520</b>	<b>3,507,241</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>11,515,876</b>	<b>103,781</b>	<b>3,462,979</b>	<b>15,082,636</b>
<b>FUND BALANCES</b>				
Nonspendable				
Prepayments	167,827	-	-	167,827
Advances	736,031	-	-	736,031
Restricted				
Debt service	-	434,347	-	434,347
Public safety	43,206	-	1,022,342	1,065,548
Court	115,958	-	528,869	644,827
Communications	-	-	351,044	351,044
Downtown	-	-	580,249	580,249
Buildings and renovations	-	-	35,127,370	35,127,370
Streets and drainage	-	-	1,055,640	1,055,640
Parks and recreation	-	-	878,003	878,003
Other purposes	-	-	10,306,905	10,306,905
Unrestricted				
Committed				
Buildings and renovations	607,153	-	202,660	809,813
Streets and drainage	4,401,856	-	3,312,271	7,714,127
Parks and recreation	303,576	-	-	303,576
Public safety	607,153	-	-	607,153
Technology	683,047	-	-	683,047
Other purposes	986,623	-	-	986,623
Unassigned	90,920,065	-	-	90,920,065
<b>Total fund balances</b>	<b>99,572,495</b>	<b>434,347</b>	<b>53,365,353</b>	<b>153,372,195</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 111,088,371</b>	<b>\$ 538,128</b>	<b>\$ 56,828,332</b>	<b>\$ 168,454,831</b>

See accompanying notes to financial statements.

**CITY OF MIDLAND, TEXAS**

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

September 30, 2017

<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$ 153,372,195
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	187,348,019
Certain revenues receivable by the City and recognized in the statement of net position do not provide current financial resources and are deferred in the governmental funds balance sheet	3,507,241
Differences between expected and actual experiences, assumption changes, contributions made after the measurement date and net differences between projected and actual earnings for TMRS and the Firefighters' Pension Fund are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position	
Deferred outflows of resources	25,983,955
Deferred inflows of resources	(1,877,298)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Compensated absences payable	(4,327,464)
Other postemployment benefit obligation	(23,218,504)
Bonds, leases, and notes payable	(73,707,759)
Premium on bonds	(6,388,364)
Net pension liability	(91,918,052)
Accrued interest on long-term liabilities is reported as a liability on the statement of net position	(337,434)
The net position of the internal service funds are included in the governmental activities in the statement of net position	36,913,029
Cash	\$ 18,431,675
Investments	6,005,485
Receivables	278,042
Capital assets net of depreciation	22,767,232
Internal balances	(5,161,194)
Other assets	1,443,283
Deferred outflows related to pensions	620,089
Current liabilities	(2,616,970)
Noncurrent liabilities	(4,797,488)
Deferred inflows related to pensions	(57,125)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 205,349,564</u></u>

See accompanying notes to financial statements.

**CITY OF MIDLAND, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor</b>	<b>Total</b>
<b>REVENUES</b>				
Taxes	\$ 100,085,072	\$ 4,664,788	\$ 6,107,187	\$ 110,857,047
Licenses and permits	2,328,984	-	-	2,328,984
Fines and forfeitures	4,975,409	-	251,521	5,226,930
Charges for services	3,530,556	-	-	3,530,556
Rentals	206,353	-	14,550	220,903
Program income	-	-	115,062	115,062
Intergovernmental	815,299	-	922,135	1,737,434
Investment earnings:				
Interest income	757,234	12,112	427,333	1,196,679
Net increase (decrease) in the fair value of investments	(235,014)	3,207	(34,328)	(266,135)
Contributions and donations	6,593,377	-	103,150	6,696,527
Miscellaneous	1,896,954	-	38,334	1,935,288
<b>Total revenues</b>	<b>120,954,224</b>	<b>4,680,107</b>	<b>7,944,944</b>	<b>133,579,275</b>
<b>EXPENDITURES</b>				
Current				
General government				
Administration	1,316,284	-	-	1,316,284
Support services	14,395,202	-	-	14,395,202
Fiscal management	2,144,030	-	-	2,144,030
Development services	3,315,831	-	-	3,315,831
Engineering	13,576,698	-	-	13,576,698
Community services	11,054,390	-	-	11,054,390
Police	27,743,755	-	-	27,743,755
Fire	26,021,410	-	-	26,021,410
Housing programs	-	-	481,301	481,301
Economic development	-	-	3,297,113	3,297,113
Other	3,976,334	-	382,175	4,358,509
Debt Service				
Principal	-	2,947,931	-	2,947,931
Interest	-	3,078,111	-	3,078,111
Fiscal charges	-	2,146	-	2,146
Issuance costs	-	-	210,632	210,632
Capital outlay	14,837,595	-	13,941,338	28,778,933
<b>Total expenditures</b>	<b>118,381,529</b>	<b>6,028,188</b>	<b>18,312,559</b>	<b>142,722,276</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,572,695</b>	<b>(1,348,081)</b>	<b>(10,367,615)</b>	<b>(9,143,001)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,020,913	1,028,100	509,520	41,558,533
Transfers (out)	(6,292,654)	-	(1,049,624)	(7,342,278)
Bonds issued	-	-	27,245,000	27,245,000
Premium on bonds	-	-	3,949,386	3,949,386
Proceeds from sale of asset	279,973	-	-	279,973
<b>Total other financing sources (uses)</b>	<b>34,008,232</b>	<b>1,028,100</b>	<b>30,654,282</b>	<b>65,690,614</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>36,580,927</b>	<b>(319,981)</b>	<b>20,286,667</b>	<b>56,547,613</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>62,991,568</b>	<b>754,328</b>	<b>33,078,686</b>	<b>96,824,582</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 99,572,495</b>	<b>\$ 434,347</b>	<b>\$ 53,365,353</b>	<b>\$ 153,372,195</b>

See accompanying notes to financial statements.

**CITY OF MIDLAND, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 56,547,613</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	28,778,933
In the statement of activities, only the gain or loss on the sale of capital assets is reported; however, in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balance by the net book value of the assets sold.	869,269
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds Depreciation of capital assets	(11,189,453)
The City's equity interest in the MOUTD joint venture was eliminated during the fiscal year.	146,218
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (i.e., earned but unavailable revenues) This is the net change in these revenues	103,957
The issuance of long-term debt provides current financial resources to governmental funds	(27,245,000)
The repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	2,947,931
The change in accrued interest payable on long-term debt is reported as an expense on the statement of activities	(175,518)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the current year, net of these differences.	(3,364,224)
Some expenses, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds Compensated absences Other postemployment benefits Pension costs, net	29,928 (784,667) (10,023,679)
Internal service funds are used by management to charge the costs of the garage, warehouse, and three self-insurance funds to other individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities	3,102,690
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 39,743,998</b>

See accompanying notes to financial statements.

CITY OF MIDLAND, TEXAS

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

September 30, 2017

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 10,779,845	\$ 32,272,137	\$ 12,808,344	\$ 1,610,526	\$ 524,413	\$ 57,995,265	\$ 18,898,629
Investments	796,562	16,705,772	6,851,914	800,525	300,219	25,454,992	6,252,787
Accounts receivable (net of allowance for uncollectibles)	1,163,730	11,991,227	51,145	30,784	25,568	13,262,454	263,447
Interest receivable	6,373	45,669	16,766	2,189	779	71,776	15,210
Notes receivable	-	-	-	-	-	-	49,504
Inventories	-	-	-	-	204,541	204,541	679,186
Prepaid items and other assets	-	563,713	7,092	-	-	570,805	103,459
Restricted assets							
Passenger facility charge							
Cash and cash equivalents	5,434,610	-	-	-	-	5,434,610	-
Accounts receivable	253,866	-	-	-	-	253,866	-
Customer deposits							
Cash and cash equivalents	-	2,298,132	-	-	-	2,298,132	-
Investments	-	1,305,078	-	-	-	1,305,078	-
Bond construction fund							
Cash and cash equivalents	-	443,574	-	-	-	443,574	-
Investments	-	39,250	-	-	-	39,250	-
Bond debt service							
Cash and cash equivalents	-	853,091	-	-	25,517	878,608	-
Investments	-	451,019	-	-	18,904	469,923	-
<b>Total current assets</b>	<b>18,434,986</b>	<b>66,968,662</b>	<b>19,735,261</b>	<b>2,444,024</b>	<b>1,099,941</b>	<b>108,682,874</b>	<b>26,262,222</b>
<b>NONCURRENT ASSETS</b>							
Capital assets							
Land	1,571,906	12,679,508	-	227,240	-	14,478,654	-
Buildings	51,616,829	1,474,694	8,874,446	2,588,898	448,875	65,003,742	1,557,175
Improvements other than buildings	8,535,802	19,320,753	20,445,713	51,256,902	6,616,317	106,175,487	995,570
Infrastructure	100,405,832	483,802,697	-	-	-	584,208,529	-
Machinery and equipment	5,514,999	4,405,938	566,524	2,575,271	6,272	13,069,004	56,743,604
Intangible and other	1,867,836	2,998,801	217,971	-	16,371	5,100,979	139,678
Construction in progress	1,552,598	1,745,703	-	-	-	3,298,301	301,735
Less: Accumulated depreciation	(94,731,853)	(134,337,208)	(17,219,093)	(26,558,358)	(4,164,580)	(277,011,092)	(36,622,370)
<b>Net capital assets</b>	<b>76,333,949</b>	<b>392,090,886</b>	<b>12,885,561</b>	<b>30,089,953</b>	<b>2,923,255</b>	<b>514,323,604</b>	<b>23,115,392</b>
Notes receivable	-	515,857	-	-	-	515,857	841,568
<b>Total noncurrent assets</b>	<b>76,333,949</b>	<b>392,606,743</b>	<b>12,885,561</b>	<b>30,089,953</b>	<b>2,923,255</b>	<b>514,839,461</b>	<b>23,956,960</b>
<b>Total assets</b>	<b>94,768,935</b>	<b>459,575,405</b>	<b>32,620,822</b>	<b>32,533,977</b>	<b>4,023,196</b>	<b>623,522,335</b>	<b>50,219,182</b>

CITY OF MIDLAND, TEXAS

STATEMENT OF NET POSITION (Continued)  
 PROPRIETARY FUNDS

September 30, 2017

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension contributions after measurement date	\$ 184,271	\$ 478,754	\$ 316,862	\$ -	\$ 71,755	\$ 1,051,642	\$ 177,684
Difference in projected and actual earnings on pension assets	414,571	1,246,123	770,922	-	158,644	2,590,260	406,797
Difference in expected and actual experience	13,094	34,755	17,947	-	2,989	68,785	12,582
Change in pension assumptions	51,729	164,197	100,495	-	20,221	336,642	51,143
Total deferred outflows of resources	663,665	1,923,829	1,206,226	-	253,609	4,047,329	648,206
Total assets and deferred outflows of resources	95,432,600	461,499,234	33,827,048	32,533,977	4,276,805	627,569,664	50,867,388
<b>CURRENT LIABILITIES</b>							
Accounts payable	810,227	8,232,269	122,009	70,736	67,285	9,302,526	852,144
Accrued payroll	132,191	349,927	209,703	-	56,585	748,406	128,396
Retainage payable	-	21,453	-	-	-	21,453	14,395
Customer deposits	-	3,603,209	-	-	-	3,603,209	-
General obligation bonds payable from unrestricted assets	-	135,392	-	-	16,062	151,454	-
Capital lease obligations payable	-	-	-	-	-	-	-
Notes payable	-	-	-	-	49,504	49,504	-
Compensated absences	122,031	173,743	73,765	-	60,701	430,240	78,815
Estimated unpaid claims	-	-	-	-	-	-	1,569,565
Unearned revenue	-	-	156,297	-	111,059	267,356	-
Other liabilities	10,209	255,837	7,347	-	43,787	317,180	10,702
Current liabilities payable from restricted assets							
Accounts payable	6,078	-	-	-	-	6,078	-
Retainage	132,154	-	-	-	-	132,154	-
Accrued interest payable	-	198,694	-	-	6,605	205,299	-
Certificates of obligation payable	-	1,895,000	-	-	64,828	1,959,828	-
Total current liabilities	1,212,890	14,865,524	569,121	70,736	476,416	17,194,687	2,654,017

(This statement is continued on the following page.)

CITY OF MIDLAND, TEXAS

STATEMENT OF NET POSITION (Continued)  
 PROPRIETARY FUNDS

September 30, 2017

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
<b>NONCURRENT LIABILITIES</b>							
Estimated unpaid claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,423,058
Advances from other funds	-	-	-	-	736,031	736,031	-
General obligation bonds payable	-	1,250,073	-	-	139,517	1,389,590	-
Certificates of obligation payable	-	50,950,000	-	-	1,602,413	52,552,413	-
Capital lease obligations payable	-	234,096,590	-	-	-	234,096,590	-
Net pension liability	1,685,513	4,357,180	2,767,183	-	576,136	9,386,012	1,622,656
Compensated absences	52,489	74,731	31,729	-	26,109	185,058	33,901
Other postemployment benefits payable	784,588	2,196,240	1,219,804	-	249,302	4,449,934	823,036
Notes payable	-	-	-	-	841,568	841,568	-
Landfill closure/postclosure care	-	-	15,752,644	-	-	15,752,644	-
Total noncurrent liabilities	2,522,590	292,924,814	19,771,360	-	4,171,076	319,389,840	4,902,651
Total liabilities	3,735,480	307,790,338	20,340,481	70,736	4,647,492	336,584,527	7,556,668
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Difference between expected and actual experience	61,364	172,502	110,583	-	23,930	368,379	59,725
Total deferred inflows of resources	61,364	172,502	110,583	-	23,930	368,379	59,725
Total liabilities and deferred inflows of resources	3,796,844	307,962,840	20,451,064	70,736	4,671,422	336,952,906	7,616,393
<b>NET POSITION</b>							
Net investment in capital assets	76,333,949	103,763,831	12,885,561	30,089,953	1,256,014	224,329,308	23,115,392
Restricted for passenger facility improvements	5,684,087	-	-	-	-	5,684,087	-
Restricted for debt service	-	1,304,110	-	-	44,421	1,348,531	-
Unrestricted	9,617,720	48,468,453	490,423	2,373,288	(1,695,052)	59,254,832	20,135,603
<b>TOTAL NET POSITION</b>	<u>\$ 91,635,756</u>	<u>\$ 153,536,394</u>	<u>\$ 13,375,984</u>	<u>\$ 32,463,241</u>	<u>\$ (394,617)</u>	<u>290,616,758</u>	<u>\$ 43,250,995</u>

Reconciliation to government-wide statement of net position:

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds	<u>6,337,965</u>
Net position of business-type activities	<u>\$ 296,954,723</u>

See accompanying notes to financial statements.

CITY OF MIDLAND, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer	Nonmajor		Internal
				Sports Complex	Enterprise Fund Golf Course		
<b>OPERATING REVENUES</b>							
International airport parking revenues	\$ 3,533,079	\$ -	\$ -	\$ -	\$ -	\$ 3,533,079	\$ -
International airport building rentals	4,704,832	-	-	-	-	4,704,832	-
International airport aviation rentals	260,392	-	-	-	-	260,392	-
International airport landing fees	423,375	-	-	-	-	423,375	-
International airport fuel and oil commissions	107,506	-	-	-	-	107,506	-
Airpark rentals	124,853	-	-	-	-	124,853	-
Airpark fuel and oil commissions	4,530	-	-	-	-	4,530	-
Water sales	-	50,646,821	-	-	-	50,646,821	-
Sewer charges	-	14,724,200	-	-	-	14,724,200	-
Tap installations and service charges	-	319,542	-	-	-	319,542	-
Garbage collection fees	-	-	15,444,572	-	-	15,444,572	-
Penalties	-	225,703	108,327	-	-	334,030	-
Course usage fees	-	-	-	-	818,326	818,326	-
Golf cart fees	-	-	-	-	497,609	497,609	-
Pro shop rentals	-	-	-	-	16,196	16,196	-
Pro shop sales	-	-	-	-	636,590	636,590	-
Tournament fees	-	-	-	-	38,630	38,630	-
Snack bar concession rentals	-	-	-	-	60,488	60,488	-
Football-soccer stadium	-	-	-	471,505	-	471,505	-
Baseball stadium	-	-	-	399,459	-	399,459	-
Common areas	-	-	-	96,272	-	96,272	-
Billings to other funds	-	-	-	-	-	-	12,703,357
Motor vehicle repair billings	-	-	-	-	-	-	4,718,531
Motor vehicle lease charges	-	-	-	-	-	-	8,473,513
Equipment lease - other	-	-	-	-	-	-	130,895
Charges for fuel	-	-	-	-	-	-	1,882,081
Employee payments	-	-	-	-	-	-	3,280,129
Miscellaneous	1,722,520	47,235	-	-	5,977	1,775,732	-
<b>Total operating revenues</b>	<b>10,881,087</b>	<b>65,963,501</b>	<b>15,552,899</b>	<b>967,236</b>	<b>2,073,816</b>	<b>95,438,539</b>	<b>31,188,506</b>

**CITY OF MIDLAND, TEXAS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)  
 PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer	Nonmajor		Internal
				Sports Complex	Enterprise Fund Golf Course		
<b>OPERATING EXPENSES EXCLUDING DEPRECIATION</b>							
Cost of goods sold	\$ -	\$ -	\$ -	\$ -	\$ 439,092	\$ 439,092	\$ 1,218,955
Salaries and fringe benefits	2,490,903	7,101,354	4,503,485	-	1,023,291	15,119,033	2,527,160
Contractual services	5,074,994	23,733,048	6,610,697	923,429	704,903	37,047,071	4,687,185
Maintenance of structure	201,980	1,218,574	22,803	546,294	83,959	2,073,610	36,176
Maintenance of equipment	52,536	1,069,120	19,679	3,412	7,093	1,151,840	2,207,077
Payment of claims	-	-	-	-	-	-	10,446,014
Franchise fees	-	3,957,289	602,446	-	-	4,559,735	-
Closure and postclosure care	-	-	705,396	-	-	705,396	-
Supplies	82,917	3,727,856	733,896	19,939	136,588	4,701,196	2,452,133
Other expenses	143,853	67,314	213,912	98,000	-	523,079	1,007
<b>Total operating expenses</b>	<b>8,047,183</b>	<b>40,874,555</b>	<b>13,412,314</b>	<b>1,591,074</b>	<b>2,394,926</b>	<b>66,320,052</b>	<b>23,575,707</b>
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	<b>2,833,904</b>	<b>25,088,946</b>	<b>2,140,585</b>	<b>(623,838)</b>	<b>(321,110)</b>	<b>29,118,487</b>	<b>7,612,799</b>
Depreciation	5,650,132	13,717,161	1,466,796	2,015,745	310,826	23,160,660	4,607,745
<b>OPERATING INCOME (LOSS)</b>	<b>(2,816,228)</b>	<b>11,371,785</b>	<b>673,789</b>	<b>(2,639,583)</b>	<b>(631,936)</b>	<b>5,957,827</b>	<b>3,005,054</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Investment income							
Interest income	78,435	529,586	180,858	225,860	8,787	1,023,526	187,766
Net decrease in the fair value of investments	(7,227)	(169,009)	(62,611)	(7,316)	(2,916)	(249,079)	(57,138)
Interest expense	-	(17,680,146)	-	(388,996)	(63,739)	(18,132,881)	-
Rentals	-	215,605	-	-	-	215,605	-
Water royalties	68,973	-	-	-	-	68,973	-
Gain (loss) on sale of capital assets	-	-	(111,871)	(271,900)	-	(383,771)	(109,928)
Passenger facility charge revenues	1,952,350	-	-	-	-	1,952,350	-
Player facility charge revenues	-	-	-	-	185,166	185,166	-
SCDC construction contract revenue	-	-	-	6,606,338	-	6,606,338	-
Recoveries of damages to city property, net other	-	-	-	-	-	-	143,993
Other, net	365,782	2,102,354	48,066	11,734	-	2,527,936	398,764
<b>Total non-operating revenues (expenses)</b>	<b>2,458,313</b>	<b>(15,001,610)</b>	<b>54,442</b>	<b>6,175,720</b>	<b>127,298</b>	<b>(6,185,837)</b>	<b>563,457</b>

(This statement is continued on the following page.)

**CITY OF MIDLAND, TEXAS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)  
 PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	\$ (357,915)	\$ (3,629,825)	\$ 728,231	\$ 3,536,137	\$ (504,638)	\$ (228,010)	\$ 3,568,511
<b>TRANSFERS</b>							
Transfers (out)	(1,934,680)	(2,328,126)	(564,622)	(28,737,126)	(134,537)	(33,699,091)	(517,164)
Total transfers	(1,934,680)	(2,328,126)	(564,622)	(28,737,126)	(134,537)	(33,699,091)	(517,164)
<b>CAPITAL CONTRIBUTIONS</b>	4,025,910	3,368,330	-	-	-	7,394,240	-
CHANGE IN NET POSITION	1,733,315	(2,589,621)	163,609	(25,200,989)	(639,175)	(26,532,861)	3,051,347
NET POSITION, OCTOBER 1	89,902,441	156,126,015	13,212,375	57,664,230	244,558	317,149,619	40,199,648
<b>NET POSITION, SEPTEMBER 30</b>	<u>\$ 91,635,756</u>	<u>\$ 153,536,394</u>	<u>\$ 13,375,984</u>	<u>\$ 32,463,241</u>	<u>\$ (394,617)</u>	<u>\$ 290,616,758</u>	<u>\$ 43,250,995</u>

Reconciliation to government-wide statement of net position:

Change in net position enterprise funds	\$ (26,532,861)
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds	<u>1,651,645</u>
Change in net position of business-type activities	<u>\$ (24,881,216)</u>

See accompanying notes to financial statements.

CITY OF MIDLAND, TEXAS

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 9,827,829	\$ 65,954,250	\$ 16,283,033	\$ 952,497	\$ 2,113,418	\$ 95,131,027	\$ -
Receipts from interfund service transactions	68,973	-	-	-	-	68,973	28,275,573
Receipts from miscellaneous revenues	434,755	2,317,959	48,066	11,734	-	2,812,514	-
Receipts from employees	-	-	-	-	-	-	3,280,129
Payments to suppliers	(4,500,546)	(30,979,636)	(3,009,313)	(3,508,570)	(869,308)	(42,867,373)	(20,658,674)
Payments to employees	(2,219,505)	(6,423,080)	(3,602,884)	-	(918,383)	(13,163,852)	(2,299,908)
Payments for interfund service transactions	(654,128)	(2,784,137)	(6,139,733)	(47,646)	(485,263)	(10,110,907)	(646,934)
Net cash from operating activities	2,957,378	28,085,356	3,579,169	(2,591,985)	(159,536)	31,870,382	7,950,186
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers (out)	(1,934,680)	(2,328,126)	(564,622)	(28,737,126)	(134,537)	(33,699,091)	(517,164)
Repayment of advances from other funds	-	-	-	-	(40,891)	(40,891)	-
Net cash from noncapital financing activities	(1,934,680)	(2,328,126)	(564,622)	(28,737,126)	(175,428)	(33,739,982)	(517,164)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital contributions	4,025,910	3,368,330	-	-	-	7,394,240	-
Capital assets purchased	(2,912,540)	(3,482,207)	(64,347)	(1,563,039)	-	(8,022,133)	(4,207,427)
Principal paid on capital debt and notes payable	-	(3,454,608)	-	(13,620,000)	(62,069)	(17,136,677)	-
Interest and fees paid on capital debt and notes payable	-	(17,963,531)	-	(169,593)	(79,187)	(18,212,311)	-
Repayment of loans from (to) other funds	-	-	-	-	(76,697)	(76,697)	76,697
Repayment of loans to component unit	-	(300,000)	-	-	-	(300,000)	-
Repayment of loans from component unit	-	-	-	1,403,765	-	1,403,765	-
Repayment of note receivable	-	6,303	-	-	-	6,303	-
Proceeds from the sale of capital assets	-	-	128,693	-	-	128,693	-
Passenger facility charge revenue	1,952,350	-	-	-	185,166	2,137,516	-
SCDC contract revenue	-	-	-	6,606,338	-	6,606,338	-
Insurance proceeds	-	-	-	-	-	-	143,993
Net cash from capital and related financing activities	3,065,720	(21,825,713)	64,346	(7,342,529)	(32,787)	(26,070,963)	(3,986,737)

CITY OF MIDLAND, TEXAS

STATEMENT OF CASH FLOWS (Continued)  
 PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of investments	\$ (247,410)	\$ (6,190,126)	\$ (2,742,111)	\$ (321,111)	\$ (99,122)	\$ (9,599,880)	\$ (3,481,242)
Proceeds from sales and maturities of investments	1,523,127	5,171,952	1,915,440	223,784	287,310	9,121,613	2,916,510
Interest received	69,944	358,016	116,337	218,089	6,343	768,729	250,221
Net cash from investing activities	1,345,661	(660,158)	(710,334)	120,762	194,531	290,462	(314,511)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,434,079	3,271,359	2,368,559	(38,550,878)	(173,220)	(27,650,101)	3,131,774
CASH AND CASH EQUIVALENTS, OCTOBER 1	10,780,376	32,595,575	10,439,785	40,161,404	723,150	94,700,290	15,766,855
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>\$ 16,214,455</b>	<b>\$ 35,866,934</b>	<b>\$ 12,808,344</b>	<b>\$ 1,610,526</b>	<b>\$ 549,930</b>	<b>\$ 67,050,189</b>	<b>\$ 18,898,629</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (2,816,228)	\$ 11,371,785	\$ 673,789	\$ (2,639,583)	\$ (631,936)	\$ 5,957,827	\$ 3,005,054
Adjustments to reconcile operating income (loss) to net cash from operating activities							
Depreciation	5,650,132	13,717,161	1,466,796	2,015,745	310,826	23,160,660	4,607,745
Other income	434,755	2,317,959	48,066	11,734	-	2,812,514	277,989
(Increase) decrease in							
Receivables	(984,285)	(253,349)	674,286	10,261	42,480	(510,607)	89,207
Inventories	-	-	-	-	(15,690)	(15,690)	(33,174)
Prepaid items and other assets	-	(553,454)	(7,093)	10,254	-	(550,293)	(65,298)
Increase (decrease) in							
Accounts payable	335,656	792,058	(49,501)	(1,839,971)	14,081	(747,677)	(726,142)
Accrued payroll	38,870	57,801	(199,295)	-	15,358	(87,266)	18,767
Deferred pensions	-	-	-	-	-	-	175,627
Retainage payable	70,955	(176,551)	(183,623)	(135,425)	-	(424,644)	-
Customer deposits	-	244,098	-	-	-	244,098	-
Estimated unpaid claims	-	-	-	-	-	-	570,474
Unearned revenue	-	-	55,848	(25,000)	(2,878)	27,970	-
Pension related items	237,508	678,053	432,032	-	92,646	1,440,239	55,975
Compensated absences	18,032	(4,280)	(11,553)	-	5,259	7,458	(2,327)
Net pension liability	(49,276)	(128,022)	(84,731)	-	(19,188)	(281,217)	(47,515)
Other postemployment benefits	26,264	74,722	47,405	-	10,833	159,224	26,725
Closure/postclosure cost liabilities	-	-	705,396	-	-	705,396	-
Other liabilities	(5,005)	(52,625)	11,347	-	18,673	(27,610)	(2,921)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 2,957,378</b>	<b>\$ 28,085,356</b>	<b>\$ 3,579,169</b>	<b>\$ (2,591,985)</b>	<b>\$ (159,536)</b>	<b>\$ 31,870,382</b>	<b>\$ 7,950,186</b>

(This statement is continued on the following page.)

CITY OF MIDLAND, TEXAS

STATEMENT OF CASH FLOWS (Continued)  
 PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Business-Type Activities					Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course	Internal Service Funds
<b>NONCASH TRANSACTIONS</b>						
Changes in the fair value of investments	\$ (7,227)	\$ (169,009)	\$ (62,611)	\$ (7,316)	\$ (2,916)	\$ (249,079)
Capital lease initiation	-	2,974,731	-	-	-	2,974,731
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>\$ (7,227)</b>	<b>\$ 2,805,722</b>	<b>\$ (62,611)</b>	<b>\$ (7,316)</b>	<b>\$ (2,916)</b>	<b>\$ 2,725,652</b>

See accompanying notes to financial statements.

# CITY OF MIDLAND, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Midland, Texas (the City) is a municipal corporation incorporated under the laws of the State of Texas (the State) on January 25, 1911. The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting policies of the City, as reflected in the accompanying financial statements, conform to generally accepted accounting principles (GAAP) for local government units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted body for promulgating governmental accounting and reporting principles.

#### A. The Financial Reporting Entity

The financial reporting entity presented in the basic financial statements of the City includes the primary government, the City, and its component units. Component units are legally separate organizations for which the City is financially accountable and organizations which, if excluded, would cause the City's basic financial statements to be misleading or incomplete. GASB Statement No. 14, *as amended*, establishes the criteria to be considered in determining component units of a primary government.

These criteria are financial accountability, appointment of board members, imposition of will, financial d on or benefit to the primary government, dependency, and accuracy and completeness of the reporting entity's financial statements. In the absence of financial accountability, if the organization is a legally separate, tax-exempt entity meeting the following criteria, it should also be discretely presented as a component unit:

1. The resources of the organization are entirely or almost entirely for the direct benefit of the City, its component units, or its constituents.
2. The City, or its component units, is entitled to, or has access to a majority of the resources of the organization.
3. The resources of the organization are significant to the City.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. The Financial Reporting Entity (Continued)

The Midland Football/Soccer and Baseball Complex Development Corporation (SCDC), the Midland Development Corporation (MDC) and the Midland Spaceport Development Corporation (Spaceport) are the only component units of the City and are discretely presented. The SCDC is discretely presented because it is a legally separate entity with a majority of its board appointed by the City and the City can impose its will upon the SCDC. Additionally, the City Council and the SCDC boards are not substantively the same and the SCDC does not provide services entirely or almost entirely to the City. Furthermore, the City is not obligated for SCDC debt and the City is not a sole corporate member.

The SCDC is a legally separate nonprofit corporation organized under the Texas Development Corporation Act of 1979, Article 5190.6 Vernon's Texas Revised Civil Statutes, annotated as amended and governed by Section 4B of the Act. The purpose of the SCDC is to improve the quality of life and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing the construction of a football-soccer stadium and baseball stadium and related infrastructure, streets, water and sewer facilities, landscaping, land acquisition, automobile parking facilities, and other related infrastructure and improvements. The SCDC ceased operations effective June 16, 2017.

The MDC is discretely presented because it is a legally separate entity with a majority of its board appointed by the City and the City can impose its will upon the MDC. Additionally, the City Council and the MDC boards are not substantively the same and the MDC does not provide services entirely or almost entirely to the City. Furthermore, the City is not obligated for MDC debt and the City is not a sole corporate member.

The MDC is a legally separate nonprofit corporation organized under the Texas Development Corporation Act of 1979, Article 5190.6 Vernon's Texas Revised Civil Statutes, annotated as amended and governed by Section 4A of the Act. The purposes of the MDC include, but are not limited to, keeping existing jobs and businesses in the City, expansion of current and attraction of new business to the City, providing long-term employment opportunities, and other such purposes as delineated in Article 4 of the Articles of Incorporation of the MDC.

The Midland Spaceport Development Corporation (the Spaceport) is discretely presented because it is a legally separate entity with a majority of its board appointed by the City and the City can impose its will upon it. Additionally, the City Council and the Spaceport boards are not substantively the same and the Spaceport does not provide services entirely or almost entirely to the City. Furthermore, the City is not obligated for the Spaceport's debt and the City is not a sole corporate member.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. The Financial Reporting Entity (Continued)

The Spaceport is a legally separate nonprofit corporation organized to exercise the powers and duties granted to a spaceport development corporation under Chapter 507, Texas Local Government Code, and for the transaction of any and all lawful acts for which nonprofit corporations may be incorporated under of the Texas Nonprofit Corporation Act. The purpose of Spaceport is to support the creation and development of a spaceport project in Midland, Texas, and for any lawful purpose permitted by the Nonprofit Law of the State of Texas; and exclusively for charitable, religious, scientific, literary, or scientific purposes either directly or by contributions to organizations that qualify as exempt under section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereinafter be amended.

Complete audited financial statements of the SCDC, MDC and Spaceport may be examined at City of Midland, City Hall, 300 North Loraine, Midland, Texas.

B. Joint Venture

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in the following joint venture:

The Midland-Odessa Urban Transit District (MOUSD) was established through an interlocal agreement between the City and the City of Odessa on August 28, 2001 to provide mass transit to both cities. The MOUSD is to be exclusively governed by both City Councils or through an equally appointed board. At September 30, 2017, the Transit Board (the Board) is the official governing agency of EZ-Rider. It is comprised of six individuals from both cities, appointed by their respective City Councils. The Board approves the budget, routes, fares, schedules, policies and procedures, new services, etc. Further information concerning MOUSD may be found in Note 18 of this financial report.

C. Government-Wide and Fund Financial Statements

As previously discussed, the basic financial statements of the City are presented at two basic levels, the government-wide level and the fund level. These statements focus on the City as a whole at the government-wide level and on major funds at the fund level. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities for the financial reporting entity of the City.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Government-Wide and Fund Financial Statements (Continued)**

Although the effect of indirect interfund activity has been removed from these statements, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the City is reported separately from certain legally separate component units that meet the criteria for discrete presentation as set forth in GASB Statements No. 14, 39, 61, and 80. The government-wide statement of net position reports all financial and capital resources of the City and is presented in an “assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position” format. Assets and liabilities are presented in relative order of liquidity with liabilities that have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the City’s functions (Development Services, Community Service, Fire, Police, etc.) or segments (Water and Sewer, Sanitation, Golf Course, Airport, etc.) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function or segment. Program revenues are revenues derived directly from the function or segment, or from other sources that reduce the net cost of the function to be financed from general government revenues.

Program revenues are (1) charges to customers who purchase, use, or directly benefit from services provided by a function or segment and which are generated by that function, (2) grants and contributions restricted to operating requirements of a function or segment, and (3) grants and contributions restricted to capital requirements of a function or segment. Items such as taxes, investment earnings and nonspecific grants are not included as program revenues but are instead reported as general revenues, which normally cover the net cost of a function or segment.

Internal service funds report activities that provide goods or services to the financial reporting entity on a cost-reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited from the goods or services provided based upon their proportionate benefit, to the extent possible. The effect of internal service fund activities in the government-wide statements is eliminated, as necessary, to avoid the effect of “doubling up” internal service fund activity. Any residual assets of internal service funds, except the Warehouse Fund, are reported with governmental activities at the entity-wide level. Residual assets of the Warehouse Fund are reported with business-type activities at the entity-wide level because the Warehouse Fund provides support predominantly to the enterprise funds.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Government-Wide and Fund Financial Statements (Continued)

Separate fund level financial statements are presented for governmental funds and proprietary funds. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column, on either the governmental or proprietary fund financial statements. A major fund is defined by GASB Statement No. 34, paragraph 76, as amended, as a fund meeting certain specific asset, liability, revenue, or expenditure/expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined. GASB Statement No. 65 states that assets should be combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources for purposes of determining which elements meet the criteria for major fund determination in accordance with GASB Statement No. 34. Additionally, any fund deemed particularly important by the City may be reported as a major fund.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements.

D. Measurement Focus and Basis of Accounting

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements, including time requirements, have been met. Capital assets are reported at historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the City's depreciation policy.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of property and sales taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Governmental fund-level revenues that have been accrued based upon the susceptible to accrual concept are:

General Fund - ad valorem taxes, sales taxes, ambulance fees, assessments, federal and state grant proceeds, and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Special Revenue Funds - ad valorem taxes, occupancy taxes, federal and state grant proceeds, and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Debt Service Fund - ad valorem taxes and interest.

Capital Projects Fund - interest.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the statement of net position. Operating statements using this focus present a total net position view of increases (revenues) and decreases (expenses) in the fund.

Proprietary fund operating statements distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal ongoing operations.

The principal operating revenues of the City's Airport, Water and Sewer, Sanitation, Scharbauer Sports Complex, and Golf Funds are charges of this type. Operating expenses include the costs of administration, sales, services and depreciation.

Transactions resulting in non-operating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, noncapital financing activities, investing activities, and include revenues such as the Passenger Facility Charges (PFC) reported in the Airport Fund. It is the City's general policy to first use restricted assets, such as the PFC revenues, for costs that meet the resource restrictions and then unrestricted assets as needed.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and other government units, on a cost-reimbursement basis. These activities include, but are not limited to, warehouse, garage, technology, and self-insurance services for workers' compensation, medical/dental and general liability, and unemployment benefits.

The following funds are used by the City:

1. Governmental Funds - Major Funds

- a. General Fund - The principal operating unit of the City, this fund accounts for the primary activities of the City, such as police protection, fire protection, public works, maintenance of parks and general administration, which are not accounted for and reported in any other fund.
- b. Debt Service Fund - This fund is used to account for and report financial resources that are restricted to expenditure for principal and interest.

2. Governmental Funds - Nonmajor Funds

- c. Other Governmental Funds - This is a summarization of all of the nonmajor governmental funds. Included are the following funds:
  1. Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
  2. Capital Projects Funds - These funds account for and report financial resources that are restricted, committed or assigned to be used for the acquisition or construction of capital facilities and other capital assets other than those financed by business-type activities.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Measurement Focus and Basis of Accounting (Continued)

2. Proprietary Funds

- a. Water and Sewer Fund - This fund is used to account for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection for water and sewer services. The fund is also used to accumulate resources for certain capital projects and to meet the requirements of bond indentures, obligations for capital leases and other long-term obligations of the system. Charges to customers, based upon rates that are reviewed on a regular basis, and investment income provide the revenue stream to finance these costs.
- b. Airport Fund - This fund is used to account for the operation and maintenance of the airfield, terminal building, parking facilities, general aviation airport, and industrial park. The fund is also used to accumulate resources for certain capital projects and to meet the long-term obligations of the airport. Charges to customers provide the revenue stream to finance operating costs, some capital projects costs, and other long-term obligations of the airport. The Passenger Facility Charge, which is non-operating revenue, is used to supplement charges to customers in supporting the requirements of bond indentures and certain capital projects.
- c. Scharbauer Sports Complex Fund - This fund is used to account for the operation and maintenance of the sports complex and accumulate resources for capital projects. Operations and maintenance costs are financed through user charges. Although this fund did not qualify as a major fund for the current year, the City has designated it to be reported as such.
- d. Sanitation Fund - This fund is used to account for the collection of refuse, delivery of refuse to the landfill and landfill operations. The fund is also used to accumulate resources for certain capital projects and to meet long-term obligations of the system. Charges to customers, based upon rates that are reviewed on a regular basis, and investment income provide the revenue stream to finance these costs.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Measurement Focus and Basis of Accounting (Continued)

2. Proprietary Funds (Continued)

- e. Golf Course Fund - This fund does not meet the criteria for inclusion as a major fund. However, this is the only remaining proprietary fund of the City and as such is presented in a separate column. This fund is used to account for the operation and maintenance of the golf course and pro shop, accumulate resources for capital projects, and meet the requirements of long-term obligations of the fund. All costs are financed through user charges.

3. Other Fund Types

Internal Service Funds - account for fleet management services, provision of goods through a warehouse, a garage, technology equipment and services, and self-insurance activities in the areas of workers' compensation, health and general liability, and unemployment benefits to the financial reporting entity on a cost-reimbursement basis.

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include any cash on hand, demand deposits, and any highly liquid investments that have an original maturity of three months or less from date of purchase. Investments in TexPool and TexStar are considered cash equivalents as the amounts are available on demand.

Investments, other than investments in pools as previously referenced, are recorded at fair value based upon verifiable market prices.

F. Inventories and Prepaid Items

Inventories are valued at average cost. Inventories for all funds consist of expendable supplies and are recorded as expenditures or expenses, as appropriate, when consumed rather than when purchased.

The City makes certain payments to vendors in the current year for expenses/expenditures applicable to future accounting periods. A reserve for inventories and prepayments in governmental funds is recognized at the fund level to indicate that a portion of the fund balance is not appropriable for expenditure. Prepaid items are recorded as expenditures or expenses when consumed.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Receivables, Payables and Interfund Transactions

Short-term loans between funds are reported as interfund receivables in the fund making the loan and as interfund payables in the fund receiving the loan. Arms-length transactions between funds for goods and services are reported as revenues in the selling fund and as expenses/expenditures in the acquiring fund. Any unpaid amounts are appropriately recorded as interfund receivables/payables when liquidation is expected within one year. If anticipated repayment is longer than one year, amounts are classified as advances to/from other funds. Flows of assets from one fund to another with no requirement for repayment or without an equivalent flow of assets in return are accounted for as transfers.

H. Capital Assets

Capital assets include the purchase, other acquisition, or construction, of equipment, facilities, or other similar assets at a cost in excess of \$5,000 and for which a useful life of over one year is expected. These assets include property, plant, equipment, infrastructure, and all other tangible and intangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost or estimated historical cost. Infrastructure assets, which include streets and associated drainage, sidewalks, bridges, drainage systems, water and sewer systems, runways and taxiways, lighting systems, and other similar type assets, have been recorded at historical cost for all assets acquired after April 1986. Infrastructure assets acquired prior to April 1986 and after June 1980 were capitalized based upon estimated historical cost obtained from bond documents used to obtain financing for construction of infrastructure assets. Donated capital assets are recorded at acquisition value at the date of donation. Intangible assets are reported in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is capitalized as part of the value of the asset. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Buildings	10-40
Infrastructure	20-50
Improvements other than buildings	2-50
Machinery and equipment	4-30
Intangible and other	3-15

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences**

The City's employees earn vacation, which may either be taken or accumulated, subject to a specified maximum, until paid upon retirement or termination. Unused sick leave is accumulated up to certain limits, which are subject to specific reductions if deposited into a Retiree Reimbursement Account (RRA) upon retirement. The City's employees are allowed to accumulate compensatory time up to a specified maximum.

The City has accrued vacation, sick leave, compensatory time, and related salary payments. This liability has been accrued in the government-wide and proprietary fund statements. Governmental funds report liabilities only for the matured portion of these liabilities.

**J. Federal and State Grants**

Community Development Block Grants, Federal and State of Texas Equitable Property Sharing proceeds and certain other public safety grants are accounted for within special revenue funds. Other grants and entitlements received for purposes normally financed through the general government are accounted for within the General Fund. Grant revenues are recognized when the expenditures are incurred and other related requirements are met. Airport Improvement Program (AIP) grants are accounted for within the Airport Fund, which is an enterprise fund. Grant revenues are recognized on an accrual basis.

**K. Long-Term Debt**

General Obligation Bonds and Certificates of Obligation that have been issued to fund capital projects of the general government that are to be repaid from tax revenues of the City are reported in the government-wide statement of net position.

Certificates of Obligation, which are secured by tax revenues, and Revenue Bonds, which have been issued to fund capital projects of proprietary funds that are to be repaid with funds from proprietary fund assets, are reported in the proprietary funds. Bonds payable are reported net of the associated premium or discount at the government-wide level and in the fund level proprietary fund statements.

The government-wide and proprietary fund level statements defer bond premiums, and discounts and recognize these items over the life of the issue using the effective interest rate method. In the fund level statements, governmental fund types recognize these items in the current period.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. Long-Term Debt (Continued)

Governmental and business-type activities in the government-wide statements and the proprietary funds report the difference between the reacquisition price (new debt) and the net carrying amount of the old debt on refunded debt transactions as a deferred outflow or inflow of resources and recognize it as a component of interest expense in a systematic and rational manner over the shorter of the remaining life of the old debt or the life of the new debt.

L. Retirement Plans

The City has two separate defined benefit retirement plans that cover substantially all employees. The Texas Municipal Retirement System (TMRS) provides benefits for all full-time employees who are not firefighters. The Midland Firemen's Relief and Retirement Fund provides benefits for all full-time firefighters.

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 and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by TMRS and the Midland Firemen's Relief and Retirement Fund. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Indirect and Centralized Expenses

The City does not allocate indirect expenses among functions. The City charges proprietary type funds for "centralized" expenses, which include an administrative overhead component, provided by the General Fund. These costs are determined on an annual basis through a full cost allocation study, except in the case of the Airport Fund. Airport Fund costs are determined in accordance with 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). However, the City does not charge the full cost determined through the Uniform Guidance study to the Airport Fund. All charges for these "centralized" expenses are treated as transfers in the proprietary funds.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction. Expenditures are to be made from the most restrictive fund balance classification first when more than one classification is available.

O. Implementation of New Accounting Principles

During the fiscal year ended September 30, 2017, the City implemented GASB Statement No. 77, 80, and 82. There were no material impacts to the City's financial statements as a result of this implementation.

**2. DEPOSITS AND INVESTMENTS**

Deposits - State statute requires that public funds in the City's depository institution be secured by eligible securities, as defined in V.T.C.A., Local Government Code Chapter 2257, in an amount not less than the amount on deposit plus any accrued interest less any amount provided for by insurance of the United States or an instrumentality thereof.

The City's depository agreement further restricts acceptable collateral, 65% secured by direct obligations of the United States and 35% meeting the requirements of Chapter 2257, and the level of collateral to 102% of the City's funds on deposit or the amount of the City's funds on deposit plus \$1,000,000, whichever is greater. The City's deposits were fully insured or collateralized as of September 30, 2017. At September 30, 2017, the carrying amount of cash for the City, MDC, and the Spaceport was \$2,439,656, \$9,521,920, and \$1,247,983, respectively. The bank balance of \$15,017,591 was insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000. The remaining bank balance was collateralized by securities, with a fair value of \$20,087,501 at September 30, 2017, held in the City's name by BNY Mellon as agent for the City.

In addition to these bank balances, Wells Fargo Bank serves as custodian for eligible federal treasury and agency securities in the amount of \$64,389,735.

**2. DEPOSITS AND INVESTMENTS (Continued)**

Investments - The City's investment policies are governed by state statutes. The City's investment policies further limit state statutes such that eligible investments include the following:

A. Obligations of the United States or Its Agencies and Instrumentalities

1. United States of America Treasury Securities;
2. Farmers Home Administration (FmHA) obligations backed by the full faith and credit of the United States;
3. Federal Home Loan Bank (FHLB) bonds;
4. Federal National Mortgage Association (Fannie Mae or FNMA) notes and debentures;
5. Farm Credit System obligations; and
6. Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC) obligations, i.e., discount notes or debentures.

B. Direct Obligations of the State of Texas or Its Agencies

Texas State, City, County, or School District General Obligation Bonds with a remaining maturity of ten years or less having been rated as to investment quality by Moody's or Standard and Poor's (nationally recognized investment rating firms) and having received a rating of no less than "A" or its equivalent.

C. Certificates of Deposit Issued by State and National Banks Domiciled in this state

Certificates of Deposit issued by state and national banks domiciled in this state that are: (1) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (2) secured by obligations that are described in V.T.C.A., Local Government Code Sections 105.001 et seq.

D. Fully Collateralized Repurchase Agreements Having a Defined Termination Date

Fully collateralized direct repurchase agreements and reverse repurchase agreements with a defined termination date of no more than 90 days from the date such investment is purchased, and secured by obligations of the United States or its agencies and instrumentalities with a market value of not less than the amount of the funds disbursed and held by a custodian for the City.

**2. DEPOSITS AND INVESTMENTS (Continued)**

**D. Fully Collateralized Repurchase Agreements Having a Defined Termination Date (Continued)**

Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. Money received under the terms of a reverse repurchase agreement shall be used to acquire additional eligible investments whose maturity does not exceed the expiration date of the reverse repurchase agreement.

**E. Money Market Funds**

Investment pools of public or private sponsorship, as provided in the Act and Approved by Council.

Money Market Funds fully authorized by state statute of both public and private sponsorship.

**F. Other Securities or Obligations Approved by the City Council**

Other such securities or obligations as authorized by State statute and approved by the City Council.

Investments of the City, other than for amortized cost pools, are valued based upon quotes obtained from Interactive Data Pricing and Reference Data (IDC). Investments in these pools are valued based upon the value of pool shares. No investments are reported at amortized cost, except for the City's investments in the Texas Local Government Investment Pool. The City invests in two pools; TexStar and the Texas Local Government Investment Pool (TexPool), both of which were created under the Interlocal Cooperation Act, Texas Government Code Ann. ch. 791 and the Texas Government Code Ann. ch. 2256. TexStar is rated AAAM and seeks to maintain a constant net asset value of \$1.00. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. chapter 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a five-member Advisory Board. Fair value of the City's position in the pools is, in all material respects, the same as the value of the pool shares. Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted-average daily cash and investment balances.

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**2. DEPOSITS AND INVESTMENTS (Continued)**

F. Other Securities or Obligations Approved by the City Council (Continued)

State statutes permit the City to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities or cash of equal value, the City would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. During the year ended September 30, 2017, the City invested in no reverse repurchase agreements.

Credit Risk - In compliance with the City's investment policy, as of September 30, 2017, the City minimized credit risk by limiting investments to the safest types of securities and diversifying the portfolio so that potential losses on individual securities were minimized. The investment pools (which represent approximately 76% of the portfolio) are rated AAAM by Standard and Poor's. The Federal National Mortgage Association, Federal Home Loan Bank notes and Federal Home Loan Mortgage Corporation obligations were all rated AAA by Standard and Poor's.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the City's investment policy requires that the portfolio remain sufficiently liquid to enable the City to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements. Liquidity and marketability will be ensured by investing in securities with active secondary markets. Final stated maturities may not exceed ten years with no more than 30% exceeding seven years and dollar weighted average portfolio maturity not to exceed five years in the investments listed above in sections A through F. At September 30, 2017, the weighted-average portfolio maturity was 8.15 months.

The City's investments carried at fair value as of September 30, 2017 are:

Investments	Fair Value			Weighted-Average Maturity (in years)	Credit Risk
	Primary Government	Component Units	Total		
FHLB	\$ 14,678,280	\$ -	\$ 14,678,280	7.28	AAA
FNMA	34,735,940	-	34,735,940	2.00	AAA
FHLMC	14,975,515	-	14,975,515	2.83	AAA
Subtotal investments - fair value	64,389,735	-	64,389,735		
Pools	206,656,213	17,420,327	224,076,540	Less than one year	AAAM
Total	\$ 271,045,948	\$ 17,420,327	\$ 288,466,275	.815	

**2. DEPOSITS AND INVESTMENTS (Continued)**

F. Other Securities or Obligations Approved by the City Council (Continued)

Concentration of Credit Risk - The City's investment policy states that the portfolio(s) shall be diversified by type of investment and maturities to reduce risks resulting from undue investment concentration. At September 30, 2017, more than 5% of the City's investments are in Federal National Mortgage Association (12.82%), Federal Home Loan Bank (5.42%), and Federal Home Loan Mortgage Corporation (5.53%). Investments in investment pools as of September 30, 2017, consisted of TexPool and TexStar in the amounts of \$61,375,735 and \$145,280,478, respectively.

G. 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 observable inputs other than Level 1 prices, such as quoted prices for similar assets or quoted prices in markets that are not active; and Level 3 inputs are unobservable inputs supported by little or no market activity and are significant to the fair value of the assets. It is preferable that fair value measurements maximize the use of observable inputs and minimize the use of unobservable inputs.

As of September 30, 2017, the City has the recurring fair value measurements for U.S. agency securities of \$64,389,735 valued using quoted prices for similar assets (Level 2 inputs).

**3. PROPERTY TAXES**

Property taxes for the current fiscal year are levied on October 1; attach as an enforceable lien on property as of January 1; and become delinquent at January 31, unless the half-payment option is elected by the taxpayer, in which case one-half of the tax is due November 30, and the balance due the following June 30. On February 1, delinquent taxes are assessed a 6% penalty plus 1% interest. Penalty and interest rates each increase 1% per month through June. According to Article V, Section (2) of the City Charter, the maximum tax rate is \$2.00 per \$100.00 assessed valuation, which includes debt service. The combined tax rate of the 2016 tax roll or Fiscal Year 2016-2017 was \$0.399679 per \$100.00 assessed valuation, resulting in a tax levy in the amount of \$47,399,178 on an assessed valuation of \$11,859,311,609. The levy is composed of a maintenance and operations levy of \$0.360257 and an interest and sinking fund (debt service) levy of \$0.039422 per \$100.00 assessed valuation. Property taxes are imposed non-exchange revenues and, as such, require different revenue recognition at the government-wide level and fund level.

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**3. PROPERTY TAXES (Continued)**

In the government-wide statements, property taxes are recorded on an accrual basis with a receivable for any delinquent taxes and the associated revenue recognized at September 30 of each year. At the fund level, property tax revenues are recognized on the modified accrual basis of accounting, meaning collected within the current period or soon enough thereafter, not to exceed 60 days, to be used to pay liabilities of the current period.

**4. RECEIVABLES**

Receivables as of September 30, 2017 for the City's individual major and nonmajor funds, and internal service funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Debt Service	Airport	Water and Sewer	Sanitation	Sports Complex	Nonmajor and Other Funds	Total
Receivables								
Property taxes	\$ 957,146	\$ 143,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,100,411
Sales taxes	9,551,715	-	-	-	-	-	-	9,551,715
Accounts	6,021,243	4,941	1,178,706	12,406,310	142,673	30,784	1,472,364	21,257,020
Interest	64,578	968	6,373	45,667	16,766	2,189	29,913	151,264
Assessments	509,058	-	-	-	-	-	-	509,058
Intergovernmental	88,006	-	-	-	-	-	150,585	238,591
Gross receivables	17,191,746	149,174	1,185,079	12,451,977	159,439	32,973	1,652,862	32,808,059
Less allowance for uncollectibles	(5,178,956)	(23,368)	(14,976)	(415,081)	(91,528)	-	-	(5,723,909)
NET TOTAL RECEIVABLES	\$ 12,012,790	\$ 125,806	\$ 1,170,103	\$ 12,036,896	\$ 67,911	\$ 32,973	\$ 1,652,862	\$ 27,084,150

Governmental funds reports deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The City also records unearned revenue, revenue received but not yet earned, in its governmental funds. At September 30, 2017, the composition of these revenues was as follows:

	Deferred Inflows Unavailable Revenue	Governmental Unearned Revenue
Delinquent property taxes receivable - General Fund	\$ 633,184	\$ -
Lot clearing receivable - General Fund	444,807	-
Municipal court fines - General Fund	855,001	-
Delinquent property taxes receivable - Debt Service Fund	103,781	-
Lot clearing receivables - Other Governmental Funds	961,520	-
Street paving liens receivable - General Fund	508,948	-
Grant drawdowns prior to meeting all eligibility requirements	-	46,700
<b>TOTAL DEFERRED/UNEARNED REVENUE FOR GOVERNMENTAL FUNDS</b>	<b>\$ 3,507,241</b>	<b>\$ 46,700</b>

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases/ Adjustments	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 9,822,200	\$ 927,730	\$ (669,851)	\$ 10,080,079
Construction in progress	25,686,910	25,449,404	(40,354,484)	10,781,830
Total capital assets not being depreciated	35,509,110	26,377,134	(41,024,335)	20,861,909
Capital assets being depreciated				
Buildings	33,842,099	20,406,621	(37,484)	54,211,236
Improvements other than building	26,867,598	4,061,419	-	30,929,017
Machinery and equipment	77,454,599	4,399,481	(2,622,869)	79,231,211
Infrastructure	157,500,885	20,249,241	-	177,750,126
Other	9,690,624	32,400	(4,604,275)	5,118,749
Total capital assets being depreciated	305,355,805	49,149,162	(7,264,628)	347,240,339
Less Accumulated Depreciation for				
Buildings	(14,314,689)	(1,324,388)	37,484	(15,601,593)
Improvements other than building	(11,614,639)	(1,201,290)	-	(12,815,929)
Machinery and equipment	(44,211,603)	(6,301,166)	2,808,993	(47,703,776)
Infrastructure	(70,963,506)	(6,603,570)	-	(77,567,076)
Other	(8,532,184)	(340,723)	4,574,284	(4,298,623)
Total accumulated depreciation	(149,636,621)	(15,771,137)	7,420,761	(157,986,997)
Total capital assets being depreciated, net	155,719,184	33,378,025	156,133	189,253,342
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 191,228,294</b>	<b>\$ 59,755,159</b>	<b>\$ (40,868,202)</b>	<b>\$ 210,115,251</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 14,418,580	\$ 60,075	\$ -	\$ 14,478,655
Construction in progress	12,189,399	5,128,533	(14,019,632)	3,298,300
Total capital assets not being depreciated	26,607,979	5,188,608	(14,019,632)	17,776,955
Capital assets being depreciated				
Water rights	717,058	-	-	717,058
Buildings	64,830,439	394,739	(197,633)	65,027,545
Improvements other than building	100,652,919	6,064,564	(41,996)	106,675,487
Machinery and equipment	12,472,396	567,441	29,164	13,069,001
Infrastructure	571,807,979	12,400,550	-	584,208,529
Other	4,508,025	-	(124,105)	4,383,920
Total capital assets being depreciated	754,988,816	19,427,294	(334,570)	774,081,540

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**5. CAPITAL ASSETS (Continued)**

	Beginning Balances	Increases	Decreases/ Adjustments	Ending Balances
<b>BUSINESS-TYPE ACTIVITIES</b>				
Less Accumulated Depreciation for				
Water rights	\$ (717,058)	\$ -	\$ -	\$ (717,058)
Buildings	(24,460,571)	(2,249,909)	85,762	(26,624,718)
Improvements other than building	(52,530,826)	(3,699,160)	41,996	(56,187,990)
Machinery and equipment	(8,962,177)	(654,732)	(29,164)	(9,646,073)
Infrastructure	(164,347,744)	(16,264,272)	-	(180,612,016)
Other	(3,204,336)	(318,645)	124,105	(3,398,876)
Total accumulated depreciation	<u>(254,222,712)</u>	<u>(23,186,718)</u>	<u>222,699</u>	<u>(277,186,731)</u>
 Total capital assets being depreciated, net	<u>500,766,104</u>	<u>(3,759,424)</u>	<u>(111,871)</u>	<u>496,894,809</u>
 <b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 527,374,083</u>	<u>\$ 1,429,184</u>	<u>\$ (14,131,503)</u>	<u>\$ 514,671,764</u>

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

**GOVERNMENTAL ACTIVITIES**

General government	
Administration	\$ 14,084
Support services	2,363,539
Engineering	6,614,861
Community services	1,712,022
Police	237,015
Fire	247,932
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>4,581,684</u>

**TOTAL DEPRECIATION EXPENSE -  
GOVERNMENTAL ACTIVITIES**

\$ 15,771,137

**BUSINESS-TYPE ACTIVITIES**

Airport	\$ 5,650,132
Water and sewer	13,717,161
Sanitation	1,466,796
Scharbauer sports complex	2,015,745
Nonmajor funds	310,826
Warehouse fund - internal service fund	<u>26,058</u>

**TOTAL DEPRECIATION EXPENSE -  
BUSINESS-TYPE ACTIVITIES**

\$ 23,186,718

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**5. CAPITAL ASSETS (Continued)**

Discretely Presented Component Units

Capital asset activity for MDC for the year ended September 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases/ Adjustments	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 4,424,753	\$ -	\$ -	\$ 4,424,753
Construction in progress	3,817,512	633,165	(3,624,512)	826,165
Total capital assets not being depreciated	8,242,265	633,165	(3,624,512)	5,250,918
Capital assets being depreciated				
Buildings	5,903,629	3,508,636	-	9,412,265
Improvements other than building	216,336	-	-	216,336
Machinery and equipment	38,076	122,760	(29,956)	130,880
Infrastructure	484,502	-	-	484,502
Total capital assets being depreciated	6,642,543	3,631,396	(29,956)	10,243,983
Less Accumulated Depreciation for				
Buildings	(229,685)	(127,805)	-	(357,490)
Improvements other than building	(114,478)	(10,817)	-	(125,295)
Machinery and equipment	(29,838)	(6,497)	24,714	(11,621)
Infrastructure	(105,783)	(9,690)	-	(115,473)
Total accumulated depreciation	(479,784)	(154,809)	24,714	(609,879)
Total capital assets being depreciated, net	6,162,759	3,476,587	(5,242)	9,634,104
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>				
	\$ 14,405,024	\$ 4,109,752	\$ (3,629,754)	\$ 14,885,022

**6. EMPLOYEE BENEFIT PLANS**

**A. Plan Descriptions**

Texas Municipal Retirement System

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions

Texas Municipal Retirement System

All eligible employees of the City are required to participate in TMRS.

*Benefits Provided*

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

*Plan Membership*

Plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility (expressed as years of service/age)	5 yrs/age 60, 20 yrs/any age
Updated service credit	100% repeating, transfers
Annuity increase (to retirees)	50% of CPI repeating

*Employees Covered by Benefit Terms*

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

Inactive employees or their beneficiaries currently receiving benefits	590
Inactive employees entitled to but not yet receiving benefits	555
Active employees	795
	<hr/>
Total	1,940
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**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

*Contributions*

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry-Age Normal (EAN) actuarial cost method. 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.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.23% and 15.06% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 was \$6,614,908 and was equal to the required contributions.

*Net Pension Liability*

The City'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 actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment is used, with slight adjustments.

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

*Actuarial Assumptions (Continued)*

The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. Annuity increases (also referred to as cost-of-living adjustments, or COLAs) are 1.38%, according to the provisions adopted by the City.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy postretirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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. The target allocation and best estimates of 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 (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Noncore Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
TOTAL	<u>100.0%</u>	

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make 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.

*Changes in Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2016	\$ 297,762,253	\$ 251,231,233	\$ 46,531,020
Changes for the period			
Service cost	7,218,730	-	7,218,730
Interest	19,807,241	-	19,807,241
Difference between expected and actual experience	(1,502,270)	-	(1,502,270)
Employer contributions	-	6,896,363	(6,896,363)
Employee contributions	-	3,214,447	(3,214,447)
Net investment income	-	16,971,040	(16,971,040)
Benefit payments and refunds	(15,862,016)	(15,862,016)	-
Administrative expense	-	(191,753)	191,753
Other (net transfer)	-	(10,331)	10,331
Net changes	9,661,685	11,017,750	(1,356,065)
BALANCES AT DECEMBER 31, 2016	\$ 307,423,938	\$ 262,248,983	\$ 45,174,955

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75% ) or 1 percentage point higher (7.75% ) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 86,617,835	\$ 45,174,955	\$ 11,174,719

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended September 30, 2017, the City recognized pension expense of \$12,040,836.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 388,930	\$ 1,722,566
Changes in assumption	1,500,673	-
Net difference between projected and actual earnings on pension plan investments	11,887,058	-
Contributions made after the measurement date	5,071,163	-
<b>TOTAL</b>	<b>\$ 18,847,824</b>	<b>\$ 1,722,566</b>

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

\$5,071,163 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	
2018	\$ 4,729,916
2019	3,979,956
2020	3,346,811
2021	<u>(2,588)</u>
<b>TOTAL</b>	<b><u>\$ 12,054,095</u></b>
<u>Midland Firemen's Relief and Retirement Fund</u>	

*Plan Administration*

The Midland Firemen's Relief and Retirement Fund (the Fund) is established under the authority of the Texas Local Firefighters' Retirement Act (TLFFRA). The Board of Trustees of the Fund is the administrator of a single-employer defined benefit pension plan. The Fund is a separate legal entity with an independently elected board and issues its own audited financial statements. Additionally, the Fund has its own actuarial valuations performed as of December 31 in odd numbered years. The latest actuarial valuation report available is for the year ended December 31, 2015. This valuation was rolled forward to the actuarial valuation date of December 31, 2016. All assumptions for this valuation are contained in the Fund's Actuarial Valuation Report and Review as of December 31, 2015, a copy of which may be obtained by writing the Midland Firemen's Relief and Retirement Fund Board of Trustees, 1500 W. Wall, Midland, TX 79701.

The plan was originally effective October 27, 1941, and was most recently amended in November 2011.

A degree of financial burden upon the City does exist to the extent the City makes contributions to the Fund equal to 22.20% of plan participants' pay. In the City's professional judgment, this burden is not sufficient to warrant inclusion of the Fund's activities within the City's basic financial statements.

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Midland Firemen's Relief and Retirement Fund (Continued)

*Eligibility*

All uniformed employees of the Midland Fire Department, who were younger than age 36 on the date they were certified under Civil Service, are members of the Midland Firemen's Relief and Retirement Fund. Other employees who perform emergency, medical or fire department related services become members of the fund when approved by the Board of Trustees unless the employee elects to be covered by TMRS.

*Benefits Provided*

The Fund provides service retirement, death, disability, and withdrawal benefits. These benefits become fully vested after 20 years of credited service. Employees may retire with a normal retirement benefit at age 50 with 20 years of service. A partially vested benefit is provided for employees who terminate employment with at least ten but less than 20 years of service. Firefighters may retire with 25 years of service at any age. Employees are also eligible for a reduced early service retirement benefit upon termination of eligible employment with between 20 and 25 years of service and after attaining age 45. Benefits of retired firefighters are determined on a "formula" plan with normal benefits based on a percentage of the highest 60 months' average pay: 75% plus \$80 per month for each service year in excess of 20 years to the last completed month for service and disability benefits.

Widow benefits are based on 75% of the benefit the deceased firefighter would have been entitled to as a normal service retirement based upon the firefighter's salary and service at the time of death. The widow's benefit is 75% of the benefit the firefighter was receiving at the time of death if the firefighter was retired. Children's benefits until age 22 are 11.25% of the firefighter's average highest 60 months' pay if there is a surviving spouse. If there is no surviving spouse, children receive 22.50% of the firefighter's average highest 60 months' pay.

There are four Deferred Retirement Option Plans (DROP) and a 100% joint and survivor option.

DROP 1 allows a firefighter to contract with the fund to retire while he/she continues to be employed as a regular firefighter. His/her benefit and contributions are accumulated in a separate account with interest. DROP 1 may last no longer than three years at which time he/she leaves the fire department, receives his/her accumulated lump sum and begins receiving benefits as contracted for three years earlier.

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Midland Firemen's Relief and Retirement Fund (Continued)

*Benefits Provided (Continued)*

DROP 2 is a reverse plan whereby the firefighter contracts to receive 90% of his/her normal retirement benefit and receives as a lump sum the reduced monthly benefit multiplied by 24 months.

DROP 3 allows a firefighter with at least 20 years of service and age 50 to declare his/her effective retirement date as no earlier than the date he/she actually had 20 years of service and was at least 50 years old. He/she receives a lump sum consisting of the benefit as of the effective date, his/her contributions since that date and interest thereon. A firefighter can DROP back to no more than three years. The 100% joint and survivor option allows the firefighter and his/her spouse to receive the same benefit for life, the normal benefit being reduced by 10% plus 0.4% per year that the beneficiary's age is less than the firefighter's age and minus 0.4% that the beneficiary's age is greater than the firefighter's. All benefits are subject to the IRS Section 415 limitation. Additionally, there is a \$10,000 death benefit for a beneficiary and a \$500 monthly supplement for the firefighter who retires at or after age 50 with 20 years of service or more. A 2% COLA is incorporated the January following five years of actual receipt of benefits and physical departure from the fire department. Under this plan, Midland firefighters are required to contribute 13.20% of their pay to the fund.

DROP 4 provides a Combined (Forward and Retroactive) DROP plan benefit. This option states that the firefighter must retire within three years of his Combined (Forward and Retroactive) DROP. The monthly benefit he will receive is determined based upon his salary and service at the beginning of the DROP period. At the conclusion of the DROP period, the firefighter will be paid an amount which is the sum of his employee contributions from the Forward DROP portion of the period plus the product of his monthly benefit amount times the number of months of the Forward DROP portion of the Combined (Forward and Retroactive) DROP period.

Retirees and beneficiaries are eligible to receive a 2.00% increase in their monthly benefits once they have received benefits for at least five years. Increases are not granted; however, unless the fund's rolling five-year average rate of return is at least 8.25% per annum. Increases become effective on August 1 following the fifth full year of receipt of benefits by a retiree or beneficiary.

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Midland Firemen's Relief and Retirement Fund (Continued)

*Plan Membership*

At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	162
Terminated employees entitled to but not yet receiving benefits	9
Active employees	<u>207</u>
<b>TOTAL</b>	<b><u><u>378</u></u></b>

*Contributions*

The City is statutorily required to make contributions that will equal the lesser of 9.00% or the firefighters' contribution rate. However, the City made contributions equal to 22.20% of pay as authorized by Ordinance 9596 that adopted the Fiscal Year 2017 budget that incorporated the increase above the statutory rate. The benefit and contribution provisions of this plan, other than the City's contribution rate, are authorized by the Texas Local Fire Fighters Retirement Act (TELFRA).

The Fund is required by statute to conduct actuarial studies every odd year and conducted the last study December 31, 2015 for the plan in effect at that time.

The funding policy of the Fund requires contributions equal to 13.20% of pay by the firefighters. The contribution rates for the City were 22.20% for both calendar years 2016 and 2017. The City's contributions for the year ended September 30, 2017 were \$3,405,259 and were equal to the required contributions.

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary must approve each plan of benefits adopted by the Fund. The actuary certifies that the contribution commitments by the firefighters and the City provide an adequate financing arrangement.

*Net Pension Liability*

The Fund's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to December 31, 2016.

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Midland Firemen's Relief and Retirement Fund (Continued)

*Actuarial Assumptions*

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00% per year
Overall payroll growth	4.50% per year
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

The plan contains an automatic cost-of-living increase which only raises non-active members' benefits if the fund's five-year rolling average rate of return is at least 8.25%. The rate exceeds the assumed discount rate by 1/4 of 1%. Under the plan's actuarial assumptions, the plan's assumed long-term average rate of return is less than the rate needed to produce a benefit increase. Consequently, no future automatic increases were included in the valuation calculations.

Salary increases were based on a service-related table, setting back each salary increase rate in the table used for the 2016 valuation by one year of service. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with separate rates for males and females. For disabled annuitants, rates were developed from the 1985 Society of Actuaries Disability Table Study using Class 1 male rates with a 90-day elimination period.

Actuarial assumptions used in the December 31, 2016 valuation were based on results of actuarial experience studies. The experience study periods covered were different depending on how much prior data was available. The shortest period was for aggregate pay increases, which covered the period from January 1, 2005, to December 31, 2013. The longest was for the fund's rate of return which contained data starting January 1, 1995.

The long-term expected rate of return on pension plan investments of 8.00% was set by examining the fund's rate of return history and by taking into account future expected rates of return for portfolios with similar asset allocations. The assumed 8.00% rate can be considered to include a provision for inflation at 3.00% per year, although other combinations of real return, risk premium, and inflation are also accounted for by this rate. The rate of return is net of trust expenses.

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Midland Firemen’s Relief and Retirement Fund (Continued)

*Actuarial Assumptions (Continued)*

The target allocation and best estimates of 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 (Arithmetic)
Cash and short-term fixed income	11.45%	0.00%
Fixed income		
Investment grade	11.22%	3.00%
High yield	6.33%	5.00%
Foreign bonds	8.67%	3.50%
Equities, real estate and alternative investments		
Large-cap	22.36%	7.10%
Small-cap mutual funds	4.15%	8.50%
Mid-cap	2.41%	9.50%
Hedge funds and alternatives	10.88%	3.00%
Real estate	22.53%	8.70%
<b>TOTAL</b>	<b>100.00%</b>	

*Discount Rate*

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make 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.

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Midland Firemen's Relief and Retirement Fund (Continued)

*Changes in Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2016	\$ 132,269,082	\$ 80,942,385	\$ 51,326,697
Changes for the period			
Service Cost	4,336,753	-	4,336,753
Interest	10,654,714	-	10,654,714
Employer contributions	-	3,582,056	(3,582,056)
Employee contributions	-	2,129,871	(2,129,871)
Net investment income	-	3,106,027	(3,106,027)
Benefit payments and refunds	(6,843,836)	(6,843,836)	-
Administrative expense	-	(251,621)	251,621
Other (net transfer)	-	66	(66)
Net changes	8,147,631	1,722,563	6,425,068
BALANCES AT DECEMBER 31, 2016	\$ 140,416,713	\$ 82,664,947	\$ 57,751,765

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 8.00% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00% ) or 1 percentage point higher (9.00% ) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 73,087,109	\$ 57,751,765	\$ 44,895,102

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**6. EMPLOYEE BENEFIT PLANS (Continued)**

A. Plan Descriptions (Continued)

Midland Firemen’s Relief and Retirement Fund (Continued)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in a separately issued report and may be obtained by visiting [www.midlandfrrf.com](http://www.midlandfrrf.com).

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended September 30, 2017, the City recognized pension expense of \$9,589,059. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 582,836
Changes in assumption	804,321	-
Net difference between projected and actual earnings on pension plan investments	8,490,377	-
Contributions made after the measurement date	2,536,970	-
<b>TOTAL</b>	<b>\$ 11,831,668</b>	<b>\$ 582,836</b>

\$2,536,970 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	
2018	\$ 2,895,991
2019	2,895,989
2020	2,159,524
2021	704,117
2022	41,311
2023	14,929
<b>TOTAL</b>	<b>\$ 8,711,861</b>

**6. EMPLOYEE BENEFIT PLANS (Continued)**

**B. Deferred Compensation**

The City offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In compliance with the Small Business Job Protection Act of 1996 and the Taxpayer Relief Act of 1997, the nature of assets held by deferred compensation plans are assets held in trust by the plan providers for the exclusive benefit of plan participants and their beneficiaries. The City retains no rights to plan assets or property nor has any liability for those assets.

**C. Flexible Spending Account**

The City offers all employees a flexible spending account, known as a cafeteria plan, which was established under Section 125 of the Internal Revenue Code. Administration of the plan is contracted to a third party administrator. Employee contributions are transferred to the administrator and posted to a debit card which the employee may use to pay for qualified medical expenses. The City retains no assets or liabilities of the plan.

**D. Health Reimbursement Account**

The City established a Health Reimbursement Account (HRA) in accordance with Internal Revenue Code Section 105-106 for employees who participate in the City's health insurance program. Administration of the plan is handled by a third party administrator. Effective January 1, 2016 the City no longer contributes monies into an HRA.

**7. OTHER POSTEMPLOYMENT BENEFITS**

**A. Plan Administration**

The City's OPEB plan is a single-employer defined benefit "substantive plan" as understood by past practices of the employer and its employees. City employees are eligible for retiree medical benefits if they are eligible for retirement plan benefits under the provisions of the Texas Municipal Retirement System or the City of Midland Firemen's Relief and Retirement Fund. Generally, employees eligible for retiree medical benefits are employees who retire with 20 years of service at any age or those employees who retire at age 60 with five years of service. Eligible participants include eligible spouses. The eligible member shall not be gainfully employed if receiving benefits from this plan. The City's OPEB plan does not issue a publicly available financial report.

**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

A. Plan Administration (Continued)

Benefits are payable through a self-insured plan for eligible retirees and spouses until age 65. A Medicare Supplement Plan is available for eligible retirees and spouses who are age 65 and over.

B. Funding Policy

The City allows retired employees to enroll in the City's health insurance plan. Effective January 1, 2016 the City contributes a flat amount to all retirees (regardless of years of service). The amount is \$50 month for retiree only coverage; \$75 a month for retiree and child(ren) coverage; \$100 for retiree and spousal coverage; and \$150 per month for retiree and family coverage. City contributions for these postemployment retirement benefits are strictly discretionary and are financed on a pay-as-you-go basis. OPEB contributions during the year ended September 30, 2017 were \$740,576, and there were 249 retirees participating in the plan at that date. The retired employees are required to pay the balance of their respective health plan contributions or premiums to participate in either plan.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation.

Annual required contribution	\$ 2,226,919
Interest on net OPEB obligation	792,077
Adjustment to annual required contribution	<u>(1,307,805)</u>
Annual OPEB cost	1,711,191
Contributions made	<u>740,576</u>
Increase in net OPEB obligation	970,615
Net OPEB obligation, beginning of year	<u>27,520,858</u>
<b>NET OPEB OBLIGATION, END OF YEAR</b>	<b><u>\$ 28,491,473</u></b>

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years were as follows:

Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 2,392,148	\$ 638,979	26.7%	\$ 26,402,562
2016	1,711,191	592,895	34.6%	27,520,858
2017	1,711,191	740,576	43.3%	28,491,473

Funded Status and Funding Progress:

The funded status of the plan as of September 30, 2016 (most recent available) was as follows:

Actuarial accrued liability (AAL)	\$ 25,006,544
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	25,006,544
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 65,054,066
UAAL as a percentage of covered payroll	38.44 %

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future information. The schedule of funding progress, presented as required supplementary information 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 liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the September 30, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2.50% inflation rate and 3.00% investment rate of return. The annual healthcare cost trend rate assumption is 7.50% initially, reduced by decrements to an ultimate rate of 4.50% after six years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at September 30, 2016, was 30 years.

**8. LEASES**

A. Operating Lease Receivables

The City enters into operating leases involving terminal space and other airport facilities at Midland International Air and Space Port (MAF). Additionally, the City has entered into an operating lease for the use of and naming rights for the Security Bank Ballpark and Grande Stadium at the Scharbauer Sports Complex. Current year income for these leases was \$4,685,480 and \$394,404 for the MAF and Sports Complex, respectively.

Minimum future rentals on noncancelable operating leases as of September 30, 2017 for each of the five subsequent fiscal years and in five-year increments thereafter are as follows:

Year Ending September 30,	Airport Minimum Future Rentals	Sports Complex Minimum Future Rentals	Total Minimum Future Rentals
2018	\$ 3,325,305	\$ 298,850	\$ 3,624,155
2019	3,245,932	253,850	3,499,782
2020	3,245,932	178,850	3,424,782
2021	1,327,167	178,850	1,506,017
2022	1,331,472	140,467	1,471,939
2023-2027	1,540,848	195,000	1,735,848
2028-2032	563,893	-	563,893
2033-2037	594,025	-	594,025
<b>TOTAL</b>	<b>\$ 15,174,574</b>	<b>\$ 1,245,867</b>	<b>\$ 16,420,441</b>

**8. LEASES (Continued)**

A. Operating Lease Receivables (Continued)

In general, the City's leasing arrangements for operating leases are as follows:

**Airline Exclusive Space and Joint Use Space**

Scheduled airlines operating at MAF are required to sign a standard airline/airport use and lease agreement. These agreements allow the signatory airline the use of certain premises and facilities and the exercise of certain rights and privileges at the MAF in connection with the operation of an air transportation system.

Terminal building joint use and exclusive rates are currently \$20.50 per square foot per year (s.f.y.). The rate used to calculate the amount of rent to be paid by the airline to the City shall be reviewed annually and may be adjusted if MAF's financial data for the Airport System Cost/Revenue indicates such need. In no event shall the square footage rate be less than \$20.50 per s.f.y.

Several airline lease agreements are in a holdover period. All of the terms and conditions of the leases shall remain unmodified and in full force and effect until new leases have been agreed to and signed by both parties.

**Fixed Base Operator (FBO) Leased Space**

Currently, there are two Commercial Fixed Base Operator City-owned building/facility/land lease agreements between the Department of Airports and the existing FBOs.

The first lease agreement for properties located at Midland Airpark expired April 30, 2017. Rental rates for the expired lease vary by location with ground rental at \$0.05 per s.f.y. and building rentals from \$0.11 to \$1.13 per s.f.y. The lease agreement is currently in a holdover period and a new agreement is being negotiated at this time.

The second lease is for ground rental at MAF. This lease expires December 31, 2037. Rental rates for this lease are currently at \$0.061 s.f.y. This lease provides for annual rental adjustments based on percentage increases in annual general aviation and military fuel sales. This lease also incorporates minimum base rental increases every five years throughout the term of this agreement. In no event will rental be adjusted below \$0.05 s.f.y.

**8. LEASES (Continued)**

A. Operating Lease Receivables (Continued)

Rental Car Facilities Lease Space

Car rental concessionaires operating at MAF are required to sign a standard Car Rental Concession agreement. These agreements guarantee minimum monthly/annual payments to the Airport and allow the concessionaire the use of certain premises and the exercise of certain rights, privileges and uses therein, as necessary to provide car rental service on the property at the Airport.

Minimum annual guarantee amounts are reviewed annually and adjusted as follows: the minimum annual guarantee will be the greater of the base year, or 85% of the previous year's actual rent payments. In no event will the annual guarantee be lower than the base year. All Car Rental Concession agreements expire July 31, 2020.

Terminal Building Concession Lease Space

Restaurant and Gift Shop Concessionaires operating at MAF are required to sign a standard Concession agreement. These agreements guarantee minimum monthly/annual payments to the Airport and allow the concessionaire to use certain premises and exercise certain rights, privileges, and uses therein, as necessary to provide restaurant and gift shop services on the property at the Airport.

Minimum annual guarantee amounts are reviewed annually and adjusted as follows: the minimum annual guarantee will be the greater of the base year, or 85% of the previous year's actual rent payments. Minimum annual guarantees are subject to CPI adjustment every five years. In no event will the annual guarantee be lower than the base year. Restaurant and gift shop agreements expire September 30, 2024.

Scharbauer Sports Complex

*Security Bank Ballpark Use Lease*

The Security Bank Ballpark use lease is a lease between Midland Sports, Inc. and the City with an initial 20-year term beginning April 1, 2002, and ending March 30, 2022, with two five-year options to renew. The lease is noncancelable during the initial 20-year term. The lease agreement is for rights to use Security Bank Ballpark and executive office space and requires a good faith effort to play 68 home games each year by a AA major league baseball franchise. The lease rate was \$4,160 per month, due on the first day of each month, until May 1, 2007 when the rate increased to \$4,165 per month. The lease rate increased to \$4,170 on May 1, 2012, and to \$4,175 on May 1, 2017. An additional lump sum lease fee of \$50,000 per year is due on September 30 of each year for the first 15 years of the initial 20-year lease term. 15% of net concession sales is payable to the City during the term of the lease.

**8. LEASES (Continued)**

A. Operating Lease Receivables (Continued)

Scharbauer Sports Complex (Continued)

*Security Bank Ballpark Naming Rights*

The Security Bank naming rights license agreement is an agreement between the City and Security Bank to name the baseball stadium at the Scharbauer Sports Complex Security Bank Ballpark. The full term of this agreement is 25 years and is divided into component units of ten years and five years each. The first ten years is the initial term, the next five years is the second term, and the subsequent terms shall consist of two terms of five years commencing at the end of the second term. The agreement requires payments of \$1,225,975, \$710,250, \$803,675, and \$909,350 during the initial through subsequent terms, respectively.

The agreement is cancelable any time during years six through ten of the initial term upon payment of \$75,000 to the City and one year written notice of that intent to the City. Additionally, the agreement is cancelable at the end of the first term upon proper written notification to the City by Security Bank and payment of any additional license payments due during the term. The agreement is cancelable at any time during the subsequent terms of the agreement upon one year written notice with no penalties.

*Grande Stadium Use Lease*

The Grande Stadium, a football/soccer stadium, use lease is a noncancelable lease between Midland Independent School District (MISD) and the City for use of the football/soccer stadium. The stadium is to be the home stadium of all MISD football and soccer teams and may be used by MISD for other MISD events with the consent of the City. The lease term is 20 years, August 1, 2002 through July 31, 2022. Under the terms of the lease, MISD is to pay the City \$50,000 per year rent plus a \$30,000 per year operating contribution plus 50% of net concession revenue. Subsequent to the initial five-year period of the lease and at every subsequent five-year period, the annual rent shall be adjusted based upon the change in the CPI - All Urban Consumers, All Items, Dallas - Fort Worth Area.

**8. LEASES (Continued)**

A. Operating Lease Receivables (Continued)

Scharbauer Sports Complex (Continued)

*Grande Communications Naming Rights*

The Grande Communications naming rights license agreement is an agreement between the City and Grande Communications - ClearSource, Inc. to name the football/soccer stadium at the Scharbauer Sports Complex Grande Communications Stadium. The full term of the agreement is 25 years. The agreement required payment of \$30,000 on or before December 1, 2002 and \$48,750 per year for the remaining term of the agreement. These payments are due on June 1 of each year with the first payment due June 1, 2003, and the final payment due on June 1, 2026. The agreement is noncancelable during the term of the agreement, except in the event of default as defined in the agreement, by either party.

B. Capital Leases Payable

The City has an agreement with Midland County Fresh Water Supply District (Water District) to provide wholesale water delivery service from the T-Bar well field through the development of wells and related pipeline infrastructure to the City. This agreement qualifies as a lease for accounting purposes and the asset is recorded on the cost basis as the date of pipeline completion.

The City entered into a second agreement with the Water District in the amount of \$30 million for the infrastructure to produce and deliver water from City-owned property at Clearwater Ranch. This agreement also qualifies as a lease for accounting purposes and the asset is recorded on the cost basis.

A summary of assets acquired through lease is as follows:

Infrastructure	\$ 226,576,160
Less accumulated amortization	<u>(25,920,751)</u>
<b>TOTAL</b>	<b><u>\$ 200,655,409</u></b>

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**8. LEASES (Continued)**

**B. Capital Leases Payable (Continued)**

The following is a summary of the capitalized lease transactions for the City for the year ended September 30, 2017:

	Balance at September 30, 2016	Capital Lease Commitments	Amortization of Capital Leases	Balance at September 30, 2017
Water and Sewer Fund	\$ 232,896,859	\$ 2,974,731	\$ (1,775,000)	\$ 234,096,590

The structuring of the debt by the Water District is included as a part of the wholesale water delivery service contract in the first agreement, and results in a negative amortization for Fiscal Year 2017.

Future minimum lease obligations and the net present value of these payments as of September 30, 2017, were as follows:

Year Ending September 30,	
2018	\$ 9,769,967
2019	9,667,862
2020	10,413,508
2021	10,318,457
2022	10,214,524
2023-2027	55,267,930
2028-2032	104,390,282
2033-2037	148,249,511
2038-2041	<u>95,665,099</u>
Total minimum lease payments	453,957,140
Less interest at 3.33% and 5.02%	<u>(219,860,550)</u>
Present value	<u>\$ 234,096,590</u>

**C. Leases Receivable**

The City has a Commercial Hangar Lease Agreement with Midland Development Corporation (MDC) for economic development purposes and to provide aviation services as permitted within the agreement. This agreement qualifies as a lease for accounting purposes.

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**8. LEASES (Continued)**

C. Leases Receivable (Continued)

MDC's future minimum lease obligations to the City and the net present value of these payments as of September 30, 2017, were as follows:

Year Ending September 30,	
2018	\$ 72,000
2019	72,000
2020	72,000
2021	72,000
2022	72,000
2023	18,000
	<hr/>
Total minimum lease payments	378,000
Less interest at 5%	(46,146)
	<hr/>
Present value	<u>\$ 331,854</u>

**9. LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the year ended September 30, 2017:

	Balances October 1	Increases	Decreases	Balances September 30	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Refunding Bonds	\$ 2,335,000	\$ -	\$ 775,000	\$ 1,560,000	\$ 805,000
Certificates of obligation	47,075,690	27,245,000	2,172,931	72,147,759	2,905,172
Plus premium on debt	3,024,140	3,949,386	585,162	6,388,364	557,899
Total bonds payable	52,434,830	31,194,386	3,533,093	80,096,123	4,268,071
Compensated absences liability	4,457,488	6,176,699	6,209,840	4,424,347	3,093,673
Net pension liability	88,118,383	15,792,120	10,439,808	93,470,695	-
Other postemployment benefits payable	23,200,909	1,415,549	605,306	24,011,152	-
Self-insurance liability	3,422,149	10,829,041	10,258,567	3,992,623	1,569,565
	<hr/>				
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 171,633,759</u>	<u>\$ 65,407,795</u>	<u>\$ 31,046,614</u>	<u>\$ 205,994,940</u>	<u>\$ 8,931,309</u>

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**9. LONG-TERM DEBT (Continued)**

	Balances October 1	Increases	Decreases	Balances September 30	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
Water and Sewer					
Certificates of obligation	\$ 54,660,000	\$ -	\$ 1,815,000	\$ 52,845,000	\$ 1,895,000
Plus issuance premiums	1,526,430	-	140,965	1,385,465	135,392
Capital lease obligation	232,896,859	2,974,731	1,775,000	234,096,590	-
Sports Complex					
General Obligation Refunding Bonds	13,620,000	-	13,620,000	-	-
Plus issuance premium	177,701	-	177,701	-	-
Nonmajor Funds					
Certificates of obligation	1,729,310	-	62,069	1,667,241	64,828
Plus issuance premium	170,820	-	15,241	155,579	16,062
<b>Total bonds payable</b>	<b>304,781,120</b>	<b>2,974,731</b>	<b>17,605,976</b>	<b>290,149,875</b>	<b>2,111,282</b>
Water and Sewer					
Compensated absences	267,701	610,589	613,983	264,307	184,814
Net pension liability	4,557,307	926,488	1,056,602	4,427,193	-
Other postemployment benefits payable	2,150,757	163,713	87,842	2,226,628	-
Sanitation Fund					
Closure/postclosure care	15,047,248	705,396	-	15,752,644	-
Compensated absences liability	117,047	251,343	262,896	105,494	73,765
Net pension liability	2,851,914	603,878	688,609	2,767,183	-
Other postemployment benefits payable	1,172,399	79,469	32,064	1,219,804	-
Airport Fund					
Compensated absences	156,488	223,502	205,470	174,520	122,031
Net pension liability	1,734,789	350,668	399,944	1,685,513	-
Other postemployment benefits payable	758,324	41,628	15,364	784,588	-
Nonmajor Funds					
Compensated absences	81,551	66,388	61,129	86,810	60,701
Net pension liability	595,324	136,162	155,350	576,136	-
Other postemployment benefits payable	238,469	10,833	-	249,302	-
<b>Total other liabilities</b>	<b>29,729,318</b>	<b>4,170,057</b>	<b>3,579,253</b>	<b>30,320,122</b>	<b>441,311</b>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 334,510,438</b>	<b>\$ 7,144,788</b>	<b>\$ 21,185,229</b>	<b>\$ 320,469,997</b>	<b>\$ 2,552,593</b>

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**9. LONG-TERM DEBT (Continued)**

Long-term debt at September 30, 2017 consists of the following issues:

	Original Issue	Interest Rates	Final Maturity Date	Principal Outstanding	Annual Principal Installments	Call Provisions
General Obligation Bonds Serviced by Tax Revenues						
General Obligation Refunding Bonds, Series 2014	\$ 3,800,000	3.00% to 4.00%	2020	\$ 1,560,000	\$ 370,000-805,000	1
Certificates of Obligation Services by Tax Revenues						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2007	6,910,000	4.00% to 5.00%	2027	4,330,000	335,000-530,000	2
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2009	9,855,000	3.00% to 4.25%	2029	6,815,000	450,000-700,000	4
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2012	13,590,000	3.00% to 4.25%	2032	11,250,000	550,000-950,000	5
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2014	24,374,483	3.00% to 5.00%	2034	22,507,759	837,000-1,890,000	6
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2016	27,245,000	2.00% to 5.00%	2042	<u>27,245,000</u>	650,000-1,770,000	7
Total				<u>\$ 73,707,759</u>		
Certificates of Obligation Serviced by Enterprise Fund Revenues						
Water and Sewer Fund						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2007	48,595,000	4.00% to 5.00%	2037	\$ 39,715,000	1,175,000-3,035,000	3
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2012	15,855,000	3.00% to 4.25%	2032	13,130,000	640,000-1,110,000	5
Nonmajor Fund - Golf Fund						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2014	1,805,517	3.00% to 5.00%	2034	<u>1,667,241</u>	62,069-140,000	6
Total				<u>\$ 54,512,241</u>		

Call provisions for long-term debt of the City are as follows:

1. The bonds are not optional for redemption prior to maturity.
2. Callable as a whole or in part, bonds maturing 2018 through 2027, on March 1, 2017, or on any interest payment date thereafter at par plus accrued interest.

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**9. LONG-TERM DEBT (Continued)**

3. Callable as a whole or in part, bonds maturing 2018 through 2037, on March 1, 2017, or on any interest payment date thereafter at par plus accrued interest.
4. Callable as a whole or in part, bonds maturing 2020 through 2029, on March 1, 2019, or on any interest payment date thereafter at par plus accrued interest.
5. Callable as a whole or in part, bonds maturing 2022 through 2032, on March 1, 2021, or on any interest payment date thereafter at par plus accrued interest.
6. Callable as a whole or in part, bonds maturing 2024 through 2034, on March 1, 2023, or on any interest payment date thereafter at par plus accrued interest.
7. Callable as a whole or in part, bonds maturing 2026 through 2042, on March 1, 2025, or on any interest payment date thereafter at par plus accrued interest.

The annual requirements to amortize debt outstanding as of September 30, 2017 follow, including interest payments of approximately \$61,199,771. Due to the nature of the self-insurance liability and the compensated absences liability, annual requirements to amortize such obligations are not determinable and have not been included in the following summary. The City intends to retire all of the long-term debt associated with governmental activities, other than bonds payable and certificates of obligation, from General Fund revenues as it has done in prior years. Debt associated with business-type activities will be retired with revenues generated by those activities.

Debt Service to Maturity

Year Ending September 30,	Supported by General Government			Supported by Enterprise Funds		
	General Obligation Bonds and Certificates of Obligation Payables			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 3,710,172	\$ 3,083,149	\$ 6,793,321	\$ 1,959,828	\$ 2,424,386	\$ 4,384,214
2019	3,377,414	2,954,242	6,331,656	2,037,585	2,347,550	4,385,135
2020	3,513,966	2,830,176	6,344,142	2,126,034	2,260,690	4,386,724
2021	3,250,862	2,700,362	5,951,224	2,224,138	2,161,109	4,385,247
2022	3,392,069	2,557,904	5,949,973	2,322,931	2,062,064	4,384,995
2023	3,537,931	2,408,822	5,946,753	2,422,069	1,962,223	4,384,292
2024	3,698,793	2,254,386	5,953,179	2,536,207	1,851,864	4,388,071
2025	3,864,310	2,086,768	5,951,078	2,655,690	1,730,642	4,386,332
2026	4,034,828	1,910,785	5,945,613	2,780,172	1,608,170	4,388,342
2027	4,220,000	1,727,337	5,947,337	2,900,000	1,489,229	4,389,229
2028	3,849,828	1,549,466	5,399,294	3,020,172	1,364,936	4,385,108
2029	4,024,310	1,379,241	5,403,551	3,150,690	1,234,215	4,384,905
2030	3,473,793	1,213,961	4,687,754	3,291,207	1,095,427	4,386,634
2031	3,632,586	1,060,417	4,693,003	3,442,414	942,852	4,385,266
2032	3,791,379	898,274	4,689,653	3,603,621	781,689	4,385,310
2033	2,975,518	744,710	3,720,228	2,619,483	634,415	3,253,898

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**9. LONG-TERM DEBT (Continued)**

Year Ending September 30,	Supported by General Government			Supported by Enterprise Funds		
	General Obligation Bonds and Certificates of Obligation Payables			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2034	\$ 3,110,000	\$ 611,180	\$ 3,721,180	\$ 2,755,000	\$ 501,425	\$ 3,256,425
2035	1,285,000	510,675	1,795,675	2,745,000	364,625	3,109,625
2036	1,350,000	444,800	1,794,800	2,885,000	223,875	3,108,875
2037	1,420,000	375,550	1,795,550	3,035,000	75,875	3,110,875
2038	1,490,000	302,800	1,792,800	-	-	-
2039	1,570,000	226,330	1,796,330	-	-	-
2040	1,650,000	145,800	1,795,800	-	-	-
2041	1,715,000	78,825	1,793,825	-	-	-
2042	1,770,000	26,550	1,796,550	-	-	-
<b>TOTAL</b>	<b>\$ 73,707,759</b>	<b>\$ 34,082,510</b>	<b>\$ 107,790,269</b>	<b>\$ 54,512,241</b>	<b>\$ 27,117,261</b>	<b>\$ 81,629,502</b>

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. The City is restricted by City Charter to a maximum of \$2.00 on each \$100.00 of appraised valuation. The City's current tax levy is \$0.039422 per \$100.00 valuation for the payment of debt. The Constitution and Statutes of the State and the Charter of the City do not provide for a legal debt limit. However, a limit of 8% of assessed value has been recommended by the Finance Advisory Board of the City and has been adopted by the City Council as a guideline of safe debt limit. This guideline provides the City with a debt margin of \$852,135,745.

The City has also issued certificates of obligation to provide funds for the acquisition and construction of major capital facilities owned and operated by the enterprise funds of the City. These certificates of obligation are supported by revenues of the respective enterprise funds and appropriately recorded as liabilities of the appropriate fund. There are a number of restrictions and requirements contained in the various indentures. Management believes that the City is in compliance with such restrictions and requirements at September 30, 2017.

On February 1, 2006, the City entered into a refunding transaction whereby \$28,970,000 of City of Midland, Texas General Obligation Refunding Bonds, Series 2006B, with interest rates ranging from 3.40% to 5.00%, were issued to advance refund City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation Series 2000, dated March 1, 2000, maturing on March 1 in each of the years 2011 through 2030, inclusive, and aggregating in the principal amount \$30,250,000. As a result, the refunded bonds are considered to be defeased and the liability is not included in the City's basic financial statements. In 2017, the City elected to pay off the refunding bonds in advance of their scheduled maturities and as of September 30, 2017, all principal on the bonds has been paid.

**9. LONG-TERM DEBT (Continued)**

Debt Service to Maturity (Continued)

On January 15, 2007, the City issued \$55,505,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 for the purpose of financing improvements and expansion to the water and sewer system, parks, streets, traffic systems, fire stations, and City facilities, and to pay the costs associated with the issuance of the certificates. The bonds mature over a 30-year period and have interest rates ranging from 4.00% to 5.00%. Annual debt service requirements on this issue (including principal and interest) range from \$3,108,875 to \$4,289,426.

On February 1, 2009, the City issued \$9,855,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009 for the purpose of paying contractual obligations to be incurred for construction, improvement, and acquisition of public works and equipment, improving, renovating and equipping existing City-owned buildings, including the Martin Luther King Community Center, the Midland Municipal Court Building, and the Midland Senior Center Building, acquiring, constructing, equipping and improving parks and park facilities within the City, including the Jenna Welch Nature Study Center, constructing and improving streets, including paving, drainage, traffic signage, and signalization, and paying professional services rendered in relation to such projects and the financing thereof. The bonds mature over a 20-year period and have interest rates ranging from 3.00% to 4.25%. Annual debt service requirements on this issue (including principal and interest) range from \$711,563 to \$716,555.

On January 15, 2012, the City issued \$29,445,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 for the purpose of construction, improvement, and acquisition of public works and equipment, to wit: acquiring and installing a voice and data communication system for public service, including police and fire departments, improving, constructing and equipping firefighting facilities, improving, constructing and equipping park and recreational facilities, improving and equipping the City's informational technology system, constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-ways therefore, improving and extending the City's water and sewer system and paying professional services rendered in relation to such projects and the financing thereof. The bonds mature over a 20-year period and have interest rates ranging from 3.00% to 4.25%. Annual debt service requirements on this issue (including principal and interest) range from \$2,096,756 to \$2,104,525.

**9. LONG-TERM DEBT (Continued)**

Debt Service to Maturity (Continued)

On January 15, 2014, the City entered into a refunding transaction whereby \$3,800,000 of City of Midland, Texas, General Obligation Refunding Bonds, Series 2014 with interest rates ranging from 2.00% to 4.00%, were issued to redeem the following:

City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2003, dated February 15, 2003, scheduled to mature on March 1 in each of the years 2014 through 2018, inclusive, aggregating in principal amount \$2,055,000, and called for redemption at the price of par plus accrued interest to the date of redemption; and

City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2005, dated February 15, 2005, scheduled to mature on March 1 in each of the years 2015 through 2020, inclusive and aggregating in principal amount \$2,365,000, and called for redemption on at the price of par plus accrued interest to the date of redemption.

As such, these maturities are not included in the City's basic financial statements. The refunding bonds mature over a six-year period and have annual debt service requirements (including principal and interest) ranging from \$62,560 to \$851,300.

On January 15, 2014, the City issued \$26,180,000 of City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 for the purpose of construction, improvement, and acquisition of public works and equipment, acquiring and installing a voice and data communication system for public service, including police and fire departments, improving, constructing, and equipping fire fighting facilities, improving, constructing, and equipping park recreational facilities, improving and equipping the City's informational technology system, constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-ways, and therefore, paying professional services rendered in relation to such projects and the financing thereof. The bonds mature over a 20-year period and have interest rates ranging from 2.00% to 5.00%. Annual debt service requirements on this issue (including principal and interest) range from \$2,067,150 to \$2,072,050.

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**9. LONG-TERM DEBT (Continued)**

Debt Service to Maturity (Continued)

On October 11, 2016 the City of Midland, Texas issued Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 in the amount of \$27,245,000 for the purpose of paying contractual obligations to be incurred for the construction, improvement, and acquisition of public works and equipment, to wit: demolition of existing civic/convention center facilities and the construction and equipment of new civic/convention center facilities and paying professional services rendered in relation to such projects and the financing thereof. This bond is a 20-year serial bond from 2018 to 2038 and then two two-year term bonds from 2039 to 2042. Annual debt service requirements on this issue (including principal and interest) range from \$1,025,600 to \$1,796,550.

**10. RESTRICTED ASSETS**

Certain resources of the City are classified as restricted assets on the statement of net position and balance sheet because their use is limited by applicable bond covenants or City ordinance, resulting in enabling legislation.

**11. INTERFUND TRANSACTIONS**

Interfund payables, receivables and advances at September 30, 2017, were as follows:

Fund	Advance To	Advance From	Notes Receivable	Notes Payable
General Fund	\$ -	\$ 736,031	\$ -	\$ -
Enterprise Fund				
Golf Course Fund	736,031	-	-	891,072
Internal Service Fund				
Garage Fund	-	-	891,072	-
<b>TOTAL</b>	<b>\$ 736,031</b>	<b>\$ 736,031</b>	<b>\$ 891,072</b>	<b>\$ 891,072</b>

The advance to the Golf Course Fund is related to Golf Course Fund debt service and is being repaid in accordance with a repayment schedule. It is currently scheduled to be repaid in full in 2036.

The note payable from the Golf Course Fund to the Garage Fund was generated in order to make capital improvements to Hogan Park Golf Course. The note payable is non-interest bearing and is being repaid through a repayment schedule. It is currently scheduled to be repaid in full in 2036.

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**11. INTERFUND TRANSACTIONS (Continued)**

Interfund transfers during the year ended September 30, 2017 were as follows:

Fund	Transfer To	Transfer From
<b>Major Governmental Funds</b>		
General Fund		
Nondepartmental Services	\$ -	\$ 750,000
Direct Cost Allocation	-	11,252,569
TIRZ #1 Fund	6,292,564	-
Sports Complex Corporation Termination	-	28,007,434
Technology Fund - Software	-	10,910
Debt Service Fund		
Hotel Motel Fund	-	1,025,600
Limited Water and Sewer Revenue Pledge	-	2,500
<b>Nonmajor Governmental Funds</b>		
Special Revenue Fund		
Hotel-Motel Fund - Direct Cost Allocation	24,024	-
Hotel-Motel Fund - Debt Service	1,025,600	-
TIRZ #1 Fund - Construction	-	509,520
<b>Major Proprietary Funds</b>		
Enterprise Funds		
Water and Sewer Fund		
Nondepartmental Services	750,000	-
Limited Water and Sewer Revenue Pledge	2,500	-
Direct Cost Allocation	1,575,626	-
Sanitation Fund - Direct Cost Allocation	564,622	-
Airport Fund - Direct Cost Allocation	1,934,680	-
Sports Complex Fund		
Direct Cost Allocation	729,692	-
Sports Complex Corporation Termination	28,007,434	-
<b>Nonmajor Proprietary Funds</b>		
Golf Course Fund		
Direct Cost Allocation	134,537	-
<b>Internal Service Funds</b>		
Garage Fund - Direct Cost Allocation	448,629	-
Warehouse Fund - Direct Cost Allocation	57,625	-
Technology Fund - General fund - Software	10,910	-
<b>TOTAL</b>	<b>\$ 41,558,533</b>	<b>\$ 41,558,533</b>

**12. STATUS OF CAPITAL GRANTS**

In September 2016, the City accepted A.I.P Grant 3-48-0150-056-2016 in the amount of \$3,365,404 to be used for the payment of costs associated to improve Terminal Building, Phase 1 (Design), rehab Apron, Phase 1 (Design), rehab Runway 16R/34L, rehab Runway 16L/34R, Phase 1 (Design), rehab Runway 10/28, rehab taxiways A, B, C, D, E, F, H, L, M, P, and construct Taxilane, Phase 1 (Design). These projects were not completed as of September 30, 2017.

In September 2017, the City accepted A.I.P Grant 3-48-0150-057-2017 in the amount of \$7,905,401 to be used for the payment of costs associated to rehabilitate Apron, conduit airport drainage study, improve terminal buildings, and construct taxiways A and U.

**13. CONTINGENT LIABILITIES**

The City participates in numerous federally assisted programs, on both a direct and state pass-through basis, as well as on a service-provider basis. Principal among these are Community Development Block Grants, Airport Improvement Program Grants, and various construction and capital acquisition grants.

In connection with these grants, the City is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives, including audits under the “single audit” concept and compliance examinations, which build upon such audits.

In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, if any, the City expects the resulting liability to be immaterial.

The City appealed a Class I classification of a waste pit by the Texas Water Commission Waste Classification Group to the Environmental Protection Agency (E.P.A.). The E.P.A. denied the City’s appeal and upheld the Class I classification of the waste pit. Subsequently, the City applied to the Texas Natural Resource Conservation Commission (T.N.R.C.C.) for permission to close the waste pit in place. The application to close the waste pit in place was approved and closure was completed and approved by T.N.R.C.C. in June 1997. The City has properly recorded the property deed and must inspect the waste pit quarterly through June 1999 and annually thereafter.

The City has a \$730,000 interest free forgivable loan as part of an economic development agreement with the MDC for an infrastructure construction project. This item is presented in the financial statements as due to component unit.

**14. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts: environmental or eminent domain claims; civil rights claims; equal employment opportunity claims; wage and hour claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical and dental claims of employees and their dependents; and natural disasters. The City maintains fire and extended coverage insurance for City buildings, furnishings, and computer equipment. This coverage provides replacement cost coverage with an annual limit of \$268,898,146 and a \$25,000 per occurrence deductible.

The City also maintains the following other insurance coverage: Airport Liability coverage for Premises, Products, Personal Injury Liability and Malpractice Aggregate Liability coverage with a \$10,000,000 per occurrence and annual aggregate with \$25,000 per occurrence deductible for each type of coverage, Ground Hangar Keepers Legal Liability coverage with a \$10,000,000 per occurrence and annual aggregate, and \$100,000 Fire Damage coverage; Boiler and Machinery Liability coverage of \$25,000,000 per occurrence with a \$25,000 deductible; Healthcare Professional Liability Protection for the Health Department with a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit; Errors and Omissions coverage with a \$25,000 per occurrence deductible, \$3,000,000 per claim limit and a \$6,000,000 aggregate annual limit; Law Enforcement Liability coverage with a \$25,000 per occurrence deductible, \$3,000,000 per claim limit and a \$6,000,000 aggregate annual limit; Auto Catastrophe coverage with limit of liability \$2,079,447 and a \$50,000 deductible; Automobile Liability coverage of \$1,000,000 per occurrence with a \$50,000 deductible; General Liability coverage of \$1,000,000 each occurrence and a \$2,000,000 aggregate limit with a \$50,000 deductible; Medical claims stop-loss coverage for claims exceeding \$175,000 per occurrence, lifetime maximum unlimited with an annual aggregate lifetime maximum of \$1,000,000 with a minimum aggregate deductible of \$6,588,281 and Specific Excess and Aggregate Excess Workers' Compensation coverage meets the statutory limit requirement for claims.

No settlements during each of the last three years have exceeded commercial coverage purchased. Other than the above coverages provided by insurance, the City retains all risk of loss.

The City charges interfund premiums based primarily upon the insured funds' claims experience and exposure, which are reported as insurance expenditure/expense in the funds charged and operating revenue in the self-insurance funds, which are accounted for as internal service funds. The City accrues all losses and claims if information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Claims incurred but not reported (IBNR) are also accrued if it is probable that a claim will be asserted and the loss can be reasonably estimated. The accrued liabilities for IBNR in the General Liability and Workers' Compensation Self-Insurance Funds are estimates calculated by an actuary. The accrued liability for IBNR in the Medical/Dental Self-Insurance Fund is based on management's estimate.

**CITY OF MIDLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**14. RISK MANAGEMENT (Continued)**

The City maintains a Workers' Compensation Self-Insurance Fund. The purpose of this fund is to pay workers' compensation claims that are outside the limitations of purchased coverage from assets of the fund.

The City also maintains a Medical/Dental Self-Insurance Fund. The purpose of this fund is to pay medical and dental claims that are outside the limitations of purchased coverage, for City employees and their covered dependents and to minimize the cost of medical and dental insurance to the City.

The City also maintains an Unemployment Insurance Fund. The purpose of this fund is to account for assessments made against compensation paid to City employees, to then be used to reimburse the State for unemployment payments.

The City also maintains a General Liability Self-Insurance Fund to pay general liability claims, other than those covered by purchased insurance against the City from accumulated assets of the Fund. The Texas Tort Claims Act provides for statutory limits of \$250,000 per person and \$500,000 per occurrence for bodily injury or death and \$100,000 per occurrence for property damage in liability claims against a municipality.

The claims liabilities for self-insurance funds are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred and the amount of the loss can be reasonably estimated at the date of the financial statements.

Changes in the claims liability amounts for each of the self-insurance funds in the fiscal years ended September 30, 2016 and 2017 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payable	Balance at Fiscal Year End
2015 to 2016				
Workers' compensation	\$ 1,308,995	\$ 891,283	\$ 744,083	\$ 1,456,195
Medical/dental	564,435	8,298,905	8,279,719	583,621
General liability	2,250,271	(134,281)	733,657	1,382,333
Unemployment	-	42,434	42,434	-
<b>TOTAL</b>	<b>\$ 4,123,701</b>	<b>\$ 9,098,341</b>	<b>\$ 9,799,893</b>	<b>\$ 3,422,149</b>
2016 to 2017				
Workers' compensation	\$ 1,456,195	\$ 1,362,773	\$ 1,488,426	\$ 1,581,848
Medical/dental	583,621	9,067,329	9,348,643	864,935
General liability	1,382,333	648,067	811,574	1,545,840
Unemployment	-	40,032	40,032	-
<b>TOTAL</b>	<b>\$ 3,422,149</b>	<b>\$ 11,118,201</b>	<b>\$ 11,688,675</b>	<b>\$ 3,992,623</b>

**15. COMMITMENTS**

The City leases water rights from two sources. One of the leases renewed in August 2008, and as of August 2013 requires payment at a constant five-year rate of \$0.50 per 1000 gallons. The second, smaller lease was renewed in February 2011 and as of 2016 requires payment at a constant five-year rate of \$0.50 per 1000 gallons. Total royalty paid amounted to \$443,020 in Fiscal Year 2017.

The City owns property that serves as a wastewater disposal site. There are approximately 12,500 acres at two sites for this purpose.

The Colorado River Municipal Water District (the CRMWD) was issued a permit in May 1985 by the Texas Commission on Environmental Quality (formerly, Texas Natural Resource Conservation Commission) to construct a 554,000-acre-foot dam and reservoir on the Colorado River and impound water in Coleman, Concho and Runnels Counties, Texas. This project is known as the O. H. Ivie Reservoir (the Project).

The City entered into a contract with CRMWD in September 1985, under which the City obtained a 16.54% interest in the Project's water rights. CRMWD agreed to provide the City a source of water from O. H. Ivie Reservoir limited annually to 16.54% of the safe yield of the reservoir. The City agreed to pay CRMWD a sum equal to 16.54% of the cost of the Project plus annual operating costs.

CRMWD is responsible for the care, operation, and maintenance of the Project. The City does not have an ownership interest in the assets of the Project or CRMWD nor is it directly liable for the revenue bonds issued by CRMWD to finance the Project. The City's share of project costs is expensed as water rights in the Water and Sewer Fund. Payments by the City to CRMWD are made solely from the gross revenues of the City's water and sewer system. The terms of the City-CRMWD contracts shall continue and be effective during the entire useful life of the Project.

In November 1985, CRMWD issued \$53,590,000 of revenue bonds with interest rates ranging from 8.25% to 11.25%. In 2015, the City paid off its 16.54% interest in the Project cost.

CRMWD and the City entered into a water transmission contract on June 29, 1988, which provides for the construction and operation of raw water transmission pipelines, pump stations, and other facilities required to transmit water from O. H. Ivie Reservoir to Midland.

The water transmission system was constructed with the proceeds of \$115,000,000 Water System Revenue Bonds (Water Transmission Facilities Project), Series 1991 sold August 6, 1991, \$9,000,000 Water System Revenue Bonds (Water Transmission Facilities Project), Series 1994 sold September 27, 1994, and \$3,500,000 of Colorado River Municipal Water District cash contributions.

**15. COMMITMENTS (Continued)**

The system consists of a main pump station with five intermediate booster pump stations; each includes pumping units, electric motor controls and appurtenances, a steel- or earth-constructed surge tank and pipelines necessary to complete the Project. Electrical transmission lines sufficient to service the main pump station and booster pumps were constructed from suitable generating sources. The pipeline is approximately 158 miles long with lines ranging in diameter from 53 to 60 inches.

The water transmission system was constructed in three segments:

Segment 1 is capable of delivering up to 90 million gallons per day to a junction point near San Angelo.

Segment 2 is capable of delivering up to 65 million gallons per day to a junction point near Big Spring.

Segment 3 is capable of delivering up to 55 million gallons per day to Odessa/Midland termination point.

The City shared in the total construction costs at the rate of 22.222% of Segment 1, 30.769% of Segment 2, and 36.364% of Segment 3. The City also shared 22.222% of the total construction costs of the O. H. Ivie Pump Station Substructure. Operation and maintenance of the system is provided for by contractual agreements executed between the parties. The City paid \$3,078,389 to CRMWD in 2017, pursuant to this agreement.

The City's estimated annual commitment for the pipeline construction under this contract is \$2.76 million per year for a 30-year period beginning in 1994.

The City owns water rights in Winkler County on the T-Bar Ranch and the ClearWater Ranch. Water from these ranches is produced and delivered to the City through a Wholesale Water Delivery Agreement with the Midland County Fresh Water Supply District #1. The Delivery Agreement requires the City pay a rate sufficient to produce minimum monthly payments that cover the T-Bar Water Project costs including project debt service, renewal and replacement costs and operations and maintenance of the system.

The approved rate the City paid the District for water in fiscal year 2017 is \$3.19 per 1,000 gallons. The City is obligated to pay for a minimum of 300 million gallons of water per month. In addition to this rate, the City is also obligated to pay the debt service requirements for the ClearWater Ranch project. The Water Delivery Agreement allows for delivery rate increases beginning in fiscal year 2017 in order to sufficiently cover debt services and operation and maintenance expenses. The rate increase is limited to 5.00% each year unless the City adjusts the rate higher at its sole discretion. T-Bar Ranch and the ClearWater Ranch commitments are both capital lease agreements as noted in footnote 8b.

**CITY OF MIDLAND, TEXAS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**15. COMMITMENTS (Continued)**

The City has active construction projects as of September 30, 2017. Approved budgets for the larger ongoing capital projects are as follows:

Streets and Drainage	\$ 11,359,680
General Facilities	42,839,699
Parks	900,000
Technology	2,985,653
Airport	11,964,060
Water and Sewer	<u>5,573,645</u>
Total	<u>\$ 75,622,737</u>

**16. LITIGATION**

The City is a party to several legal actions arising in the ordinary course of its business. In the opinion of the City's management, upon advice of the City Attorney, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

**17. CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the City to place a final cover on the City of Midland Municipal Solid Waste Facility, Texas Natural Resource Conservation Commission Permit #1605 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 postclosure care costs will be only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Total current cost has been adjusted for the effects of inflation by using the Consumer Price Index for all Urban Consumers (CPI-U): Selected areas by Expenditure Category and Commodity and Service Group for Dallas-Fort Worth, Texas.

The base period selected was June 1993. The index change from July 2016 through July 2017 was 1.02%. The amount expensed for the year ended September 30, 2017 is \$705,396. The \$15,752,644 reported as a landfill closure and postclosure care liability at September 30, 2017, represents the cumulative amount reported to date based on the use of 21.11% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$53,028,919 as the remaining estimated capacity is filled.

**17. CLOSURE AND POSTCLOSURE CARE COST (Continued)**

These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended September 30, 2017. The City expects to close the landfill in the year 2082. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

On April 9, 1997, the Financial Responsibility Requirements found in Environmental Protection Agency Subtitle D regulations as they relate to publicly owned or operated municipal solid waste landfill facilities became effective. These regulations require that financial assurance to perform closure, postclosure and corrective activities for landfill operations be provided.

The City has chosen to provide this assurance through use of the Local Government Financial Test and Government Guarantee. This guarantee consists of three basic components, which are a financial component, public notice component and a record-keeping and reporting component.

The public notice component of the Local Government Financial Test and Government Guarantee demonstrating financial assurance for closure, postclosure, or corrective action required by Environmental Protection Agency Subtitle D regulations for landfills operated by a local government requires the following disclosures be made.

- A. The specific facility covered is the City of Midland Municipal Solid Waste Facility, Texas Natural Resource Conservation Commission Permit #1605.
- B. Financial assurance costs are anticipated in the following categories of expenditures and in the amount of the corresponding cost estimates.

Closure costs	\$ 7,523,862
Postclosure costs	<u>13,617,191</u>
 TOTAL	 <u><u>\$ 21,141,053</u></u>

- C. The anticipated year of closure is 2082 with closure costs having been fully incurred at that time. It is anticipated that postclosure costs will be incurred evenly across the 45-year postclosure monitoring period at \$302,604 per year.

**18. JOINT VENTURE**

An interlocal agreement between the City and the City of Odessa established the MOUSD as an urban transportation system provider under Chapter 458 of the Texas Transportation Code. The MOUSD began operating bus routes during the year ended September 30, 2004. Federal and state grants were obtained to cover start-up costs and purchases of buses and vehicles, as well as portions of operating costs. For the year ended September 30, 2017, the City contributed money to the MOUSD in the amount of \$350,000. Both cities have budgeted contributions to the MOUSD but do not have an equity interest. As of September 30, 2016 the MOUSD had net position of \$11,184,094 of which \$11,549,001 represented "Investment in Capital Assets." Audited financial statements are available by contacting the Midland-Odessa Urban Transit District at PO BOX 60808, Midland, Texas, 79711.

**19. DISCRETELY PRESENTED COMPONENT UNITS**

**A. Significant Accounting Policies**

The SCDC, the MDC and the Spaceport are accounted for using the economic resources measurement focus and are presented as a discretely presented component units on the accrual basis of accounting.

**B. Revenues and Expenses**

In May 2017, the City paid off the City of Midland General Obligation Refunding Bonds, Series 2006B, which were the last series of debt outstanding related to the sports complex.

Following the pay down of the debt, since all sports complex debt was paid off and because the existing Type B sales tax was limited to fund expenses associated with the Scharbauer Sports Complex, the continuation on the Type B tax was presented to voters expanding the scope of the tax to include, amongst others, improvements to parks and roads. Voters elected to discontinue the Type B sales tax.

On May 31, 2017, the SCDC Board of Directors adopted a resolution approving the termination of SCDC. Additionally, on June 13, 2017 the Midland City Council adopted a resolution approving of the termination by the SCDC Board of Directors. Effective June 16, 2017, by letter from the Office of the Secretary of State, the SCDC was officially terminated.

The main revenue source for the MDC is the Type A sales tax revenue, which became effective April 1, 2002. The MDC incurs expenses for economic development activities and operating expenses.

The main revenue for the Spaceport is grant revenues. The Spaceport expenses consist primarily of consulting fees.

**19. DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

C. Assets and Liabilities

As noted above, the SCDC was terminated on June 16, 2017 and, therefore, had no assets or liabilities at September 30, 2017.

The MDC assets consist primarily of cash and cash equivalents, sales tax revenues receivable, notes receivable and capital assets. The MDC's liabilities as of September 30, 2017 consist primarily of accounts payable and a capital lease in which the City is the lessor.

The Spaceport's assets consist of primarily cash and cash equivalents, grants receivable, and construction in progress. The Spaceport's liabilities as of September 30, 2017 consist primarily of a note payable to MDC.

**20. SUBSEQUENT EVENTS**

A. Changes in Financing

Early in fiscal year 2018, the City executed a current refunding in the amount of \$33,920,000 of a portion of series 2007 combination tax and limited revenue certificates of obligation. The bonds were refunded with \$51,555,000, Series 2018A General Obligation Improvement and Refunding Bonds dated January 15, 2018, bearing interest rates ranging from 3.00% to 5.00%. The refunding was undertaken to achieve debt service savings and the remaining proceeds from the sale of the bonds will be used for various capital projects related to streets, sidewalks, bridges, screening walls, and other public ways as well as for designing, constructing, improving, and extending, the City's waterworks and sewer system.

The City also issued a current refunding in the amount of \$8,545,000 of the remaining portion of series 2007 combination tax and limited revenue certificates of obligation. The bonds were refunded with \$8,865,000, Series 2018B General Obligation Refunding Bonds dated January 15, 2018, bearing interest rates ranging from 1.531% to 4.078%. The refunding was undertaken to achieve debt service savings.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MIDLAND, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended September 30, 2017

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Adjustments - Budgetary Basis</b>	<b>Actual on a Budgetary Basis</b>	<b>Variance</b>
<b>REVENUES</b>						
Taxes	\$ 87,893,000	\$ 91,893,000	\$ 100,085,072	\$ -	\$ 100,085,072	\$ 8,192,072
Licenses and permits	1,573,800	1,573,800	2,328,984	-	2,328,984	755,184
Fines and forfeitures	3,615,000	3,615,000	4,975,409	-	4,975,409	1,360,409
Charges for services	6,132,071	2,132,071	3,530,556	7,770,914	11,301,470	9,169,399
Rentals	83,250	83,250	206,353	-	206,353	123,103
Intergovernmental	695,604	695,604	815,299	-	815,299	119,695
Investment income				-	-	-
Interest income	216,230	216,230	757,234	-	757,234	541,004
Net increase (decrease) in the fair value of investments	350	350	(235,014)	-	(235,014)	(235,364)
Contributions and donations	-	-	6,593,377	-	6,593,377	6,593,377
Miscellaneous	44,000	44,000	1,896,954	-	1,896,954	1,852,954
<b>Total revenues</b>	<b>100,253,305</b>	<b>100,253,305</b>	<b>120,954,224</b>	<b>7,770,914</b>	<b>128,725,138</b>	<b>28,471,833</b>
<b>EXPENDITURES</b>						
Current						
General government						
Administration	1,410,838	1,410,838	1,316,284	-	1,316,284	(94,554)
Support services	15,100,678	15,049,178	14,395,202	-	14,395,202	(653,976)
Fiscal management	2,161,827	2,184,237	2,144,030	-	2,144,030	(40,207)
Development services	4,250,375	4,250,375	3,315,831	-	3,315,831	(934,544)
Engineering	10,812,838	13,134,249	13,576,698	-	13,576,698	442,449
Community services	10,475,940	10,870,713	11,054,390	-	11,054,390	183,677
Police	27,338,960	27,624,543	27,743,755	-	27,743,755	119,212
Fire	25,912,549	25,912,799	26,021,410	-	26,021,410	108,611
Other	4,146,473	3,763,756	3,976,334	-	3,976,334	212,578
Capital outlay	24,916,117	27,649,002	14,837,595	-	14,837,595	(12,811,407)
<b>Total expenditures</b>	<b>126,526,595</b>	<b>131,849,690</b>	<b>118,381,529</b>	<b>-</b>	<b>118,381,529</b>	<b>(13,468,161)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(26,273,290)</b>	<b>(31,596,385)</b>	<b>2,572,695</b>	<b>7,770,914</b>	<b>10,343,609</b>	<b>41,939,994</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	6,219,435	6,219,435	40,020,913	(7,770,914)	32,249,999	26,030,564
Transfers (out)	(549,530)	(3,693,035)	(6,292,654)	-	(6,292,654)	(2,599,619)
Proceeds from sale of asset	-	-	279,973	-	279,973	279,973
<b>Total other financing sources (uses)</b>	<b>5,669,905</b>	<b>2,526,400</b>	<b>34,008,232</b>	<b>(7,770,914)</b>	<b>26,237,318</b>	<b>23,710,918</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (20,603,385)</b>	<b>\$ (29,069,985)</b>	<b>36,580,927</b>	<b>\$ -</b>	<b>\$ 36,580,927</b>	<b>\$ 65,650,912</b>
<b>FUND BALANCE, OCTOBER 1</b>			<b>62,991,568</b>			
<b>FUND BALANCE, SEPTEMBER 30</b>			<b>\$ 99,572,495</b>			

(See Independent Auditors' Report.)

## CITY OF MIDLAND, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

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#### **BUDGETARY DATA**

The City Council follows these procedures in establishing the annual budget:

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. Annual budgets are legally adopted for the General Fund and the Debt Service Fund on a basis consistent with generally accepted accounting principles, except for the classification of interfund transfers for General Fund services to other funds as charges for services for budgetary purposes instead of interfund transfers. Formal budgetary integration is not employed for the proprietary funds. The City adopts an annual budget for managerial control for all proprietary funds.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance.
4. Expenditures may not legally exceed appropriations at the division level for legally adopted annual operating budgets. The City Manager has the authority to transfer appropriation balances from one department, the primary subunits of each fund, or division and the primary subunit of each department, to another within a single fund of the City. Department heads may approve amendments of amounts between line items within a division so long as the transfers do not significantly change the work program contemplated in the approved budget.
5. Supplemental appropriations during the year must be approved and adopted by the City Council through passage of resolution. During fiscal year 2017, there was \$9,565,660 in appropriation increases, including transfers out, for the General Fund.
6. At the close of each fiscal year, unexpended budgetary appropriations lapse or revert to the undesignated fund balance. The unexpended appropriation balances in capital projects do not lapse at year end.

The Budgetary Comparison Schedule, included in the required supplementary information, presents a comparison of the original and final amended budgets for the period to actual results of operations for the General Fund. There are no major special revenue funds.

**CITY OF MIDLAND, TEXAS**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

September 30, 2017

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<b>Actuarial Valuation Date September 30,</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Entry-Age Normal</b>	<b>(3) Funded Ratio (1) / (2)</b>	<b>(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)</b>	<b>(5) Active Members Covered Payroll</b>	<b>(6) UAAL as a Percentage of Covered Payroll (4) / (5)</b>
2012	\$ -	\$ 52,657,298	0.00%	\$ 52,657,298	Not available	Not available
2014	\$ -	\$ 34,605,162	0.00%	\$ 34,605,162	\$ 50,193,058	68.94%
2016	\$ -	\$ 25,006,544	0.00%	\$ 25,006,544	\$ 65,054,066	38.44%

(See Independent Auditors' Report.)

**CITY OF MIDLAND, TEXAS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM**

Last Three Fiscal Years

<b>FISCAL YEAR ENDING SEPTEMBER 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarially determined contribution	\$ 6,682,872	\$ 6,927,806	\$ 6,614,908
Contributions in relation to the actuarially determined contribution	6,682,872	6,927,806	6,614,908
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered payroll	\$ 43,561,193	\$ 45,487,794	\$ 43,854,427
Contributions as a percentage of covered payroll	15.30%	15.23%	15.08%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 29 years; the asset valuation method was at 10 year smoothed market value, with 15% soft corridor and the significant actuarial assumptions were an investment rate of return at 6.75% annually, projected salary increases assumption of 3.50% - 10.50% compounded annually, and postretirement benefit increases of 2.50% compounded annually.

Ultimately, this schedule should present information for the last years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

**CITY OF MIDLAND, TEXAS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
MIDLAND'S FIREMEN'S RELIEF AND RETIREMENT FUND**

Last Three Fiscal Years

<b>FISCAL YEAR ENDING SEPTEMBER 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Actuarially determined contribution	\$ 3,672,302	\$ 3,560,801	\$ 3,405,259
Contributions in relation to the actuarially determined contribution	<u>3,672,302</u>	<u>3,560,801</u>	<u>3,405,259</u>
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 16,926,073	\$ 16,130,469	\$ 15,339,005
Contributions as a percentage of covered payroll	21.70%	22.07%	22.20%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, open and the amortization period was 44.7 years; the asset valuation method was at market value and the significant actuarial assumptions were an investment rate of return at 8% annually, projected salary increases assumption of 6 to 11% compounded annually (including inflation), and postretirement benefit increases of 3% compounded annually.

There have been no benefit changes.

Ultimately, this schedule should present information for the last years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

**CITY OF MIDLAND, TEXAS**

SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Three Fiscal Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 5,708,477	\$ 6,819,607	\$ 7,218,730
Interest	18,903,934	19,670,175	19,807,241
Differences between expected and actual experience	2,321,980	(1,598,670)	(1,502,270)
Changes of assumptions	-	3,644,493	-
Benefit payments, including refunds of member contributions	(16,355,215)	(16,732,102)	(15,862,016)
Net change in total pension liability	10,579,176	11,803,503	9,661,685
Total pension liability - beginning	275,379,574	285,958,750	297,762,253
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 285,958,750</b>	<b>\$ 297,762,253</b>	<b>\$ 307,423,938</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 6,525,057	\$ 6,612,574	\$ 6,896,363
Contributions - member	2,927,933	3,077,837	3,214,447
Net investment income	14,348,994	380,860	16,971,040
Benefit payments, including refunds of member contributions	(16,355,215)	(16,732,102)	(15,862,016)
Administrative expense	(149,823)	(232,003)	(191,753)
Other	(12,318)	(11,458)	(10,331)
Net change in plan fiduciary net position	7,284,628	(6,904,292)	11,017,750
Plan fiduciary net position - beginning	250,850,897	258,135,525	251,231,233
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>\$ 258,135,525</b>	<b>\$ 251,231,233</b>	<b>\$ 262,248,983</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 27,823,225</b>	<b>\$ 46,531,020</b>	<b>\$ 45,174,955</b>
Plan fiduciary net position as a percentage of the total pension liability	90.30%	84.40%	85.30%
Covered payroll	\$ 41,827,614	\$ 43,969,099	\$ 45,920,672
Employer's net pension liability as a percentage of covered payroll	66.50%	105.80%	98.40%

Ultimately, this schedule should present information for the last years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See Independent Auditors' Report.)

**CITY OF MIDLAND, TEXAS**

SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
MIDLAND'S FIREMEN'S RELIEF AND RETIREMENT FUND

Last Three Fiscal Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 3,843,870	\$ 4,197,602	\$ 4,336,753
Interest	9,442,123	10,022,772	10,654,714
Differences between expected and actual experience	-	(800,260)	-
Changes of assumptions	-	1,104,367	-
Benefit payments, including refunds of member contributions	(6,301,043)	(6,684,894)	(6,843,836)
Net change in total pension liability	6,984,950	7,839,587	8,147,631
Total pension liability - beginning	117,444,545	124,429,495	132,269,082
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 124,429,495</b>	<b>\$ 132,269,082</b>	<b>\$ 140,416,713</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 3,318,107	\$ 3,729,857	\$ 3,582,056
Contributions - member	2,055,503	2,258,218	2,129,871
Net investment income	2,747,881	(708,892)	3,106,027
Benefit payments, including refunds of member contributions	(6,301,043)	(6,684,894)	(6,843,836)
Administrative expense	(222,705)	(211,442)	(251,621)
Other	3,863	7,118	66
Net change in plan fiduciary net position	1,601,606	(1,610,035)	1,722,563
Plan fiduciary net position - beginning	80,950,814	82,552,420	80,942,385
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>\$ 82,552,420</b>	<b>\$ 80,942,385</b>	<b>\$ 82,664,948</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 41,877,075</b>	<b>\$ 51,326,697</b>	<b>\$ 57,751,765</b>
Plan fiduciary net position as a percentage of the total pension liability	66.30%	61.20%	58.90%
Covered payroll	\$ 15,559,705	\$ 17,089,837	\$ 16,135,387
Employer's net pension liability as a percentage of covered payroll	269.10%	300.30%	357.90%

Ultimately, this schedule should present information for the last years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See Independent Auditors' Report.)

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

**MAJOR GOVERNMENTAL FUNDS**

**CITY OF MIDLAND, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND

For the Year Ended September 30, 2017

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$ 4,647,551	\$ 4,647,551	\$ 4,664,788	\$ 17,237
Investment earnings				
Interest income	2,500	2,500	12,112	9,612
Net increase (decrease) in the fair value of investments	-	-	3,207	3,207
<b>Total revenues</b>	<b>4,650,051</b>	<b>4,650,051</b>	<b>4,680,107</b>	<b>30,056</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	2,947,931	2,947,931	2,947,931	-
Interest	2,842,015	3,078,150	3,078,111	(39)
Fiscal charges	2,108	2,108	2,146	38
<b>Total expenditures</b>	<b>5,792,054</b>	<b>6,028,189</b>	<b>6,028,188</b>	<b>(1)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,142,003)</b>	<b>(1,378,138)</b>	<b>(1,348,081)</b>	<b>30,057</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	792,004	792,004	1,028,100	236,096
<b>Total other financing sources (uses)</b>	<b>792,004</b>	<b>792,004</b>	<b>1,028,100</b>	<b>236,096</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (349,999)</b>	<b>\$ (586,134)</b>	<b>(319,981)</b>	<b>\$ 266,153</b>
<b>FUND BALANCE, OCTOBER 1</b>			<b>754,328</b>	
<b>FUND BALANCE, SEPTEMBER 30</b>			<b>\$ 434,347</b>	

(See Independent Auditors' Report.)

**NONMAJOR GOVERNMENTAL FUNDS**

CITY OF MIDLAND, TEXAS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<b>ASSETS</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,944,811	\$ 34,540,406	\$ 50,485,217
Investments	4,845,457	149,800	4,995,257
Receivables			
Accounts	1,183,333	16	1,183,349
Interest	13,567	357	13,924
Intergovernmental	150,585	-	150,585
<b>TOTAL ASSETS</b>	<b>\$ 22,137,753</b>	<b>\$ 34,690,579</b>	<b>\$ 56,828,332</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,905,637	\$ 47,994	\$ 1,953,631
Retainage payable	135,476	362,590	498,066
Due to other funds	49,762	-	49,762
Total liabilities	2,090,875	410,584	2,501,459
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	961,520	-	961,520
Total deferred inflows of resources	961,520	-	961,520
Total liabilities and deferred inflows of resources	3,052,395	410,584	3,462,979
<b>FUND BALANCES</b>			
Restricted			
Public safety	1,022,342	-	1,022,342
Court	528,869	-	528,869
Communications	-	351,044	351,044
Downtown	-	580,249	580,249
Buildings and renovations	3,913,880	31,213,490	35,127,370
Streets and drainage	-	1,055,640	1,055,640
Parks and recreation	1,479	876,524	878,003
Other purposes	10,306,517	388	10,306,905
Unrestricted			
Committed			
Buildings and renovations	-	202,660	202,660
Streets and drainage	3,312,271	-	3,312,271
Total fund balances	19,085,358	34,279,995	53,365,353
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 22,137,753</b>	<b>\$ 34,690,579</b>	<b>\$ 56,828,332</b>

(See Independent Auditors' Report.)

**CITY OF MIDLAND, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total Nonmajor Governmental</b>
<b>REVENUES</b>			
Hotel-motel tax revenues	\$ 5,497,928	\$ -	\$ 5,497,928
Sales taxes	609,259	-	609,259
Pet licenses	-	101,585	101,585
Municipal court technology assessment	85,679	-	85,679
Municipal court security fee	64,257	-	64,257
Rentals	14,550	-	14,550
Intergovernmental grants	922,135	-	922,135
Investment income			-
Interest income	149,633	277,700	427,333
Net increase (decrease) in the fair value of investments	(33,002)	(1,326)	(34,328)
Program income	115,062	-	115,062
Contributions and donations	103,150	-	103,150
Miscellaneous	38,334	-	38,334
<b>Total revenues</b>	<b>7,566,985</b>	<b>377,959</b>	<b>7,944,944</b>
<b>EXPENDITURES</b>			
Current			
Housing programs	481,301	-	481,301
Economic development	3,297,113	-	3,297,113
Other	265,059	117,116	382,175
Debt service			
Debt issuance costs	-	210,632	210,632
Capital outlay	7,887,002	6,054,336	13,941,338
<b>Total expenditures</b>	<b>11,930,475</b>	<b>6,382,084</b>	<b>18,312,559</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(4,363,490)</b>	<b>(6,004,125)</b>	<b>(10,367,615)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	509,520	-	509,520
Transfers (out)	(1,049,624)	-	(1,049,624)
Bonds issued	-	27,245,000	27,245,000
Premium on bonds issued	-	3,949,386	3,949,386
<b>Total other financing sources (uses)</b>	<b>(540,104)</b>	<b>31,194,386</b>	<b>30,654,282</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,903,594)</b>	<b>25,190,261</b>	<b>20,286,667</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>23,988,952</b>	<b>9,089,734</b>	<b>33,078,686</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 19,085,358</b>	<b>\$ 34,279,995</b>	<b>\$ 53,365,353</b>

(See Independent Auditors' Report.)

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The City's Special Revenue Funds are as follows:

Community Development Fund - to account for federal funds received through various Community Development Block Grants.

Federal Police Special Purposes Fund - to account for funds received from forfeited property under federal jurisdiction. Such funds are used solely for law enforcement purposes such as salaries, training, equipment, supplies and items used by officers in direct law enforcement duties.

State Police Special Purposes Fund - to account for funds received from forfeited property under state jurisdiction. Such funds are used solely for law enforcement purposes such as salaries, training, equipment, supplies and items used by officers in direct law enforcement duties.

H.I.T.D.A. Federal Seizure Fund - High Intensity Drug Trafficking Area Seizure Funds are received from the Drug Enforcement Administration. The funds are to be used to supplement and/or enhance law enforcement activities with priority given to supporting community policing activities, training, and law enforcement activities calculated to result in further seizures or forfeitures.

Department Of Justice Grant Fund - to account for funds received from the Department of Justice, Office of Justice programs. The purpose of the Justice Assistance Grant (JAG) program is to support a broad range of activities to prevent and control crime.

Tax Increment Reinvestment Zone Fund - to account for funds received from taxing units that levy taxes on real property in a designated reinvestment zone, a contiguous geographic area in the City of Midland, as prescribed under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the fund is to enhance the value of real property in the zone through improvements.

Hotel-Motel Tax Fund - to account for funds received from the occupancy tax collected from hotels and motels. These funds are restricted by law for use for specified purposes.

Municipal Court Technology Fund - to account for funds collected from the defendant upon conviction for a misdemeanor offense in the City of Midland Municipal Court as a cost of court. These funds are restricted for the purchase of technological enhancements for the benefit of City of Midland Municipal Court by Texas Code of Criminal Procedure Article 102.0172.

## **NONMAJOR GOVERNMENTAL FUNDS (Continued)**

### **SPECIAL REVENUE FUNDS (Continued)**

Municipal Court Building Security Fund - to account for funds collected from the defendant upon conviction for a misdemeanor offense in the City of Midland Municipal Court as a cost of court. These funds are restricted for the purchase of building security enhancements for the benefit of City of Midland Municipal Court by Texas Code of Criminal Procedure Article 102.017.

Street Repair Improvement, New Street and Sidewalk Installation Fund - to account for funds received from a supplemental building permit charge and a supplemental street improvement charge on specified classes of property. These funds are committed to improving, repairing or installing streets, alleys and/or sidewalks.

Police Technology And Equipment Fund - to account for funds received from private organizations or individuals specifically for law enforcement related technology and equipment. Such funds are used solely for law enforcement purposes.

Fire Technology And Equipment Fund - to account for funds received from private organizations or individuals specifically for fire related technology and equipment. Such funds are used solely for fire department purposes.

Park Donation And Special Purpose Fund - to account for funds received from private organizations, individuals, and oil lease money generated from park land. Such funds are used solely for park related development.

CITY OF MIDLAND, TEXAS

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2017

	Community Development	Federal Police Special Purposes	State Police Special Purposes	H.I.T.D.A Federal Seizure	Department of Justice Grant
<b>ASSETS</b>					
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 792,755	\$ 220,856	\$ 7,789	\$ 22,762
Investments	-	-	-	-	-
Receivables					
Accounts	961,517	-	-	-	-
Interest	-	742	200	-	-
Intergovernmental	150,585	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,112,102</b>	<b>\$ 793,497</b>	<b>\$ 221,056</b>	<b>\$ 7,789</b>	<b>\$ 22,762</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 63,371	\$ -	\$ -	\$ -	\$ 18,550
Retainage payable	24,410	-	-	-	-
Due to other funds	49,762	-	-	-	-
Total liabilities	137,543	-	-	-	18,550
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	961,520	-	-	-	-
Total deferred inflows of resources	961,520	-	-	-	-
Total liabilities and deferred inflows of resources	1,099,063	-	-	-	18,550
<b>FUND BALANCES</b>					
Restricted					
Public safety	-	793,497	221,056	7,789	-
Court	-	-	-	-	-
Buildings and renovations	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Other purposes	13,039	-	-	-	4,212
Committed					
Streets and drainage	-	-	-	-	-
Total fund balances	13,039	793,497	221,056	7,789	4,212
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,112,102</b>	<b>\$ 793,497</b>	<b>\$ 221,056</b>	<b>\$ 7,789</b>	<b>\$ 22,762</b>

Tax Increment Reinvestment Zone	Hotel Motel Tax	Municipal Court Technology	Municipal Court Building Security	Street Repair Improvement, New Street and Sidewalk Installation	Police Technology and Equipment	Fire Technology and Equipment	Park Donation and Special Purposes	Total
\$ 962,880	\$ 10,895,113	\$ 240,046	\$ 94,630	\$ 2,117,006	\$ 133,642	\$ 74,919	\$ 382,413	\$ 15,944,811
-	3,082,414	139,533	54,178	1,225,984	78,473	40,903	223,972	4,845,457
-	221,816	-	-	-	-	-	-	1,183,333
-	8,136	347	135	3,154	194	96	563	13,567
-	-	-	-	-	-	-	-	150,585
<b>\$ 962,880</b>	<b>\$ 14,207,479</b>	<b>\$ 379,926</b>	<b>\$ 148,943</b>	<b>\$ 3,346,144</b>	<b>\$ 212,309</b>	<b>\$ 115,918</b>	<b>\$ 606,948</b>	<b>\$ 22,137,753</b>
\$ -	\$ 1,782,652	\$ -	\$ -	\$ 28,873	\$ 11,144	\$ 1,047	\$ -	\$ 1,905,637
-	106,066	-	-	5,000	-	-	-	135,476
-	-	-	-	-	-	-	-	49,762
-	1,888,718	-	-	33,873	11,144	1,047	-	2,090,875
-	-	-	-	-	-	-	-	961,520
-	-	-	-	-	-	-	-	961,520
-	1,888,718	-	-	33,873	11,144	1,047	-	3,052,395
-	-	-	-	-	-	-	-	1,022,342
-	-	379,926	148,943	-	-	-	-	528,869
-	3,913,880	-	-	-	-	-	-	3,913,880
-	1,479	-	-	-	-	-	-	1,479
962,880	8,403,402	-	-	-	201,165	114,871	606,948	10,306,517
-	-	-	-	3,312,271	-	-	-	3,312,271
<b>962,880</b>	<b>12,318,761</b>	<b>379,926</b>	<b>148,943</b>	<b>3,312,271</b>	<b>201,165</b>	<b>114,871</b>	<b>606,948</b>	<b>19,085,358</b>
<b>\$ 962,880</b>	<b>\$ 14,207,479</b>	<b>\$ 379,926</b>	<b>\$ 148,943</b>	<b>\$ 3,346,144</b>	<b>\$ 212,309</b>	<b>\$ 115,918</b>	<b>\$ 606,948</b>	<b>\$ 22,137,753</b>

(See Independent Auditors' Report.)

**CITY OF MIDLAND, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended September 30, 2017

	<b>Community Development</b>	<b>Federal Police Special Purposes</b>	<b>State Police Special Purposes</b>	<b>H.I.T.D.A Federal Seizure</b>	<b>Department of Justice Grant</b>
<b>REVENUES</b>					
Hotel-motel tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Municipal court technology assessment	-	-	-	-	-
Municipal court security fee	-	-	-	-	-
Midland center rentals	-	-	-	-	-
Intergovernmental grants	873,488	-	-	-	48,647
Investment income					
Interest income	-	8,649	2,271	-	-
Net increase (decrease) in the fair value of investments	-	-	-	-	-
Program income	115,062	-	-	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	-	24,456	13,456	-	-
<b>Total revenues</b>	<b>988,550</b>	<b>33,105</b>	<b>15,727</b>	<b>-</b>	<b>48,647</b>
<b>EXPENDITURES</b>					
Current					
Housing programs	481,301	-	-	-	-
Economic development	-	-	-	-	-
Other	-	157,424	-	-	48,661
Capital outlay	523,417	-	-	-	-
<b>Total expenditures</b>	<b>1,004,718</b>	<b>157,424</b>	<b>-</b>	<b>-</b>	<b>48,661</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(16,168)</b>	<b>(124,319)</b>	<b>15,727</b>	<b>-</b>	<b>(14)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(16,168)</b>	<b>(124,319)</b>	<b>15,727</b>	<b>-</b>	<b>(14)</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>29,207</b>	<b>917,816</b>	<b>205,329</b>	<b>7,789</b>	<b>4,226</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 13,039</b>	<b>\$ 793,497</b>	<b>\$ 221,056</b>	<b>\$ 7,789</b>	<b>\$ 4,212</b>

<b>Tax Increment Reinvestment Zone</b>	<b>Hotel Motel Tax</b>	<b>Municipal Court Technology</b>	<b>Municipal Court Building Security</b>	<b>Street Repair Improvement, New Street and Sidewalk Installation</b>	<b>Police Technology and Equipment</b>	<b>Fire Technology and Equipment</b>	<b>Park Donation and Special Purposes</b>	<b>Total</b>
\$ -	\$ 5,497,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,497,928
-	-	-	-	609,259	-	-	-	609,259
-	-	85,679	-	-	-	-	-	85,679
-	-	-	64,257	-	-	-	-	64,257
-	14,550	-	-	-	-	-	-	14,550
-	-	-	-	-	-	-	-	922,135
-	88,086	3,724	1,347	36,449	1,916	1,065	6,126	149,633
-	(28,155)	(1,275)	(495)	60	(717)	(374)	(2,046)	(33,002)
-	-	-	-	-	-	-	-	115,062
-	-	-	-	-	77,820	14,429	10,901	103,150
-	-	-	-	-	-	-	422	38,334
-	5,572,409	88,128	65,109	645,768	79,019	15,120	15,403	7,566,985
-	-	-	-	-	-	-	-	481,301
-	3,228,609	-	-	49,741	-	-	18,763	3,297,113
9,939	(62,472)	65,877	3,918	-	41,712	-	-	265,059
-	6,391,316	-	-	972,269	-	-	-	7,887,002
9,939	9,557,453	65,877	3,918	1,022,010	41,712	-	18,763	11,930,475
(9,939)	(3,985,044)	22,251	61,191	(376,242)	37,307	15,120	(3,360)	(4,363,490)
509,520	-	-	-	-	-	-	-	509,520
-	(1,049,624)	-	-	-	-	-	-	(1,049,624)
509,520	(1,049,624)	-	-	-	-	-	-	(540,104)
499,581	(5,034,668)	22,251	61,191	(376,242)	37,307	15,120	(3,360)	(4,903,594)
463,299	17,353,429	357,675	87,752	3,688,513	163,858	99,751	610,308	23,988,952
\$ 962,880	\$ 12,318,761	\$ 379,926	\$ 148,943	\$ 3,312,271	\$ 201,165	\$ 114,871	\$ 606,948	\$ 19,085,358

(See Independent Auditors' Report.)

## **NONMAJOR GOVERNMENTAL FUNDS**

### **CAPITAL PROJECTS FUNDS**

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary type funds.

The City's Capital Projects Funds are as follows:

Animal Shelter Facility And Equipment Fund - to account for the costs of building improvements and the purchase of equipment related to the Animal Shelter Facility, financed by funds received from a supplemental animal license fee.

1998 General Purpose Certificates of Obligation Fund - to account for the costs of street and drainage improvements, traffic improvements, park improvements, drainage improvements, downtown Midland improvements, and City Hall renovation and land acquisition, financed by certificates of obligation proceeds.

2003 General Purpose Certificates of Obligation Fund - to account for the costs of traffic signage and signalization, street and drainage improvements, park improvements, Midland Center Facilities improvements, downtown Midland improvements and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

2005 General Purpose Certificates of Obligation Fund - to account for the costs of public safety equipment, street paving, drainage, traffic signage and signalization improvements, park improvements, improvements to City facilities, downtown Midland improvements and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

2007 General Purpose Certificates of Obligation Fund - to account for the costs of street, drainage, and traffic signalization, park and recreation improvements, acquiring, equipping, improving and renovating a building for storage of municipal property and fire fighting facilities, including the acquisition of land therefore and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**CAPITAL PROJECTS FUNDS (Continued)**

2009 General Purpose Certificates of Obligation Fund - to account for the costs of acquiring, constructing, improving, renovating, or equipping existing City-owned buildings, parks and park facilities, constructing, paving or improving streets, drainage, traffic signage, and signalization and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

2012 General Purpose Certificates of Obligation Fund - to account for the costs of constructing, improving, renovating, or equipping the voice and data communication system for public services, fire fighting facilities, park and recreational facilities, technology system, and streets. Acquire land and right-of way to improve and extend the City's water and sewer system financed by certificates of obligation proceeds.

2014 General Purpose Certificates of Obligation Fund - to account for the costs of constructing, improving, and acquisition of public works and equipment, renovating, or equipping the voice and data communication system for public services including police and fire fighting departments, improving, constructing and equipping fire fighting facilities, park and recreational facilities, technology system, improving streets, and the acquisition of land and right-of-way therefor.

2016 General Purpose Certificates of Obligation Fund - to account for the costs of constructing, improving, and acquisition of capital assets.

CITY OF MIDLAND, TEXAS

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS

September 30, 2017

	<b>Animal Shelter Facility and Equipment</b>	<b>1998 General Purpose Certificates of Obligation</b>	<b>2003 General Purpose Certificates of Obligation</b>
<b>ASSETS</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 129,625	\$ 173,844	\$ 317,434
Investments	72,861	-	3,694
Receivables			
Accounts receivable	-	-	-
Interest receivable	174	-	10
	<hr/>	<hr/>	<hr/>
Total assets	202,660	173,844	321,138
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 202,660</b>	<b>\$ 173,844</b>	<b>\$ 321,138</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Retainage payable	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES</b>			
Restricted			
Communications	-	-	-
Downtown	-	173,844	321,138
Buildings and renovations	-	-	-
Streets and drainage	-	-	-
Parks and recreation	-	-	-
Other purposes	-	-	-
Committed			
Buildings and renovations	202,660	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	202,660	173,844	321,138
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 202,660</b>	<b>\$ 173,844</b>	<b>\$ 321,138</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	2005	2007	2009	2012	2014	2016	
	General Purpose	Total					
	Certificates	Certificates	Certificates	Certificates	Certificates	Certificates	
	of Obligation						
\$	95,942	\$ 96,823	\$ 54,988	\$ 424,420	\$ 2,183,058	\$ 31,064,272	\$ 34,540,406
	6,324	2,254	669	42,954	21,044	-	149,800
	16	-	-	-	-	-	16
	-	6	2	109	56	-	357
	102,282	99,083	55,659	467,483	2,204,158	31,064,272	34,690,579
\$	102,282	\$ 99,083	\$ 55,659	\$ 467,483	\$ 2,204,158	\$ 31,064,272	\$ 34,690,579
\$	-	\$ -	\$ -	\$ 42,994	\$ 5,000	\$ -	\$ 47,994
	-	-	-	45,238	317,352	-	362,590
	-	-	-	88,232	322,352	-	410,584
	-	-	-	4,005	347,039	-	351,044
	85,267	-	-	-	-	-	580,249
	17,015	98,005	25,242	8,956	-	31,064,272	31,213,490
	-	690	30,417	264,312	760,221	-	1,055,640
	-	-	-	101,978	774,546	-	876,524
	-	388	-	-	-	-	388
	-	-	-	-	-	-	202,660
	102,282	99,083	55,659	379,251	1,881,806	31,064,272	34,279,995
\$	102,282	\$ 99,083	\$ 55,659	\$ 467,483	\$ 2,204,158	\$ 31,064,272	\$ 34,690,579

(See Independent Auditors' Report.)

**CITY OF MIDLAND, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS

For the Year Ended September 30, 2017

	<b>Animal Shelter Facility and Equipment</b>	<b>1998 General Purpose Certificates of Obligation</b>	<b>2003 General Purpose Certificates of Obligation</b>	<b>2005 General Purpose Certificates of Obligation</b>
<b>REVENUES</b>				
Pet licenses	\$ 101,585	\$ -	\$ -	\$ -
Investment income				
Interest income	1,706	1,199	2,291	767
Net increase (decrease) in the fair value of investments	(666)	-	(33)	(58)
<b>Total revenues</b>	<b>102,625</b>	<b>1,199</b>	<b>2,258</b>	<b>709</b>
<b>EXPENDITURES</b>				
Current				
Other	1,843	-	957	
Debt service				
Debt issuance costs	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>1,843</b>	<b>-</b>	<b>957</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>100,782</b>	<b>1,199</b>	<b>1,301</b>	<b>709</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>100,782</b>	<b>1,199</b>	<b>1,301</b>	<b>709</b>
<b>FUND BALANCES, OCTOBER 1</b>	<b>101,878</b>	<b>172,645</b>	<b>319,837</b>	<b>101,573</b>
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 202,660</b>	<b>\$ 173,844</b>	<b>\$ 321,138</b>	<b>\$ 102,282</b>

	<b>2007</b>	<b>2009</b>	<b>2012</b>	<b>2014</b>	<b>2016</b>	
	<b>General Purpose</b>	<b>Total</b>				
	<b>Certificates</b>	<b>Certificates</b>	<b>Certificates</b>	<b>Certificates</b>	<b>Certificates</b>	
	<b>of Obligation</b>					
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 101,585
	707	1,556	1,536	54,159	213,779	277,700
	(20)	(5)	(351)	(193)	-	(1,326)
	687	1,551	1,185	53,966	213,779	377,959
	-	-	-	114,316	-	117,116
	-	-	-	-	210,632	210,632
	-	452,559	482,780	5,102,077	16,920	6,054,336
	-	452,559	482,780	5,216,393	227,552	6,382,084
	687	(451,008)	(481,595)	(5,162,427)	(13,773)	(6,004,125)
	-	-	-	-	27,245,000	27,245,000
	-	-	-	-	3,949,386	3,949,386
	-	-	-	-	31,194,386	31,194,386
	687	(451,008)	(481,595)	(5,162,427)	31,180,613	25,190,261
	98,396	506,667	860,846	7,044,233	(116,341)	9,089,734
\$	99,083	\$ 55,659	\$ 379,251	\$ 1,881,806	\$ 31,064,272	\$ 34,279,995

(See Independent Auditors' Report.)

**PROPRIETARY FUND**

## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

The City's Internal Service Funds are as follows:

Warehouse Fund - to account for the revenues and cost of operations of a central store for the City.

Garage Fund - to account for the revenues and cost of operations of a central motor pool. Vehicles are rented to user departments at estimated cost. Additions and replacements are financed by the Garage Fund and by transfers from the General Fund and Special Revenue Funds.

Technology Fund - to account for the revenues and cost of operations of a central technology asset pool for the City. New and replacement technological assets are funded by the Technology fund, to be reimbursed by the user funds at an amortized rate over a specified asset life.

Workers' Compensation Self-Insurance Fund - to account for the revenues and expenses of a worker's compensation plan consisting of purchased insurance and self-insurance for claims prior to October 1, 1996. Departments of the City are charged premiums consistent with the cost of comparable insurance plans.

Medical/Dental Self-Insurance Fund - to account for the revenues and expenses of a group life insurance, medical insurance and dental insurance self-insurance plan for employees, dependents and retirees. Departments of the City are charged premiums consistent with the cost of comparable insurance plans. Claims are provided for as incurred.

General Liability Self-Insurance Fund - to account for the revenues and expenses of a self-insured general liability insurance fund. Departments of the City are charged premiums consistent with the cost of comparable insurance plans. Claims are provided for as incurred.

Unemployment Self-Insurance Fund - to account for the revenues and expenses of a self-insured unemployment insurance fund. Departments of the City are charged premiums consistent with the cost of comparable insurance plans. Claims are provided for as incurred.

CITY OF MIDLAND, TEXAS

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS

September 30, 2017

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	\$ 466,954	\$ 6,150,546	\$ 4,482,220	\$ 2,212,061	\$ 4,411,247	\$ 1,080,951	\$ 94,650	\$ 18,898,629
Investments	247,302	3,028,384	1,021,768	1,290,359	-	610,752	54,222	6,252,787
Accounts receivable (net of allowance for uncollectibles)	-	68,170	-	-	142,883	52,394	-	263,447
Interest receivable	615	7,198	2,500	3,182	-	1,578	137	15,210
Notes receivable	-	49,504	-	-	-	-	-	49,504
Inventories	230,434	448,752	-	-	-	-	-	679,186
Prepaid items and other assets	-	-	83,459	20,000	-	-	-	103,459
Total current assets	945,305	9,752,554	5,589,947	3,525,602	4,554,130	1,745,675	149,009	26,262,222
<b>NONCURRENT ASSETS</b>								
Capital Assets								
Construction in progress	-	-	301,735	-	-	-	-	301,735
Buildings	23,804	1,533,371	-	-	-	-	-	1,557,175
Improvements other than buildings	500,000	495,570	-	-	-	-	-	995,570
Machinery and equipment	-	55,651,148	1,092,456	-	-	-	-	56,743,604
Intangible and other	-	56,213	83,465	-	-	-	-	139,678
Less accumulated depreciation	(175,644)	(35,854,848)	(591,878)	-	-	-	-	(36,622,370)
Total capital assets	348,160	21,881,454	885,778	-	-	-	-	23,115,392
Notes receivable	-	841,568	-	-	-	-	-	841,568
Total noncurrent assets	348,160	22,723,022	885,778	-	-	-	-	23,956,960
Total assets	1,293,465	32,475,576	6,475,725	3,525,602	4,554,130	1,745,675	149,009	50,219,182
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Pension contributions after measurement date	7,821	160,945	-	-	-	8,918	-	177,684
Difference in projected and actual earnings on pension assets	17,549	372,267	-	-	-	16,981	-	406,797
Difference in expected and actual experience	561	9,455	-	-	-	2,566	-	12,582
Change in pension assumptions	2,186	47,526	-	-	-	1,431	-	51,143
Total deferred outflows of resources	28,117	590,193	-	-	-	29,896	-	648,206
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,321,582</b>	<b>\$ 33,065,769</b>	<b>\$ 6,475,725</b>	<b>\$ 3,525,602</b>	<b>\$ 4,554,130</b>	<b>\$ 1,775,571</b>	<b>\$ 149,009</b>	<b>\$ 50,867,388</b>

(This schedule is continued on the following page.)

CITY OF MIDLAND, TEXAS

COMBINING STATEMENT OF NET POSITION (Continued)  
INTERNAL SERVICE FUNDS

September 30, 2017

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
<b>CURRENT LIABILITIES</b>								
Accounts payable	\$ 20,618	\$ 347,513	\$ 65,638	\$ 70,218	\$ 332,656	\$ 14,403	\$ 1,098	\$ 852,144
Retainage payable	-	-	14,395	-	-	-	-	14,395
Accrued payroll	5,359	113,350	-	-	-	9,687	-	128,396
Compensated absences	11,071	66,033	-	-	-	1,711	-	78,815
Estimated unpaid claims	-	-	-	395,463	864,935	309,167	-	1,569,565
Other liabilities	-	-	-	-	10,702	-	-	10,702
Total current liabilities	37,048	526,896	80,033	465,681	1,208,293	334,968	1,098	2,654,017
<b>NONCURRENT LIABILITIES</b>								
Net pension liability	70,013	1,438,617	-	-	-	114,026	-	1,622,656
Compensated absences	4,762	28,403	-	-	-	736	-	33,901
Other postemployment benefits payable	30,388	697,675	-	10,811	10,060	74,102	-	823,036
Estimated unpaid claims	-	-	-	1,186,385	-	1,236,673	-	2,423,058
Total noncurrent liabilities	105,163	2,164,695	-	1,197,196	10,060	1,425,537	-	4,902,651
Total liabilities	142,211	2,691,591	80,033	1,662,877	1,218,353	1,760,505	1,098	7,556,668
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Difference in expected and actual experience	2,600	54,625	-	-	-	2,500	-	59,725
Total deferred inflows of resources	2,600	54,625	-	-	-	2,500	-	59,725
Total liabilities and deferred inflows of resources	144,811	2,746,216	80,033	1,662,877	1,218,353	1,763,005	1,098	7,616,393
<b>NET POSITION</b>								
Net investment in capital assets	348,160	21,881,454	885,778	-	-	-	-	23,115,392
Unrestricted	828,611	8,438,099	5,509,914	1,862,725	3,335,777	12,566	147,911	20,135,603
<b>TOTAL NET POSITION</b>	<b>\$ 1,176,771</b>	<b>\$ 30,319,553</b>	<b>\$ 6,395,692</b>	<b>\$ 1,862,725</b>	<b>\$ 3,335,777</b>	<b>\$ 12,566</b>	<b>\$ 147,911</b>	<b>\$ 43,250,995</b>

(See Independent Auditors' Report.)

**CITY OF MIDLAND, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2017

	<b>Warehouse Fund</b>	<b>Garage Fund</b>	<b>Technology Fund</b>	<b>Workers' Compensation Self-Insurance Fund</b>	<b>Medical/ Dental Self-Insurance Fund</b>	<b>General Liability Self-Insurance Fund</b>	<b>Unemployment Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>								
Billings to other funds	\$ 673,336	\$ -	\$ 1,019,741	\$ 1,187,629	\$ 7,463,478	\$ 2,244,694	\$ 114,479	\$ 12,703,357
Motor vehicle repair billings	-	4,718,531	-	-	-	-	-	4,718,531
Motor vehicle lease charges	-	8,473,513	-	-	-	-	-	8,473,513
Equipment lease - other	-	130,895	-	-	-	-	-	130,895
Charges for fuel	-	1,882,081	-	-	-	-	-	1,882,081
Employee payments	-	-	-	-	3,280,129	-	-	3,280,129
<b>Total operating revenues</b>	<b>673,336</b>	<b>15,205,020</b>	<b>1,019,741</b>	<b>1,187,629</b>	<b>10,743,607</b>	<b>2,244,694</b>	<b>114,479</b>	<b>31,188,506</b>
<b>OPERATING EXPENSES EXCLUDING DEPRECIATION</b>								
Cost of goods sold	520,971	697,984	-	-	-	-	-	1,218,955
Salaries and fringe benefits	108,712	2,238,059	-	-	-	180,389	-	2,527,160
Contractual services	15,767	519,020	205,409	16,000	3,224,148	706,841	-	4,687,185
Maintenance of structure	-	36,176	-	-	-	-	-	36,176
Maintenance of equipment	-	2,135,512	71,565	-	-	-	-	2,207,077
Payment of claims	-	-	-	1,431,162	8,326,753	648,067	40,032	10,446,014
Supplies	385	2,123,091	327,444	-	-	1,213	-	2,452,133
Other expenses	-	1,007	-	-	-	-	-	1,007
<b>Total operating expenses excluding depreciation</b>	<b>645,835</b>	<b>7,750,849</b>	<b>604,418</b>	<b>1,447,162</b>	<b>11,550,901</b>	<b>1,536,510</b>	<b>40,032</b>	<b>23,575,707</b>
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	<b>27,501</b>	<b>7,454,171</b>	<b>415,323</b>	<b>(259,533)</b>	<b>(807,294)</b>	<b>708,184</b>	<b>74,447</b>	<b>7,612,799</b>
Depreciation	26,061	4,356,468	225,216	-	-	-	-	4,607,745
<b>OPERATING INCOME (LOSS)</b>	<b>1,440</b>	<b>3,097,703</b>	<b>190,107</b>	<b>(259,533)</b>	<b>(807,294)</b>	<b>708,184</b>	<b>74,447</b>	<b>3,005,054</b>

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
Investment income								
Interest income	\$ 7,102	\$ 72,048	\$ 49,573	\$ 35,830	\$ 8,503	\$ 13,379	\$ 1,331	\$ 187,766
Net increase in the fair value of investments	(2,260)	(27,677)	(9,337)	(11,790)	-	(5,579)	(495)	(57,138)
Gain (loss) on sale of capital assets		(80,909)	(29,019)	-	-	-	-	(109,928)
Recoveries of damages to city property, net other	-	143,993	-	-	-	-	-	143,993
Other	-	253,920	-	120,775	(28,325)	52,394	-	398,764
Total non-operating revenues (expenses)	4,842	361,375	11,217	144,815	(19,822)	60,194	836	563,457
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>6,282</b>	<b>3,459,078</b>	<b>201,324</b>	<b>(114,718)</b>	<b>(827,116)</b>	<b>768,378</b>	<b>75,283</b>	<b>3,568,511</b>
<b>TRANSFERS</b>								
Transfers (out)	(57,625)	(448,629)	(10,910)	-	-	-	-	(517,164)
Total transfers	(57,625)	(448,629)	(10,910)	-	-	-	-	(517,164)
<b>CHANGE IN NET POSITION</b>	<b>(51,343)</b>	<b>3,010,449</b>	<b>190,414</b>	<b>(114,718)</b>	<b>(827,116)</b>	<b>768,378</b>	<b>75,283</b>	<b>3,051,347</b>
<b>NET POSITION, OCTOBER 1</b>	<b>1,228,114</b>	<b>27,309,104</b>	<b>6,205,278</b>	<b>1,977,443</b>	<b>4,162,893</b>	<b>(755,812)</b>	<b>72,628</b>	<b>40,199,648</b>
<b>NET POSITION, SEPTEMBER 30</b>	<b>\$ 1,176,771</b>	<b>\$ 30,319,553</b>	<b>\$ 6,395,692</b>	<b>\$ 1,862,725</b>	<b>\$ 3,335,777</b>	<b>\$ 12,566</b>	<b>\$ 147,911</b>	<b>\$ 43,250,995</b>

(See Independent Auditors' Report.)

CITY OF MIDLAND, TEXAS

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2017

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from interfund service transactions	\$ 673,336	\$ 15,488,976	\$ 1,019,741	\$ 1,187,629	\$ 7,491,130	\$ 2,300,282	\$ 114,479	\$ 28,275,573
Receipts from employees	-	-	-	-	3,280,129	-	-	3,280,129
Payments to suppliers	(510,884)	(4,795,334)	(609,280)	(1,268,421)	(12,233,938)	(1,190,764)	(50,053)	(20,658,674)
Payments to employees	(97,595)	(2,034,077)	-	-	-	(168,236)	-	(2,299,908)
Payments for interfund service transactions	(23,189)	(610,832)	-	-	-	(12,913)	-	(646,934)
Net cash from operating activities	41,668	8,048,733	410,461	(80,792)	(1,462,679)	928,369	64,426	7,950,186
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers (out)	(57,625)	(448,629)	(10,910)	-	-	-	-	(517,164)
Net cash from noncapital financing activities	(57,625)	(448,629)	(10,910)	-	-	-	-	(517,164)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Purchased capital assets	-	(3,851,333)	(356,094)	-	-	-	-	(4,207,427)
Repayment of loans from other funds	-	76,697	-	-	-	-	-	76,697
Insurance proceeds	-	143,993	-	-	-	-	-	143,993
Net cash from capital and related financing activities	-	(3,630,643)	(356,094)	-	-	-	-	(3,986,737)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchases of investments	(94,371)	(2,104,612)	(317,370)	(400,797)	-	(526,012)	(38,080)	(3,481,242)
Proceeds from sales and maturities of investments	119,610	846,580	181,380	424,422	1,158,625	170,735	15,158	2,916,510
Interest received	4,899	41,538	39,920	144,874	11,361	6,852	777	250,221
Net cash from investing activities	30,138	(1,216,494)	(96,070)	168,499	1,169,986	(348,425)	(22,145)	(314,511)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,181	2,752,967	(52,613)	87,707	(292,693)	579,944	42,281	3,131,774
CASH AND CASH EQUIVALENTS, OCTOBER 1	452,773	3,397,579	4,534,833	2,124,354	4,703,940	501,007	52,369	15,766,855
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>\$ 466,954</b>	<b>\$ 6,150,546</b>	<b>\$ 4,482,220</b>	<b>\$ 2,212,061</b>	<b>\$ 4,411,247</b>	<b>\$ 1,080,951</b>	<b>\$ 94,650</b>	<b>\$ 18,898,629</b>

(This schedule is continued on the following page.)

CITY OF MIDLAND, TEXAS

COMBINING STATEMENT OF CASH FLOWS (Continued)  
NONMAJOR ENTERPRISE FUNDS

For the Year Ended September 30, 2017

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	General Liability Self-Insurance Fund	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Operating income (loss)	\$ 1,440	\$ 3,097,703	\$ 190,107	\$ (259,533)	\$ (807,294)	\$ 708,184	\$ 74,447	\$ 3,005,054
Adjustments to reconcile operating income (loss) to net cash from operating activities								
Depreciation	26,061	4,356,468	225,216	-	-	-	-	4,607,745
Other income	-	253,920	-	-	(28,325)	52,394	-	277,989
(Increase) decrease in								
Receivables	-	30,036	-	-	55,977	3,194	-	89,207
Inventories	2,899	(36,073)	-	-	-	-	-	(33,174)
Prepaid items and other assets	-	-	(83,459)	7,337	10,824	-	-	(65,298)
Pension related items	2,470	48,760	-	-	-	4,745	-	55,975
Increase (decrease) in								
Deferred pensions	7,589	163,480	-	-	-	4,558	-	175,627
Accounts payable	151	142,697	78,597	45,751	(972,254)	(11,063)	(10,021)	(726,142)
Accrued payroll	1,115	16,014	-	-	-	1,638	-	18,767
Estimated unpaid claims	-	-	-	125,653	281,314	163,507	-	570,474
Net pension liability	(2,092)	(43,038)	-	-	-	(2,385)	-	(47,515)
Compensated absences	886	(4,831)	-	-	-	1,618	-	(2,327)
Other postemployment benefits	1,149	23,597	-	-	-	1,979	-	26,725
Other liabilities	-	-	-	-	(2,921)	-	-	(2,921)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 41,668</b>	<b>\$ 8,048,733</b>	<b>\$ 410,461</b>	<b>\$ (80,792)</b>	<b>\$ (1,462,679)</b>	<b>\$ 928,369</b>	<b>\$ 64,426</b>	<b>\$ 7,950,186</b>
<b>NONCASH TRANSACTIONS</b>								
Change in fair value of investments	\$ (2,260)	\$ (27,677)	\$ (9,337)	\$ (11,790)	\$ -	\$ (5,579)	\$ (495)	\$ (56,643)
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>\$ (2,260)</b>	<b>\$ (27,677)</b>	<b>\$ (9,337)</b>	<b>\$ (11,790)</b>	<b>\$ -</b>	<b>\$ (5,579)</b>	<b>\$ (495)</b>	<b>\$ (56,643)</b>

(See Independent Auditors' Report.)

## STATISTICAL SECTION

This part of the City of Midland, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have been changed over time.	107-111
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	112-119
<b>Debt Capacity</b> These schedules present 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.	120-124
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	125-126
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	127-129

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

TABLE 1

**CITY OF MIDLAND, TEXAS**  
NET POSITION BY COMPONENT  
Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
<b>GOVERNMENTAL ACTIVITIES</b>										
Net investment in capital assets	\$ 62,688,027	\$ 70,220,858	\$ 74,338,808	\$ 77,139,942	\$ 79,950,737	\$ 95,068,376	\$ 108,776,537	\$ 130,732,360	\$ 145,003,274	\$ 164,184,133
Restricted	156,130	20,367	326,991	6,518,425	9,227,239	12,754,115	15,059,213	20,226,070	29,841,000	16,363,069
Unrestricted	57,985,984	52,799,760	45,035,305	45,315,926	53,230,626	51,770,695	63,586,639	9,120,513	(9,238,708)	24,802,362
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 120,830,141</b>	<b>\$ 123,040,985</b>	<b>\$ 119,701,104</b>	<b>\$ 128,974,293</b>	<b>\$ 142,408,602</b>	<b>\$ 159,593,186</b>	<b>\$ 187,422,389</b>	<b>\$ 160,078,943</b>	<b>\$ 165,605,566</b>	<b>\$ 205,349,564</b>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Net investment in capital assets	\$ 149,714,918	\$ 166,637,943	\$ 169,294,026	\$ 178,169,630	\$ 189,427,031	\$ 216,897,238	\$ 220,763,273	\$ 222,043,318	\$ 222,763,783	\$ 224,677,468
Restricted	7,826,071	7,826,071	7,826,071	11,615,537	12,228,596	3,560,568	9,026,221	7,890,685	6,489,537	7,032,618
Unrestricted	75,370,522	75,294,643	81,828,896	82,368,737	84,149,910	76,236,521	83,584,394	93,094,258	92,582,619	65,244,637
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 232,911,511</b>	<b>\$ 249,758,657</b>	<b>\$ 258,948,993</b>	<b>\$ 272,153,904</b>	<b>\$ 285,805,537</b>	<b>\$ 296,694,327</b>	<b>\$ 313,373,888</b>	<b>\$ 323,028,261</b>	<b>\$ 321,835,939</b>	<b>\$ 296,954,723</b>
<b>PRIMARY GOVERNMENT</b>										
Net investment in capital assets	\$ 212,402,945	\$ 236,858,801	\$ 243,632,834	\$ 255,309,572	\$ 269,377,768	\$ 311,965,614	\$ 329,539,810	\$ 352,775,678	\$ 367,767,057	\$ 388,861,601
Restricted	7,982,201	7,846,438	8,153,062	18,133,962	21,455,835	16,314,683	24,085,434	28,116,755	36,330,537	23,395,687
Unrestricted	133,356,506	128,094,403	126,864,201	127,684,663	137,380,536	128,007,216	147,171,033	102,214,771	83,343,911	90,046,999
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 353,741,652</b>	<b>\$ 372,799,642</b>	<b>\$ 378,650,097</b>	<b>\$ 401,128,197</b>	<b>\$ 428,214,139</b>	<b>\$ 456,287,513</b>	<b>\$ 500,796,277</b>	<b>\$ 483,107,204</b>	<b>\$ 487,441,505</b>	<b>\$ 502,304,287</b>

\*The City implemented GASB Statement No. 68 for the year ended September 30, 2015.

Data Source

Audited Financial Statements

(Unaudited - See Accompanying Independent Auditors' Report.)

TABLE 2

## CITY OF MIDLAND, TEXAS

## CHANGE IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
<b>EXPENSES</b>										
Governmental activities										
General government	\$ 16,426,985	\$ 18,834,377	\$ 18,971,123	\$ 20,939,401	\$ 20,515,015	\$ 22,645,060	\$ 24,703,911	\$ 28,717,383	\$ 19,762,424	\$ 25,570,754
Development services	11,221,695	13,479,488	14,369,010	13,837,291	3,534,375	3,833,749	4,049,615	4,017,284	5,313,316	3,608,938
Engineering	-	-	-	-	10,642,676	12,321,739	14,099,842	16,352,355	14,919,310	17,837,007
Community services	9,200,826	9,739,208	10,084,652	10,137,221	9,933,581	11,396,863	10,958,751	12,116,060	13,653,821	17,218,438
Police	18,937,778	21,965,119	23,156,588	23,312,992	24,025,334	25,827,854	25,341,332	25,392,403	28,457,968	29,056,164
Fire	16,391,606	19,342,454	20,137,685	20,863,640	22,289,161	24,515,017	24,163,432	28,683,479	32,556,517	32,302,838
Interest on long-term debt	1,085,505	1,152,879	1,103,073	1,028,942	1,221,970	1,271,789	1,955,205	1,817,804	1,801,049	2,867,573
Total governmental activities expenses	73,264,395	84,513,525	87,822,131	90,119,487	92,162,112	101,812,071	105,272,088	117,096,768	116,464,405	128,461,712
Business-type activities										
Airport	8,047,073	8,690,847	9,201,993	9,295,323	8,835,469	9,367,054	9,592,317	10,327,231	10,718,273	13,624,989
Water and sewer	34,615,012	32,828,147	33,642,297	37,130,696	37,401,624	44,838,072	61,678,752	64,163,946	70,466,172	71,977,966
Sanitation	9,115,773	10,129,743	8,450,443	10,489,726	10,813,252	11,310,111	10,453,364	10,927,308	13,304,713	13,730,752
Sports complex	4,276,725	4,404,185	4,337,123	4,382,696	4,242,836	4,364,030	4,664,912	4,289,430	4,438,796	4,257,900
Golf course	1,478,505	1,903,417	1,923,190	1,910,254	2,056,066	2,204,091	2,287,526	2,519,117	2,762,118	2,701,329
Total business-type activities expenses	57,533,088	57,956,339	57,555,046	63,208,695	63,349,247	72,083,358	88,676,871	92,227,032	101,690,072	106,292,936
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$ 130,797,483</b>	<b>\$ 142,469,864</b>	<b>\$ 145,377,177</b>	<b>\$ 153,328,182</b>	<b>\$ 155,511,359</b>	<b>\$ 173,895,429</b>	<b>\$ 193,948,959</b>	<b>\$ 209,323,800</b>	<b>\$ 218,154,477</b>	<b>\$ 234,754,648</b>
<b>PROGRAM REVENUES</b>										
Governmental activities										
Charges for services										
General government	\$ 527,757	\$ 447,368	\$ 596,304	\$ 536,478	\$ 620,524	\$ 872,807	\$ 626,796	\$ 814,523	\$ 1,516,056	\$ 3,507,741
Development services	1,378,365	948,114	818,445	1,781,309	1,998,231	3,940,368	3,867,182	3,282,596	2,201,743	2,617,349
Engineering	-	-	-	-	1,963	42,250	66,191	938,852	34,501	14,750
Community services	1,001,491	929,448	923,658	875,790	898,904	833,761	1,225,240	1,820,759	1,628,503	1,573,961
Police	3,741,616	4,035,131	2,393,857	4,105,681	4,272,412	4,278,076	4,348,819	3,848,647	3,965,168	5,044,751
Fire	1,974,577	1,775,129	1,838,814	1,767,777	2,034,214	2,001,975	1,832,028	1,816,971	1,625,476	1,766,971
Operating grants and contributions	1,504,100	2,134,574	2,551,762	1,689,509	1,455,109	2,163,187	1,710,722	1,384,229	1,526,617	1,738,336
Capital grants and contributions	7,295,001	4,661,290	2,996,562	4,603,959	3,725,173	8,532,232	10,066,200	13,503,014	503,113	6,695,626
Total governmental activities program revenues	17,422,907	14,931,054	12,119,402	15,360,503	15,006,530	22,664,656	23,743,178	27,409,591	13,001,177	22,959,485
Business-type activities										
Charges for services										
Airport	8,663,825	7,549,954	7,572,534	8,017,966	8,816,871	9,239,236	12,533,868	12,515,637	10,776,810	13,268,192
Water and sewer	44,267,408	41,138,165	40,370,745	44,728,124	41,236,729	41,945,697	54,261,913	58,094,221	61,966,908	68,281,460
Sanitation	7,906,457	8,504,251	8,982,565	10,679,562	11,636,597	13,965,037	15,234,536	16,152,502	14,945,478	15,600,965
Sports complex	7,278,806	6,565,148	6,541,457	8,360,882	9,781,813	10,572,117	12,050,902	11,901,462	9,668,859	7,585,308
Golf course	1,491,119	1,905,706	1,822,464	2,061,100	2,348,194	2,549,063	2,326,692	2,152,681	1,987,133	2,258,982
Operating grants and contributions	362,610	353,931	454,463	353,020	382,984	62,557	2,238	5,649	34,214	-
Capital grants and contributions	3,640,719	10,518,716	3,643,920	5,383,946	6,324,973	7,950,501	13,022,019	6,910,868	5,224,553	7,394,240
Total business-type activities program revenues	73,610,944	76,535,871	69,388,148	79,584,600	80,528,161	86,284,208	109,432,168	107,733,020	104,603,955	114,389,147
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<b>\$ 91,033,851</b>	<b>\$ 91,466,925</b>	<b>\$ 81,507,550</b>	<b>\$ 94,945,103</b>	<b>\$ 95,534,691</b>	<b>\$ 108,948,864</b>	<b>\$ 133,175,346</b>	<b>\$ 135,142,611</b>	<b>\$ 117,605,132</b>	<b>\$ 137,348,632</b>

**CITY OF MIDLAND, TEXAS**

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015*</b>	<b>2016</b>	<b>2017</b>
<b>NET (EXPENSE) REVENUE</b>										
Governmental activities	\$ (55,841,488)	\$ (69,582,471)	\$ (75,702,729)	\$ (74,758,984)	\$ (77,155,582)	\$ (79,147,415)	\$ (81,528,910)	\$ (89,687,177)	\$ (103,463,228)	\$ (105,502,227)
Business-type activities	16,077,856	18,579,532	11,833,102	16,375,905	17,178,914	14,200,850	20,755,297	15,505,988	2,913,883	8,096,211
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE</b>	<b>\$ (39,763,632)</b>	<b>\$ (51,002,939)</b>	<b>\$ (63,869,627)</b>	<b>\$ (58,383,079)</b>	<b>\$ (59,976,668)</b>	<b>\$ (64,946,565)</b>	<b>\$ (60,773,613)</b>	<b>\$ (74,181,189)</b>	<b>\$ (100,549,345)</b>	<b>\$ (97,406,016)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>										
Governmental activities										
Taxes										
Property	\$ 28,207,188	\$ 29,537,787	\$ 30,381,016	\$ 32,697,674	\$ 34,238,579	\$ 36,441,787	\$ 39,005,229	\$ 40,961,787	\$ 44,048,630	\$ 47,726,894
Sales	25,776,037	23,848,005	23,563,357	30,281,637	35,472,615	39,046,477	44,776,484	42,942,587	34,858,568	42,762,809
Gross receipts	11,082,067	10,507,602	10,640,157	11,232,925	11,210,488	11,427,175	12,732,502	13,600,947	13,856,431	14,149,139
Hotel-motel	2,459,814	2,657,283	2,165,861	3,085,061	4,606,037	5,768,762	6,512,643	7,835,435	5,290,840	5,497,928
Other	403,169	441,148	415,279	486,648	493,405	570,975	770,432	857,243	108,193	111,018
Investment income	1,894,550	1,339,474	1,113,797	782,769	431,732	(1,087,789)	1,558,324	2,116,971	877,094	1,056,329
Miscellaneous	40,819	93,921	45,720	1,077,093	22,017	85,365	137,184	-	5,120,698	185,392
Transfers	517,195	3,368,095	4,037,661	4,388,366	4,115,018	4,079,247	4,183,738	3,352,816	4,829,399	33,756,716
Total governmental activities	<u>70,380,839</u>	<u>71,793,315</u>	<u>72,362,848</u>	<u>84,032,173</u>	<u>90,589,891</u>	<u>96,331,999</u>	<u>109,676,536</u>	<u>111,667,786</u>	<u>108,989,853</u>	<u>145,246,225</u>
Business-type activities										
Investment earnings	2,215,935	1,635,709	1,394,895	1,217,372	587,737	767,187	845,612	1,412,725	723,194	779,289
Transfers	(517,195)	(3,368,095)	(4,037,661)	(4,388,366)	(4,115,018)	(4,079,247)	(4,183,738)	(3,353,816)	(4,829,399)	(33,756,716)
Total business-type activities	<u>1,698,740</u>	<u>(1,732,386)</u>	<u>(2,642,766)</u>	<u>(3,170,994)</u>	<u>(3,527,281)</u>	<u>(3,312,060)</u>	<u>(3,338,126)</u>	<u>(1,941,091)</u>	<u>(4,106,205)</u>	<u>(32,977,427)</u>
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>	<b>\$ 72,079,579</b>	<b>\$ 70,060,929</b>	<b>\$ 69,720,082</b>	<b>\$ 80,861,179</b>	<b>\$ 87,062,610</b>	<b>\$ 93,019,939</b>	<b>\$ 106,338,410</b>	<b>\$ 109,726,695</b>	<b>\$ 104,883,648</b>	<b>\$ 112,268,798</b>
<b>CHANGE IN NET POSITION</b>										
Governmental activities	\$ 14,539,351	\$ 2,210,844	\$ (3,339,881)	\$ 9,273,189	\$ 13,434,309	\$ 17,184,584	\$ 28,147,626	\$ 21,980,609	\$ 5,526,625	\$ 39,743,998
Business-type activities	17,776,596	16,847,146	9,190,336	13,204,911	13,651,633	10,888,790	17,417,171	13,564,897	(1,192,322)	(24,881,216)
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>	<b>\$ 32,315,947</b>	<b>\$ 19,057,990</b>	<b>\$ 5,850,455</b>	<b>\$ 22,478,100</b>	<b>\$ 27,085,942</b>	<b>\$ 28,073,374</b>	<b>\$ 45,564,797</b>	<b>\$ 35,545,506</b>	<b>\$ 4,334,303</b>	<b>\$ 14,862,782</b>

\*The City implemented GASB Statement No. 68 for the year ended September 30, 2015.

Data Source

Audited Financial Statements

(Unaudited - See Accompanying Independent Auditors' Report.)

TABLE 3

**CITY OF MIDLAND, TEXAS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>GENERAL FUND</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ 878,796	\$ 881,945	\$ 919,406	\$ 878,494	\$ 883,493	\$ 873,127	\$ 903,858
Resserved	5,601,854	12,232,616	8,966,970	-	-	-	-	-	-	-
Unreserved	32,460,043	27,502,467	29,106,932	-	-	-	-	-	-	-
Restricted	-	-	-	195,668	210,897	209,747	218,782	204,080	149,561	159,164
Committed	-	-	-	7,728,867	8,486,918	13,353,699	29,431,800	22,298,783	17,898,849	7,589,408
Assigned	-	-	-	67,166	73,228	79,102	80,863	89,054	509,058	-
Unassigned	-	-	-	39,704,700	49,024,532	44,298,549	39,031,865	47,657,421	43,560,973	90,920,065
<b>TOTAL GENERAL FUND</b>	<b>\$ 38,061,897</b>	<b>\$ 39,735,083</b>	<b>\$ 38,073,902</b>	<b>\$ 48,575,197</b>	<b>\$ 58,677,520</b>	<b>\$ 58,860,503</b>	<b>\$ 69,641,804</b>	<b>\$ 71,132,831</b>	<b>\$ 62,991,568</b>	<b>\$ 99,572,495</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ 3,176,015	\$ 4,392,945	\$ 6,888,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	3,929,760	4,394,896	5,952,978	-	-	-	-	-	-	-
Capital projects funds	2,319,159	6,937,027	4,756,115	-	-	-	-	-	-	-
Restricted for:										
Debt service	-	-	-	448,006.00	413,744	479,598	524,091	778,424	754,328	434,347
Public safety	-	-	-	596,708.00	809,604	567,944	923,395	1,028,685	1,130,934	1,022,342
Court	-	-	-	596,849.00	685,740	722,304	807,768	871,016	445,427	528,869
Communications	-	-	-	-	3,590,536	3,508,930	6,135,384	2,566,617	669,234	351,044
Downtown	-	-	-	644,144.00	644,886	645,499	645,741	586,906	577,160	580,249
Building renovations	-	-	-	1,771,388.00	7,823,627	7,181,818	7,702,263	7,233,415	5,164,977	35,127,370
Streets and drainage	-	-	-	6,083,529.00	8,376,344	7,547,145	12,573,988	7,421,290	4,357,040	1,055,640
Parks and recreation	-	-	-	525,786.00	2,359,965	1,430,161	4,515,547	1,130,029	990,256	878,003
Other capital projects	-	-	-	42,166.00	-	-	-	-	-	-
Other purposes	-	-	-	4,774,287.00	5,433,282	8,768,064	10,609,948	14,749,314	15,602,083	10,306,905
Committed to:										
Building renovations	-	-	-	269,883.00	245,817	216,271	(6,044)	43,441	101,878	202,660
Streets and drainage	-	-	-	1,015,334.00	1,482,584	2,568,469	3,558,503	4,168,125	3,688,513	3,312,271
Other purposes	-	-	-	2,129,687.00	3,077,538	3,697,842	4,765,461	1,590,756	467,525	-
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ 9,424,934</b>	<b>\$ 15,724,868</b>	<b>\$ 17,597,791</b>	<b>\$ 18,897,767</b>	<b>\$ 34,943,667</b>	<b>\$ 37,334,045</b>	<b>\$ 52,756,045</b>	<b>\$ 42,168,018</b>	<b>\$ 33,949,355</b>	<b>\$ 53,799,700</b>

Note: The City implemented GASB Statement No. 54 for the year ended September 30, 2011.

[Data Source](#)

Audited Financial Statements

(Unaudited - See Accompanying Independent Auditors' Report.)

TABLE 4

CITY OF MIDLAND, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>REVENUES</b>										
Taxes	\$ 68,058,393	\$ 67,107,946	\$ 67,077,164	\$ 77,835,427	\$ 86,090,547	\$ 93,263,535	\$ 103,713,258	\$ 106,378,471	\$ 98,692,661	\$ 110,857,047
Licenses and permits	1,461,320	1,124,144	1,187,504	1,991,056	2,419,466	4,276,854	4,190,869	4,492,100	1,993,818	2,328,984
Fines and forfeitures	3,166,584	3,134,799	3,276,328	3,648,203	3,808,669	3,891,789	3,783,005	3,349,255	3,981,710	5,226,930
Charges for services	2,289,241	2,553,851	2,356,353	2,311,691	2,685,136	2,564,362	2,640,062	3,182,358	3,076,000	3,530,556
Rentals	220,283	198,555	211,115	203,293	212,962	302,765	286,614	269,291	273,883	220,903
Assessments	120,613	115,544	116,859	117,117	121,572	133,202	119,055	106,961	142,196	115,062
Intergovernmental	1,934,972	4,537,251	4,061,605	2,833,751	2,575,756	2,043,366	1,430,101	1,537,981	1,526,617	1,737,434
Investment Income	1,631,545	1,109,384	974,529	792,232	460,308	(1,054,054)	1,663,401	2,336,321	797,966	930,544
Contributions and donations	205,805	612,493	161,187	1,264,310	277,895	625,989	676,064	583,401	503,114	6,696,527
Miscellaneous	473,926	674,347	725,415	1,782,060	629,871	764,362	971,567	817,815	6,061,537	1,935,288
Total revenues	79,562,682	81,168,314	80,148,059	92,779,140	99,282,182	106,812,170	119,473,996	123,053,954	117,049,502	133,579,275
<b>EXPENDITURES</b>										
Current										
General government	12,213,221	14,083,339	14,314,539	14,797,484	15,370,449	19,451,475	17,694,864	20,216,316	29,223,055	17,855,516
Development services	9,410,143	11,692,087	11,090,190	10,639,275	2,484,995	2,618,009	3,350,847	3,555,322	3,267,907	3,315,831
Engineering	-	-	-	-	7,700,839	15,188,449	13,905,183	17,431,031	15,178,993	13,576,698
Community services	8,595,533	9,037,633	9,783,237	9,591,163	10,597,142	10,018,185	10,261,957	12,346,085	11,984,591	11,054,390
Police	19,210,537	20,668,423	21,044,525	21,393,542	22,766,719	24,538,644	25,416,580	25,308,241	26,469,372	27,743,755
Fire	16,466,900	18,337,470	18,203,854	18,782,600	20,918,880	22,905,985	24,516,468	26,254,173	25,949,421	26,021,410
Other	4,936,332	5,446,695	5,517,045	4,486,670	5,004,512	6,404,129	8,294,720	10,959,337	9,398,124	4,358,509
Capital outlay	6,336,797	5,806,226	433,004	1,810,455	1,153,962	3,602,650	13,361,266	14,245,722	11,698,668	28,778,933
Debt service										
Principal	2,808,488	2,274,389	2,530,065	2,812,808	2,891,115	1,600,143	2,607,154	2,849,650	3,434,732	2,947,931
Interest	1,282,233	887,869	1,325,357	1,040,860	954,843	-	1,238,337	2,838,210	2,159,066	3,078,111
Debt issuance costs	-	153,789	-	-	157,813	-	327,226	-	1,596	2,146
Refunding bond issuance costs and escrow	-	207,720	-	-	-	-	-	-	9,500	210,632
Paying agents' fees	3,143	2,481	1,051	1,051	1,051	1,293	631	1,631	-	-
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	81,263,327	88,598,121	84,242,867	85,355,908	90,002,320	109,147,087	120,975,233	136,005,718	138,775,025	138,943,862
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,700,645)	(7,429,807)	(4,094,808)	7,423,232	9,279,862	(2,334,917)	(1,501,237)	(12,951,764)	(21,725,523)	(5,364,587)
<b>OTHER FINANCING SOURCES (USES)</b>										
Sale of capital assets	-	-	-	-	-	350,000	-	-	-	279,973
Refunding bonds issued	-	7,708,926	-	-	-	-	3,800,000	-	-	-
Issuance of long-term debt	-	9,850,132	-	-	13,589,132	-	24,372,306	-	-	27,245,000
Payment to refunded bond escrow agent	-	(7,638,159)	-	-	-	-	(4,420,000)	-	-	-
Premium on debt issuance	-	281,634	-	-	770,560	-	3,233,327	-	-	3,949,386
Accrued interest on debt issuance	-	47,160	-	-	499	-	2,177	-	-	-
Transfers in	4,423,913	6,111,466	4,778,476	5,055,682	5,042,997	5,150,925	5,406,690	4,672,929	6,313,533	41,558,533
Transfers (out)	(3,613,026)	(958,229)	(471,926)	(677,643)	(2,534,827)	(592,647)	(4,689,962)	(818,165)	(1,064,277)	(7,342,278)
Total other financing sources (uses)	810,887	15,402,930	4,306,550	4,378,039	16,868,361	4,908,278	27,704,538	3,854,764	5,249,256	65,690,614
<b>NET CHANGE IN FUND BALANCES</b>	\$ (889,758)	\$ 7,973,123	\$ 211,742	\$ 11,801,271	\$ 26,148,223	\$ 2,573,361	\$ 26,203,301	\$ (9,097,000)	\$ (16,476,267)	\$ 60,326,027
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	5.6%	4.0%	4.8%	4.8%	4.5%	4.0%	3.6%	4.2%	5.4%	5.3%

Data Source

Audited Financial Statements

(Unaudited - See Accompanying Independent Auditors' Report.)

**TABLE 5**

**CITY OF MIDLAND, TEXAS**  
**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Ad Valorem Tax</b>	<b>City Sales Tax</b>	<b>Gross Receipts Tax</b>	<b>Mixed Beverage Tax</b>	<b>Hotel Motel Tax</b>	<b>Miscellaneous</b>	<b>Totals</b>
2008	\$ 28,337,306	\$ 25,776,037	\$ 11,082,067	\$ 319,331	\$ 2,459,814	\$ 83,838	\$ 68,058,393
2009	29,653,908	23,848,005	10,507,602	355,131	2,657,283	86,017	67,107,946
2010	30,292,510	23,563,357	10,640,157	334,730	2,165,861	80,549	67,077,164
2011	32,749,156	30,281,637	11,232,925	392,121	3,085,061	94,527	77,835,427
2012	34,308,002	35,472,615	11,210,488	383,897	4,606,037	109,508	86,090,547
2013	36,450,146	39,046,477	11,427,175	439,907	5,768,762	131,068	93,263,535
2014	38,921,197	44,776,484	12,732,502	639,530	6,512,643	130,902	103,713,258
2015	41,142,259	42,942,587	13,600,947	731,961	7,835,435	125,282	106,378,471
2016	44,048,630	34,858,568	13,200,933	655,498	5,290,840	638,192	98,692,661
2017	47,726,894	42,762,828	13,450,925	698,195	5,497,928	720,277	110,857,047
Change 2008-2017	0.684242476	0.659014844	0.213755988	1.186429755	1.235099032	7.591290346	0.628851961

(Unaudited - See Accompanying Independent Auditors' Report.)

**TABLE 6**

**CITY OF MIDLAND, TEXAS**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

<b>Fiscal Year Ended September 30,</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Minerals Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2007	\$ 4,111,423	\$ 682,286	\$ 37,335	\$ 403,036	\$ 4,428,008	0.5870
2008	5,176,698	739,893	38,426	776,942	5,178,075	0.5386
2009	6,141,934	792,798	45,844	971,455	6,009,121	0.4859
2010	6,543,503	808,358	36,343	874,523	6,513,681	0.4568
2011	6,657,433	750,432	51,731	702,824	6,756,772	0.47285
2012	6,844,436	806,228	47,912	603,653	7,094,923	0.47054
2013	7,329,781	931,865	60,452	600,770	7,721,328	0.461088
2014	8,358,847	1,075,642	67,736	664,669	8,837,556	0.431927
2015	9,520,300	1,454,108	86,535	817,087	10,243,856	0.393891
2016	10,539,319	1,608,772	211,148	830,389	11,528,850	0.380480
2017	10,992,507	1,512,465	162,024	807,685	11,859,311	0.399679

**Source:** Midland Central Appraisal District

**Note:** Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

**TABLE 7**

**CITY OF MIDLAND, TEXAS**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(rate per \$100 of assessed value)**

<b>Year</b>	<b>City Direct Rates</b>			<b>Overlapping Rates <sup>a</sup></b>			
	<b>Basic Rate</b>	<b>General Obligation Debt Service</b>	<b>Total Direct</b>	<b>Midland Independent School District</b>	<b>Midland Junior College</b>	<b>Midland County</b>	<b>Midland County Hospital District</b>
2008	0.4633	0.0753	0.5386	1.1681	0.1911	0.2305	0.1423
2009	0.4352	0.0507	0.4859	1.1651	0.1729	0.2075	0.1202
2010	0.3975	0.0593	0.4568	1.1526	0.1719	0.2118	0.1813
2011	0.41719	0.05566	0.47285	1.1451	0.1699	0.2118	0.1663
2012	0.41845	0.05209	0.47054	1.1411	0.1679	0.1982	0.1622
2013	0.40405	0.05704	0.461090	1.1301	0.1332	0.1402	0.1251
2014	0.385719	0.046208	0.431927	1.1401	0.1244	0.1265	0.1183
2015	0.337480	0.056411	0.393891	1.1401	0.1259	0.1408	0.1198
2016	0.332215	0.048265	0.380480	1.1201	0.1371	0.1560	0.1351
2017	0.360257	0.039422	0.399679	1.1201	0.1371	0.1560	0.1351

**Source:** Midland Central Appraisal District

**Note:** Rates for debt service are set based on each year's requirements.

<sup>a</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Midland.

**Table 8**

**CITY OF MIDLAND, TEXAS  
Principal Property Tax Payers  
Current Year and Nine Years Ago**

<b>Fiscal Year 2017</b>			<b>Fiscal Year 2008</b>		
<b><u>Taxpayer</u></b>	<b><u>Taxable Assessed Value</u></b>	<b><u>Percentage of Total City Taxable Assessed Value</u></b>	<b><u>Taxpayer</u></b>	<b><u>Taxable Assessed Value</u></b>	<b><u>Percentage of Total City Taxable Assessed Value</u></b>
Diamondback E&P LLC	\$ 341,814,790	2.88%	TXU Electric Delivery Co	\$ 43,324,600	0.84%
Viper Energy Partners LLC.	118,314,300	1.00%	Midland Park Mall LP	36,500,000	0.70%
Callon Petroluem Oper Co.	111,927,690	0.94%	Southwestern Bell Telephone	33,339,890	0.64%
Propetro Services (VEH)	93,756,290	0.79%	Camco Division of STC	24,201,690	0.47%
RSP Permian LLC	78,076,247	0.66%	Claydesta Buildings LP	21,825,470	0.42%
Chevron USA	68,075,950	0.57%	JM Cox Resources LP	18,623,940	0.36%
Oncor Electric FKA:TXU Ele (10)	59,782,830	0.50%	Midland Country Club	14,119,800	0.27%
Endeavor Energy Resources LP	52,790,234	0.45%	Deer Horn Aviation Ltd Co	13,711,220	0.26%
Occidental Permian Limited	51,158,450	0.43%	Midland FC Ltd	13,282,710	0.26%
COG Realty LLC	50,345,840	0.42%	Atmos Energy WT Division	12,589,670	0.24%
	<u>\$ 1,026,042,621</u>	<u>8.65%</u>		<u>\$ 231,518,990</u>	<u>4.47%</u>

**Source:** Midland Central Appraisal District

**TABLE 9**

**CITY OF MIDLAND, TEXAS  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year Ended September 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Adjustments to the Levy</b>	<b>Adjusted Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections</b>	
				<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2008	\$ 27,889,113	\$ (218,182)	\$ 27,670,931	\$ 27,287,802	98.62%	364,908.79	\$ 27,651,394	99.93%
2009	29,198,318	(107,874)	29,090,444	28,644,131	98.47%	428,475.61	29,070,560	99.93%
2010	29,754,496	(69,714)	29,684,782	29,260,114	98.57%	403,055.76	29,659,948	99.92%
2011	31,949,398	(31,512)	31,917,886	31,522,686	98.76%	367,148.86	31,884,302	99.89%
2012	33,384,453	34,411	33,418,864	33,021,270	98.81%	365,447.31	33,377,227	99.88%
2013	35,601,095	13,875	35,614,970	35,221,625	98.90%	349,209.21	35,558,902	99.84%
2014	38,171,791	13,875	38,185,666	35,221,625	92.24%	383,688.42	35,566,428	93.14%
2015	40,349,624	(61,546)	40,288,078	37,649,507	93.45%	270,447.83	37,649,507	93.45%
2016	43,993,236	(70,367)	43,922,869	43,388,728	98.78%	340,884.91	43,388,728	98.78%
2017	47,399,178	(76,649)	47,322,529	46,698,294	98.68%	-	46,698,294	98.68%

Source: Midland Central Appraisal District

TABLE 10

**CITY OF MIDLAND, TEXAS**  
**Taxable Sales by Category**  
**Last Ten Calendar Years**  
**(in thousands of dollars)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Agriculture, Forestry, Fishing, Hunting	\$ 6	\$ 9	\$ 2	\$ 1	\$ 3	\$ 2	\$ 2	\$ 51	\$ 197	\$ 378
Mining	157,197	183,665	131,288	259,423	468,320	538,191	449,326	570,842	1,572,006	244,396
Utilities	1,701	4,128	1,614	1,109	12	215	484	363	90	15
Construction	60,430	65,047	54,739	69,073	90,610	127,203	150,347	154,455	148,051	106,119
Manufacturing	49,102	54,214	46,183	53,011	71,407	80,801	94,079	91,330	50,920	54,270
Wholesale Trade	195,254	403,058	163,054	240,314	327,609	324,387	379,125	359,109	227,203	147,798
Retail Trade	999,585	1,043,751	984,145	1,060,820	1,249,127	1,332,609	1,440,110	1,577,050	1,378,194	1,244,772
Transportation, Warehousing	4,394	5,158	5,645	10,210	17,847	30,790	29,116	35,188	23,907	16,757
Information	42,621	43,895	41,168	43,214	49,424	53,460	59,935	78,034	81,836	75,945
Finance, Insurance	3,848	5,265	8,570	3,843	3,978	4,248	4,184	4,990	5,867	5,389
Real Estate, Rental, Leasing	31,128	46,016	28,232	37,188	64,100	82,602	92,640	98,098	84,710	66,885
Professional, Scientific, Technical Svc	78,849	69,681	41,756	73,569	86,885	130,234	107,340	99,282	83,674	69,161
Management of Companies, Enterprises	-	-	-	-	1	-	-	-	1,834	1
Admin, Support, Waste Mgmt, Remed	34,491	37,813	38,487	37,205	41,560	48,334	58,667	65,082	70,198	62,074
Educational Services	592	537	637	646	601	201	565	412	395	414
Health Care, Social Assistance	1,037	1,957	2,075	2,220	2,875	3,575	3,931	4,111	4,234	4,359
Arts, Entertainment, Recreation	21,648	25,214	23,935	24,042	26,962	33,916	37,669	42,957	44,628	33,659
Accommodation, Food Services	191,076	213,062	207,058	222,912	257,748	294,036	314,494	359,413	353,929	333,202
Other Services	45,827	49,190	43,962	48,100	59,119	73,895	73,294	92,593	86,843	72,023
Public Administration	6,409	1,467	1,593	1,846	1,976	2,146	2,268	9,677	9,511	10,320
Other	-	-	10,522	-	-	-	3	-	-	4,599
<b>Total</b>	<b>\$ 1,925,195</b>	<b>\$ 2,253,127</b>	<b>\$ 1,834,665</b>	<b>\$ 2,188,746</b>	<b>\$ 2,820,164</b>	<b>\$ 3,160,845</b>	<b>\$ 3,297,579</b>	<b>\$ 3,643,037</b>	<b>\$ 4,228,227</b>	<b>\$ 2,552,535</b>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Texas Comptroller of Public Accounts

(Unaudited - See Accompanying Independent Auditors' Report.)

**TABLE 11**

**CITY OF MIDLAND, TEXAS**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>Midland County</b>	<b>Midland Football/Soccer and Baseball Complex Development Corporation</b>	<b>Midland Development Corporation</b>
2008	1.00%	0.50%	0.25%	0.25%
2009	1.00%	0.50%	0.25%	0.25%
2010	1.00%	0.50%	0.25%	0.25%
2011	1.00%	0.50%	0.25%	0.25%
2012	1.00%	0.50%	0.25%	0.25%
2013	1.00%	0.50%	0.25%	0.25%
2014	1.00%	0.50%	0.25%	0.25%
2015	1.00%	0.50%	0.25%	0.25%
2016	1.00%	0.50%	0.25%	0.25%
2017	1.00%	0.50%	0.25%	0.25%

(Unaudited - See Accompanying Independent Auditors' Report.)

**Table 12**

**CITY OF MIDLAND, TEXAS**  
**Sales Tax Revenue Payers by Industry**  
**Current Calendar Year and Nine Years Ago**  
**(in thousands of dollars)**

	<b>2016</b>				<b>2007</b>			
	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Sales Subject to Sales Tax</b>	<b>Percentage of Total</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Sales Subject to Sales Tax</b>	<b>Percentage of Total</b>
Agriculture, Forestry, Fishing, Hunting	14	0.25 %	\$ 378	0.01 %	7	0.16 %	\$ 6	0.00 %
Mining	354	6.34	244,396	9.57	164	3.66	147,898	7.70
Utilities	9	0.16	15	0.00	13	0.29	3,178	0.17
Construction	441	7.90	106,119	4.16	356	7.94	59,334	3.09
Manufacturing	295	5.28	54,270	2.13	217	4.84	49,757	2.59
Wholesale Trade	288	5.16	147,798	5.79	257	5.73	223,721	11.65
Retail Trade	1,803	32.29	1,244,772	48.77	1,571	35.04	974,049	50.74
Transportation, Warehousing	59	1.06	16,757	0.66	36	0.80	4,404	0.23
Information	73	1.31	75,945	2.98	82	1.83	42,621	2.22
Finance, Insurance	42	0.75	5,389	0.21	36	0.80	3,840	0.20
Real Estate, Rental, Leasing	207	3.71	66,885	2.62	142	3.17	29,491	1.54
Professional, Scientific, Technical Svc	370	6.63	69,161	2.71	306	6.83	78,849	4.11
Management of Companies, Enterprises	4	0.07	1	0.00	3	0.07	889	0.05
Admin, Support, Waste Mgmt, Remed	288	5.16	62,074	2.43	277	6.18	34,979	1.82
Educational Services	65	1.16	414	0.02	52	1.16	592	0.03
Health Care, Social Assistance	40	0.72	4,359	0.17	34	0.76	1,037	0.05
Arts, Entertainment, Recreation	148	2.65	33,659	1.32	79	1.76	21,852	1.14
Accommodation, Food Services	573	10.26	333,202	13.05	373	8.32	191,347	9.97
Other Services	483	8.65	72,023	2.82	430	9.59	45,478	2.37
Public Administration	6	0.11	10,320	0.40	5	0.11	6,409	0.33
Nonclassifiable	-	-	-	-	-	-	-	-
Other	22	0.39	4,599	0.18	43	0.96	-	-
<b>Total</b>	<b>5,584</b>	<b>100.00 %</b>	<b>\$ 2,552,535</b>	<b>100.00 %</b>	<b>4,483</b>	<b>100.00 %</b>	<b>\$ 1,919,731</b>	<b>100.00 %</b>

**Source:** Texas Comptroller of Public Accounts

**Notes:** Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the city's revenue.

(Unaudited - See Accompanying Independent Auditors' Report.)

TABLE 13

**CITY OF MIDLAND, TEXAS**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-Type Activities					Total Primary Government	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds	General Obligation Refunding Bonds	Certificates of Obligation	Other Obligations	Capital Leases			
2008	\$ -	\$ 23,949,136	\$ 595,000	\$ 17,385,000	\$ 36,697,775	\$ 58,211,881	\$ 39,850	\$ -	\$ 136,878,642	2.01%	1,024
2009	7,747,929	24,146,486	525,000	15,895,000	35,295,650	55,529,561	35,400	-	139,175,026	1.51%	1,018
2010	6,285,485	23,085,494	450,000	14,325,000	33,258,079	53,302,405	-	-	130,706,463	1.74%	925
2011	4,793,522	21,785,385	370,000	12,685,000	30,315,663	50,013,416	-	-	119,962,986	1.38%	845
2012	3,281,661	34,760,320	285,000	10,955,000	27,246,725	65,222,949	-	-	141,751,655	1.26%	976
2013	2,145,786	33,066,162	195,000	-	24,036,761	63,315,952	-	197,320,677	320,080,338	2.54%	2,109
2014	5,200,324	54,205,556	100,000	-	21,499,547	63,052,883	-	229,630,333	373,688,643	2.75%	2,381
2015	3,828,678	52,416,186	-	-	17,726,630	60,636,482	-	232,058,693	366,666,669	2.40%	2,277
2016	2,429,689	50,194,519	-	-	13,797,701	58,087,908	-	232,896,859	357,406,676	2.05%	2,147
2017	1,560,000	78,536,123	-	-	-	56,053,285	-	234,096,590	370,245,998	2.13%	2,200

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Table 18 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**TABLE 14**

**CITY OF MIDLAND, TEXAS**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt Outstanding			Resources Restricted for Repayment of Outstanding Debt Principal	Net General Bonded Debt	Percentage of Actual Taxable Value <sup>a</sup> of Property	Net General Bonded Debt Per Capita <sup>b</sup>
	General Obligation Bonds	Certificates of Obligation	Total				
2008	\$ 36,697,775	\$ 82,256,429	\$ 118,954,204	\$ 245,073	\$ 118,709,131	2.29%	1,166
2009	43,043,579	79,739,718	122,783,297	328,948	122,454,349	2.04%	1,375
2010	39,543,564	76,425,526	115,969,090	419,353	115,549,737	1.77%	941
2011	35,109,185	71,816,524	106,925,709	448,006	106,477,703	1.58%	968
2012	30,528,386	99,988,103	130,516,489	413,744	130,102,745	1.83%	1,418
2013	26,182,547	96,382,114	122,564,661	479,598	122,085,063	1.58%	1,312
2014	26,699,871	117,258,439	143,958,310	524,091	143,434,219	1.62%	1,402
2015	21,555,308	113,052,668	134,607,976	778,424	133,829,552	1.31%	1,243
2016	16,227,390	108,282,427	124,509,817	754,328	123,755,489	1.07%	1,120
2017	1,560,000	134,589,408	136,149,408	434,347	135,715,061	1.14%	1,185

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Table 6 for property value data.

<sup>b</sup> See Table 18 for per capita data.

**Table 15**

**CITY OF MIDLAND, TEXAS**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2017**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Midland Independent School District	\$ 213,784,756	62.43%	\$ 133,465,823
Midland Junior College	34,819,760	58.33%	20,310,366
Midland County	16,620,000	56.22%	9,343,764
Midland County Hospital District	98,380,000	55.05%	54,158,190
Subtotal, overlapping debt			217,278,143
<b>City of Midland (direct debt)</b>			<u>80,096,123</u>
<b>Total direct and overlapping debt</b>			<u>\$ 297,374,266</u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the Midland Central Appraisal District and Assessment Debt outstanding data provided by each governmental unit.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Midland. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>a</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Table 16

**CITY OF MIDLAND, TEXAS**  
**Debt Margin Information**  
**Last Ten Fiscal Years**  
**(dollars in thousands)**

<b>Debt Margin Calculation for Fiscal Year 2017</b>	
Assessed value	\$ 11,859,312
Debt limit (8% of assessed value)	948,745
Debt applicable to limit:	
Total bonded debt	128,220
Less:	
Net assets in Debt Service Fund	412
Water and Sewer bonds	411
Airport bonds	0
Sports Complex bonds	0
Golf Course bonds	192
Total net debt applicable to limit	127,205
Debt margin	\$ 821,540

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 414,246	\$ 480,730	\$ 521,094	\$ 540,542	\$ 567,594	\$ 617,706	\$ 707,004	\$ 819,508	\$ 922,308	\$ 948,745
Total net debt applicable to limit	129,604	131,476	122,737	111,659	131,479	116,534	133,597	123,999	129,095	127,205
Debt margin	\$ 284,642	\$ 349,254	\$ 398,357	\$ 428,883	\$ 436,115	\$ 501,172	\$ 573,407	\$ 695,509	\$ 793,213	\$ 821,540
Total net debt applicable to the limit as a percentage of debt limit	31.29%	27.35%	23.55%	20.66%	23.16%	18.87%	18.90%	15.13%	14.00%	13.41%

**Note:** The Constitution and Statutes of the state of Texas and the Charter of the City of Midland do not provide for a legal debt limit. The 8% debt limit rate used herein is that recommended by the Finance Advisory Board of the City of Midland and adopted by the City Council as a guideline of safe debt limit.

Table 17

**CITY OF MIDLAND, TEXAS**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year	Water and Sewer Revenue Bonds					Airport Revenue Bonds				
	Gross Revenue <sup>a</sup>	Operating Expense <sup>b</sup>	Net Revenue Available for Debt Service	Revenue Bond Debt Service <sup>c</sup>	Coverage	Gross Revenue <sup>a</sup>	Operating Expense <sup>b</sup>	Net Revenue Available For Debt Service	Revenue Bond Debt Service <sup>c</sup>	Coverage
2008	\$ 44,358,068	\$ 29,955,214	\$ 14,402,854	\$ 2,204,304	6.53	\$ 8,933,959	\$ 5,269,760	\$ 3,664,199	-	-
2009	42,384,339	29,737,767	12,646,572	2,134,553	5.92	7,799,712	5,678,225	2,121,487	-	-
2010	41,059,387	29,904,315	11,155,072	2,140,761	5.21	7,928,367	6,081,691	1,846,676	-	-
2011	45,273,768	32,305,890	12,967,878	2,121,268	6.11	8,237,826	5,725,677	2,512,149	-	-
2012	41,572,651	30,434,690	11,137,961	2,064,539	5.39	9,076,228	5,493,295	3,582,933	-	-
2013 <sup>d</sup>	45,643,890	37,058,319	8,585,571	-	-	9,321,595	5,859,056	3,462,539	-	-
2014 <sup>d</sup>	54,687,506	39,497,509	15,189,997	-	-	12,608,260	6,017,131	6,591,129	-	-
2015 <sup>d</sup>	58,926,962	39,148,926	19,778,036	-	-	12,662,890	6,549,968	6,112,922	-	-
2016 <sup>d</sup>	62,371,431	43,771,947	18,599,484	-	-	10,986,568	6,749,283	4,237,285	-	-
2017 <sup>d</sup>	68,811,046	42,450,181	26,360,865	-	-	13,346,627	9,981,863	3,364,764	-	-

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup>The sum of operating revenue and net nonoperating income, excluding interest expense, reduced by interest income from investments by funds restricted for construction.

<sup>b</sup>Total expense exclusive of depreciation, interest, and amortization expenses.

<sup>c</sup>Excludes debt defeasance transactions.

<sup>d</sup>City's Water and Sewer Revenue Bonds debt - retired 2013

**Table 18**

**CITY OF MIDLAND, TEXAS  
Demographic and Economic Statistics  
Last Ten Calendar Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income (in thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2006	102,073	\$ 6,067,570	\$ 59,443	34.1	20,601	3.4%
2007	104,156	6,588,769	63,259	34.2	20,293	3.2%
2008	106,499	7,706,973	72,367	34.2	21,310	2.9%
2009	108,896	7,166,734	65,813	34.2	20,565	5.5%
2010	111,147	7,699,660	69,275	33.1	20,504	5.3%
2011	113,846	9,144,318	80,332	33.4	22,130	4.4%
2012	119,385	12,595,330	105,502	33.6	22,017	3.5%
2013	121,999	13,573,085	111,256	33.1	23,299	2.6%
2014	132,503	15,300,461	115,473	33.1	24,428	3.3%
2015	166,718	17,457,778	104,714	33.5	24,651	4.5%
2016	168,288	17,420,746	103,517	33.5	25,668	2.9%

**Sources:** Population estimates are prepared by City of Midland personnel. US Census population is used in census years. Personal income and per capita personal income provided by Bureau of Economic Analysis. Median age provided by Midland Development Corporation. School enrollment provided by Midland Independent School District. Unemployment data provided by Bureau of Labor Statistics.

**Table 19**

**CITY OF MIDLAND, TEXAS  
Principal Employers  
Current Year and Nine Years Ago**

<u>2017</u>			<u>2008</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Pioneer Natural Resources	3,600	4.23%	Midland Independent School District	2,826	3.88%
MISD	3,086	3.63%	Warren Equipment Companies	1,920	2.63%
Midland Memorial Hospital	2,103	2.47%	Midland Memorial Hospital and Medical Center	1,500	2.06%
Endeavor Energy Resources	1,517	1.78%	Dawson Geophysical	1,200	1.65%
City of Midland	976	1.15%	Midland College	1,200	1.65%
Walmart	816	0.96%	City of Midland	962	1.32%
Midland College	755	0.89%	Patterson Drilling UTI	750	1.03%
Dawson Geo	710	0.83%	Cingular Wireless	600	0.82%
HEB	658	0.77%	Midland County	583	0.80%
Midland County	629	0.74%	Key Energy Services	500	0.69%
	<u>14,850</u>	<u>17.46%</u>		<u>12,041</u>	<u>16.52%</u>

**Source:** Midland Chamber of Commerce, Bureau of Labor Statistics, individual employers consider this proprietary information and may be estimated

**Table 20**

**CITY OF MIDLAND, TEXAS**  
**Full-time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General government										
Administration	5	6	5	5	8	9	9	10	10	7
Support services	120	123	120	122	114	113	119	123	135	123
Fiscal management	15	17	17	18	17	16	15	15	15	16
Development services	93	105	96	92	89	31	36	37	42	39
Engineering	-	-	-	-	-	58	59	71	77	73
Community services	65	72	68	65	70	72	65	67	75	69
Police	208	222	220	223	225	226	214	234	239	244
Fire	193	191	191	184	181	178	198	204	209	217
Other	2	1	1	1	-	1	-	-	-	-
Airport	25	30	29	27	26	29	30	28	31	30
Water and sewer	96	104	93	88	86	84	80	94	96	92
Sanitation	48	51	46	48	51	51	47	58	59	52
Golf course	8	10	10	8	9	9	10	11	14	14
<b>Total</b>	<b>878</b>	<b>932</b>	<b>896</b>	<b>881</b>	<b>876</b>	<b>877</b>	<b>882</b>	<b>952</b>	<b>1,002</b>	<b>976</b>

**Source:** City departments

Table 21

**CITY OF MIDLAND, TEXAS**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Development services										
Street resurfacing/surface treatments (miles)	10.51	13.03	-	16.51	-	10.57	2.10	8.96	22.05	60.62
Potholes repaired	12,755	17,414	39,622	8,495	19,794	8,939	31,538	14,801	11,421	17,048
Community services										
Animal control animals handled	10,906	10,711	8,472	6,706	7,087	6,823	6,966	7,040	6,988	6,386
Health department immunizations given	22,372	25,452	22,251	22,989	16,521	13,183	16,815	21,441	19,404	12,499
Police										
Traffic citations	18,354	18,318	17,076	16,364	17,795	20,332	16,924	15,124	18,602	21,573
Parking citations	5,173	4,468	4,111	4,539	3,508	898	2,893	3,049	1,982	2,881
Criminal misdemeanor citations	6,583	5,713	5,198	5,054	4,993	4,587	4,629	4,825	4,593	5,248
Fire										
Emergency responses	8,860	8,873	10,829	12,674	10,175	14,103	15,234	15,369	14,293	15,202
Fires extinguished	600	661	543	818	458	531	501	501	473	478
Inspections	6,117	5,843	6,647	5,246	5,168	7,175	7,446	135	9,913	7,097
Airport										
Major airlines	4	3	3	4	4	4	4	4	3	3
Passengers boardings	496,911	433,738	426,288	463,874	365,991	499,170	529,357	527,315	468,785	503,746
Commercial Landings	8,277	7,691	7,936	7,765	5,988	9,026	9,654	9,632	8,522	8,020
Water and sewer										
New accounts - net	916	249	260	523	320	632	960	688	709	1,141
Water main breaks	41	54	61	79	81	74	81	99	88	73
Average daily consumption (MGD)	24.516	24.308	22.821	23.531	15.532	15.717	12.765	12.616	12.442	12.492
Peak daily consumption (MGD)	42.349	42.347	40.041	35.374	27.116	23.198	20.441	20.610	17.364	17.731
Average daily sewage treatment (MGD)	11.665	11.663	10.005	10.553	10.123	9.241	9.162	8.849	9.271	9.379
Sanitation										
Refuse collected (tons)	188,450	210,373	180,422	200,711	195,663	223,796	252,248	272,533	242,784	245,724
Recyclables collected (tons)	5,020	1,787	2,016	1,547	1,506	1,315	1,383	1,812	1,282	1,314
Sports complex										
Baseball stadium attendance <sup>a</sup>	332,497	325,064	329,688	322,272	331,195	343,615	362,999	382,403	324,307	348,173
Football/soccer stadium attendance	162,354	172,977	167,086	197,665	123,475	105,600	132,064	123,681	127,227	117,890
Golf course										
Attendance	64,451	62,940	57,104	60,236	63,205	68,291	56,636	51,040	50,757	51,253
Tournaments	118	89	90	90	82	88	71	81	68	69

**Source:** City departments

**Notes:** N/A - Data not available

(Unaudited - See Accompanying Independent Auditors' Report.)

Table 22

**CITY OF MIDLAND, TEXAS**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Development services										
Streets - paved (miles)	571	584	736	741	597	596	607	613	615	627
Streets - unpaved (miles)	12	12	29	28	33	14	19	35	37	19
Alleys - paved (miles)	123	125	133	133	128	136	139	142	137	141
Streetlights	6,020	6,005	6,050	6,096	6,209	6,272	6,321	6,321	6,351	6,351
Signalized locations	116	116	117	118	118	118	118	114	102	113
Community services										
Parks acreage	1,256	1,256	1,275	1,275	1,275	1,342	1,342	1,342	1,342	1,342
Playgrounds	40	40	39	39	39	39	39	40	40	40
Baseball/softball diamonds	64	64	64	64	64	64	64	64	64	64
Football/soccer fields	52	52	49	49	49	49	49	49	49	49
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	2	2	2	2	2	2	2	2	2	2
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Marked patrol units	128	114	110	138	138	160	151	61	120	120
Fire										
Stations	9	9	9	9	9	9	9	10	10	10
Airport										
Primary runway (feet)	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501
Primary crosswind runway (feet)	8,302	8,302	8,302	8,302	8,302	8,302	8,302	8,302	8,302	8,302
General aviation runways (feet)	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944
Water and sewer										
Water mains (miles)	838	861	668	771	782	714	823	835	843	845
Fire hydrants	3,202	3,301	3,297	3,425	3,418	3,412	3,678	3,716	3,885	4,074
System capacity (million gallons)	51	51	51	51	51	55	55	55	55	55
Sanitary sewers (miles)	591	600	527	585	591	555	625	636	636	663
Storm sewers (miles)	47	47	43	43	44	44	46	64	64	61
Sanitation										
Refuse trucks	42	42	43	46	37	38	43	45	46	47
Sports complex										
Stadiums	2	2	2	2	2	2	2	2	2	2
Golf course										
Courses	2	2	2	2	2	2	2	2	2	2
Holes	36	36	36	36	36	36	36	36	36	36

**Source:** City departments

**Notes:** N/A - Data not available

(Unaudited - See Accompanying Independent Auditors' Report.)

## **SUPPLEMENTAL SECTION**

CITY OF MIDLAND, TEXAS

**Table 1 - Valuation, Exemptions and General Obligation Debt**

2016 Market Valuation Established By Midland Central Appraisal District (excluding totally exempt property)		\$ 12,523,479,257
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	219,735,618	
Disabled Veterans	5,269,460	
Abatements	0	
Open-Space and Land Use Restrictions and Tax Increment Value	56,713,299	281,718,377
2016 Taxable Assessed Valuation		\$ 12,241,760,880
City Funded Debt Payable From Ad Valorem Taxes (as of 9-30-16)		
General Obligation Bonds and Certificates of Obligation (1)	128,220,000	
Funded Debt Payable from Ad Valorem Taxes		\$ 128,220,000
Less: Self Supporting Debt (2)		
Scharbauer Sports Complex General Obligation Debt	27,245,000	
Water and Sewer General Obligation Debt	52,845,000	80,090,000
Airport General Obligation Debt		
General Purpose Funded Debt Payable from Ad Valorem Taxes		\$ 48,130,000
Interest and Sinking Fund (as of 9-30-16) (3)		\$ 647,266
Ratio Funded Debt to Taxable Assessed Valuation		1.05%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		0.39%
2017 Estimated Population .....	134,610	
Per Capita 2017 Taxable Assessed Valuation .....	\$ 90,942.43	
Per Capita Total Funded Debt .....	\$ 952.53	
Per Capita General Purpose Funded Debt .....	\$ 357.55	

(1) The above statement of indebtedness includes no Waterworks and Sewer System Revenue Bonds as final payment on the last outstanding revenue bond was made on March 1, 2013 . The statement also does not include any Waterworks and Sewer System Junior Lien Revenue Bonds, Series 1999 as all outstanding bonds were redeemed on April 3, 2013.

(2) The City provides for debt service on general obligation debt issued to fund a Football /Soccer and Baseball Sports Complex and Airport improvements from surplus (net) revenues of these systems. Included in the net revenues of the Scharbauer Sports Complex are receipts from a 1/4 of 1% sales tax received from the Midland Football/Soccer and Baseball Complex Development Corporation.

"Scharbauer Sports Complex General Obligation Debt" consists of \$13,620,000 General Obligation Refunding Bonds, Series 2006B

"Water and Sewer General Obligation Debt" consists of \$40,890,000 Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 and \$0.00 paid off 2016 Tax and Revenue Refunding Bonds, Series 2007 and \$13,770,000 Tax and Limited Pledge Revenue Certificates of 2012 Certificates of Obligation.

"Airport General Obligation Debt" consists of \$0.00 General Obligation Refunding Bonds, Series 2006A paid off 2016.

(3) Excludes \$1,398,702 to the credit of the Interest and Sinking Fund for Scharbauer Sports complex General Obligation Debt, \$1,298,075 to the credit of the Water and Sewer General Obligation Debt, and \$7,462 to the credit of the Interest and Sinking Fund for Airport General Obligation Debt. Amount in the Airport General Obligation Debt will be closed out in 2017 because debt was paid off in 2016.

CITY OF MIDLAND, TEXAS

Table 2 - Taxable Assessed Valuations by Category

Category	Taxable Appraised Value for Fiscal Year Ended 9-30					
	2018		2017		2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 7,897,453,843	60.51%	\$ 7,487,316,710	59.11%	\$ 7,182,037,920	58.11%
Real, Residential, Multi-Family	724,997,277	5.55%	694,918,310	5.49%	641,767,780	5.19%
Real, Vacant Lots/Tracts	275,980,662	2.11%	279,045,700	2.20%	285,542,235	2.31%
Real, Acreage (Land Only)	146,233,030	1.12%	135,869,280	1.07%	134,194,790	1.09%
Real, Farm and Ranch Improvements	43,763,840	0.34%	41,318,770	0.33%	41,466,360	0.34%
Real, Commercial and Industrial	2,243,385,627	17.19%	2,337,987,520	18.46%	2,237,851,830	18.11%
Real, Oil, Gas and Other Mineral Reserves	294,473,212	2.26%	162,024,075	1.28%	211,147,575	1.71%
Real and Tangible Personal, Utilities	192,085,200	1.47%	179,503,280	1.42%	161,088,750	1.30%
Tangible Personal, Commercial and Industrial	1,215,381,840	9.31%	1,274,394,830	10.06%	1,387,155,670	11.22%
Tangible Personal, Other	18,197,800	0.14%	16,693,740	0.13%	14,832,090	0.12%
Real Property, Inventory (1)	-	0.00%	57,924,060	0.46%	62,153,380	0.50%
Total Appraised Value Before Exemptions	\$ 13,051,952,331	100.00%	\$ 12,666,996,275	100.00%	\$ 12,359,238,380	100.00%
Less: Total Exemptions/Reductions	810,191,451		807,684,666		830,388,593	
Taxable Assessed Value	\$ 12,241,760,880		\$ 11,859,311,609		\$ 11,528,849,787	

Category	Taxable Appraised Value for Fiscal Year Ended 9-30					
	2015		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 6,566,069,700	50.31%	\$ 5,707,614,570	60.07%	\$ 5,115,928,260	53.84%
Real, Residential, Multi-Family	605,596,170	4.64%	543,209,910	5.72%	438,623,740	4.62%
Real, Vacant Lots/Tracts	252,255,175	1.93%	226,359,700	2.38%	186,972,900	1.97%
Real, Acreage (Land Only)	131,933,230	1.01%	133,623,230	1.41%	99,080,780	1.04%
Real, Farm and Ranch Improvements	36,573,560	0.28%	32,233,230	0.34%	30,133,660	0.32%
Real, Commercial and Industrial	1,912,483,020	14.65%	1,699,367,430	17.88%	1,444,017,790	15.20%
Real, Oil, Gas and Other Mineral Reserves	86,534,550	0.66%	67,736,295	0.71%	60,451,810	0.64%
Real and Tangible Personal, Utilities	174,194,090	1.33%	121,906,180	1.28%	112,239,820	1.18%
Tangible Personal, Commercial and Industrial	1,233,577,870	9.45%	914,654,730	9.63%	788,023,400	8.29%
Tangible Personal, Other	7,246,580	0.06%	3,977,540	0.04%	3,736,860	0.04%
Real Property, Inventory (1)	54,478,610	0.42%	51,542,520	0.54%	42,888,950	0.45%
Total Appraised Value Before Exemptions	\$ 11,060,942,555	84.75%	\$ 9,502,225,335	100.00%	\$ 8,322,097,970	87.58%
Less: Total Exemptions/Reductions	817,087,089		664,669,273		600,769,922	
Taxable Assessed Value	\$ 10,243,855,466		\$ 8,837,556,062		\$ 7,721,328,048	

NOTE: Valuations shown are certified taxable assessed values reported by the Midland Central Appraisal District to the State Controller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(1) Real inventory properties in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.

**CITY OF MIDLAND, TEXAS**

**Table 3A - Valuation and General Obligation Debt History**

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	General Purpose Funded Tax Debt Outstanding at End of Year (3)	Ratio General Purpose Funded Tax Debt to Taxable Assessed Valuation	General Purpose Funded Tax Debt Per Capita
2013	124,127	7,721,328,048	62,205	34,480,000	0.45%	278
2014	128,037	8,837,556,062	69,023	57,470,000	0.65%	449
2015	132,503	10,243,855,466	77,310	54,670,000	0.53%	413
2016	128,894	11,528,849,787	89,444	51,140,000	0.44%	397
2017	132,950	11,859,311,609	89,201	48,130,000	0.41%	362
2018 (4)	134,610	12,241,760,880	90,942	45,004,999	0.37%	334

- (1) Source: City of Midland, Texas; the U.S. Census Bureau 2010 through 2014; estimated 2015 and 2016.  
 (2) Basis of assessment for all years 100% of market value. All taxable property is revalued each year.  
 (3) General Purpose Funded Tax Debt less Self-Supporting Funded Tax Debt (see "Table 3B - Derivation of General Purpose Funded Tax Debt").  
 (4) Projected

**Table 3B - Derivation of General Purpose Funded Tax Debt**

Fiscal Year Ending 9-30	Total Funded Tax Debt Outstanding At End of Year	Less: Self-Supporting Funded Tax Debt			General Purpose Funded Tax Debt	
		Airport General Obligation Debt	Water and Sewer General Obligation Debt	Scharbauer Sports Complex General Obligation Debt		
2013	120,385,000	4,600,000	61,350,000	19,955,000	0	34,480,000
2014	137,770,000	3,140,000	59,215,000	17,945,000	0	57,470,000
2015	129,095,000	1,605,000	56,985,000	15,835,000	0	54,670,000
2016	119,420,000	0	54,660,000	13,620,000	0	51,140,000
2017	128,220,000	0	52,845,000	0	27,245,000	48,130,000
2018 (1)	122,549,999	0	50,950,000	0	26,595,000	45,004,999

(1) Projected

**Table 4 - Tax Rate, Levy and Collection History**

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2013	0.461090	0.40405	0.05704	35,602,271	96.31%	98.70%
2014	0.431927	0.38572	0.04621	38,171,791	96.24%	98.55%
2015	0.393891	0.33748	0.05641	40,349,624	96.85%	98.02%
2016	0.380480	0.33222	0.04827	43,864,967	98.91%	99.71%
2017	0.399679	0.36026	0.03942	47,399,178	98.52%	99.53%
2018	0.408389	0.36750	0.04089	49,994,005	N/A	N/A

CITY OF MIDLAND, TEXAS

Table 5 - Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	2016 Taxable Assessed Valuation	% of 2016 Total Taxable Assessed Valuation
Diamondback E&P LLC	Oil and Gas	\$ 341,814,790	2.88%
Viper Energy Partners LLC.	Oil and Gas	118,314,300	1.00%
Callon Petroleum Oper Co.	Oil and Gas	111,927,690	0.94%
Propetro Services (VEH)	Oil and Gas	93,756,290	0.79%
RSP Permian LLC	Oil and Gas	78,076,247	0.66%
Chevron USA	Oil and Gas	68,075,950	0.57%
Oncor Electric FKA:TXU Ele (10)	Electric Utility	59,782,830	0.50%
Endeavor Energy Resources LP	Oil and Gas	52,790,234	0.45%
Occidental Permian Limited	Oil and Gas	51,158,450	0.43%
COG Realty LLC	Oil and Gas	50,345,840	0.42%
		\$ <u>1,026,042,621</u>	<u>8.65%</u>

Table 6 - Tax Adequacy

Maximum Principal and Interest Requirements, All General Obligation Debt.....	\$	11,177,535
\$.0951 Tax Rate at 96% Collection Produces.....	\$	11,177,535
Maximum Principal and Interest Requirements General Purpose General Obligation Debt, 2017.....	\$	5,001,380
\$.0426 Tax Rate at 96% Collection Produces.....	\$	5,001,380

Table 7 - Estimated Overlapping Debt

Taxing Jurisdiction	Taxable Assessed Valuation As Of 9-30-16 (1)	Tax Rate (1)	Total Funded Debt As Of 9-30-16	Estimated % Applicable to City (1)	City's Overlapping Funded Debt As Of 9-30-16	Authorized But Unissued Debt As Of 9-30-16
City of Midland	\$ 11,859,311,609	\$ 0.399679	\$ 80,096,123 (6)	100.00%	\$ 80,096,123	\$ 0
Midland Independent School District	18,996,103,375	1.120055	213,784,756 (2)	62.43%	133,465,823	0
Midland Community College District	20,333,104,648	0.137110	34,819,760 (5)	58.33%	20,310,366	0
Midland County	21,094,355,530	0.155992	16,620,000 (3)	56.22%	9,343,764	0
Midland County Hospital District	21,541,425,198	0.135050	98,380,000 (4)	55.05%	54,158,190	0
Total Direct and Overlapping G.O. Debt					\$ <u>297,374,266</u>	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation					2.51%	
Per Capita Overlapping G.O. Debt					\$ 2,209.15	

Sources:

- (1) Midland Central Appraisal District
- (2) Midland Independent School District
- (3) Midland County
- (4) Midland County Hospital District
- (5) Midland Community College District
- (6) General Purpose Funded Debt; excludes self-supporting funded debt

**CITY OF MIDLAND, TEXAS**

**Table 8A - General Obligation Debt Service Requirements and  
Table 8b - Division of Debt Service Requirements**

Fiscal Year Ending 9 - 30	Outstanding Requirements			% of Principal Retired	Less: Hotel/Motel General Obligation Debt	Less: Water and Sewer System General Obligation Tax Debt	General Purpose Funded Tax Debt
	Principal	Interest	Total				
2018	5,670,000	5,507,535	11,177,535	4.42%	1,794,050	4,241,424	5,142,061
2019	5,415,000	5,301,792	10,716,792	8.65%	1,792,650	4,242,574	4,681,568
2020	5,640,000	5,090,866	10,730,866	13.04%	1,794,200	4,243,824	4,692,842
2021	5,475,000	4,861,471	10,336,471	17.31%	1,796,900	4,242,518	4,297,053
2022	5,715,000	4,619,968	10,334,968	21.77%	1,793,275	4,242,274	4,299,419
2023	5,960,000	4,371,046	10,331,046	26.42%	1,793,825	4,241,434	4,295,787
2024	6,235,000	4,106,250	10,341,250	31.28%	1,796,800	4,245,281	4,299,169
2025	6,520,000	3,817,409	10,337,409	36.37%	1,794,800	4,243,481	4,299,128
2026	6,815,000	3,518,955	10,333,955	41.68%	1,792,250	4,245,656	4,296,049
2027	7,120,000	3,216,565	10,336,565	47.24%	1,793,625	4,246,594	4,296,346
2028	6,870,000	2,914,402	9,784,402	52.59%	1,792,550	4,242,431	3,749,421
2029	7,175,000	2,613,456	9,788,456	58.19%	1,794,350	4,242,106	3,752,000
2030	6,765,000	2,309,388	9,074,388	63.47%	1,794,350	4,243,991	3,036,047
2031	7,075,000	2,003,270	9,078,270	68.98%	1,792,950	4,242,381	3,042,939
2032	7,395,000	1,679,963	9,074,963	74.75%	1,794,425	4,242,494	3,038,044
2033	5,594,999	1,379,125	6,974,124	79.11%	1,792,800	3,111,125	2,070,199
2034	5,865,000	1,112,605	6,977,605	83.69%	1,793,300	3,113,625	2,070,680
2035	4,030,000	875,300	4,905,300	86.83%	1,795,675	3,109,625	0
2036	4,235,000	668,675	4,903,675	90.13%	1,794,800	3,108,875	0
2037	4,455,000	451,425	4,906,425	93.61%	1,795,550	3,110,875	0
2038	1,490,000	302,800	1,792,800	94.77%	1,792,800	0	0
2039	1,570,000	226,300	1,796,300	96.00%	1,796,300	0	0
2040	1,650,000	145,800	1,795,800	97.28%	1,795,800	0	0
2041	1,715,000	78,825	1,793,825	98.62%	1,793,825	0	0
2042	1,770,001	26,550	1,796,551	100.00%	1,796,550	0	0
<b>Total</b>	<b>\$ 128,220,000</b>	<b>\$ 61,199,741</b>	<b>\$ 189,419,741</b>		<b>\$ 44,858,400</b>	<b>\$ 79,202,588</b>	<b>\$ 65,358,752</b>

(Unaudited - See Accompanying Independent Auditors' Report.)

**CITY OF MIDLAND, TEXAS**

**Table 9 - Interest and Sinking Fund Budget Projection**

	Water and Sewer General Obligation Debt	General Purpose General Obligation Debt	Combined General Obligation Debt
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Debt Service Requirements, Fiscal Year Ending 9-30-18	\$ 4,241,424	\$ 6,936,111	\$ 11,177,535
Source of Funds, Fiscal Year Ending 9-30-18			
Interest and Sinking Funds, 9-30-17	\$ 410,504	\$ 647,266	\$ 1,057,770
Budgeted Ad Valorem Tax Receipts, Including Delinquent Tax Collections		5,001,380	5,001,380
Budgeted Transfers:			
From Water and Sewer Fund	4,241,424	2,500	4,243,924
From Airport Fund	0	0	0
From Airport Passenger Facility Fund	0	0	0
From Sports Complex Operations Fund	0	0	0
From Golf Course Fund	0	0	0
From Hotel/Motel Fund		1,794,050	1,794,050
Estimated Investment Income	<u>12,000</u>	<u>6,000</u>	<u>18,000</u>
Total Sources of Funds	\$ <u>4,663,928</u>	\$ <u>7,451,196</u>	\$ <u>12,115,124</u>
Estimated Balance, 9-30-18	\$ <u><u>422,504</u></u>	\$ <u><u>515,085</u></u>	\$ <u><u>937,589</u></u>

**Table 10 - Computation of Self-Supporting Debt**

Net Revenues, Fiscal Year Ended 9-30-17	\$ <u>Water &amp; Sewer</u> 26,360,865
Balance Available	
Bond Requirements	\$ 26,360,865
Balance Available for Other Purposes	\$ 26,360,865
Less: System General Obligation Debt Requirements, Fiscal Year 2017-2018	<u>4,241,424</u>
Balance	\$ <u><u>22,119,441</u></u>
Percentage of System General Obligation Debt Self-Supporting	100.00%

(Unaudited - See Accompanying Independent Auditors' Report.)

**CITY OF MIDLAND, TEXAS**

**Table 11 - Authorized but Unissued General Obligation Bonds**

The City has no authorized but unissued general obligation bonds.

**Table 12 - Other Obligations**

The City has no lease-purchase agreements for the acquisition of any assets.

CITY OF MIDLAND, TEXAS

Table 13 - General Fund Revenues and Expenditure History

	For Fiscal Years Ending September 30,				
	2017	2016	2015	2014	2013
<b>Revenues</b>					
Taxes	\$ 100,085,072	87,306,417	\$ 92,733,411	\$ 92,001,619	\$ 82,072,286
Licenses and permits	2,328,984	1,993,818	3,569,903	3,091,399	3,142,106
Fines and forfeitures	4,975,409	3,802,748	3,349,255	3,783,005	3,891,789
Charges for current services	3,530,556	3,076,000	3,182,358	2,640,062	2,564,362
Rentals	206,353	125,246	14,144	14,244	17,344
Intergovernmental grants	815,299	940,671	1,071,450	859,928	782,449
Investment income	522,220	544,327	1,819,941	1,327,357	(896,062)
Miscellaneous	8,490,331	5,725,036	1,024,344	1,006,249	1,087,825
Total revenues	\$ <u>120,954,224</u>	<u>103,514,263</u>	\$ <u>106,764,806</u>	\$ <u>104,723,863</u>	\$ <u>92,662,099</u>
<b>Expenditures</b>					
Administration	\$ 1,316,284	1,518,144	\$ 1,744,680	\$ 1,681,529	\$ 1,478,038
Support services	14,395,202	25,588,452	16,392,321	13,752,715	15,767,979
Fiscal management	2,144,030	2,116,459	2,079,315	2,260,620	2,205,458
Development services	3,315,831	3,267,907	3,555,322	3,350,847	2,618,009
Engineering	13,576,698	15,178,993	17,431,031	13,905,183	15,188,449
Community services	11,054,390	11,984,591	12,346,085	10,261,957	10,018,185
Police	27,743,755	26,469,372	25,308,241	25,416,580	24,538,644
Fire	26,021,410	25,949,421	26,254,173	24,516,468	22,905,985
Other	3,976,334	4,627,938	3,977,125	3,475,988	2,585,876
Total expenditures	\$ <u>14,837,595</u>	<u>116,701,277</u>	\$ <u>109,088,293</u>	\$ <u>98,621,887</u>	\$ <u>97,306,623</u>
	<u>118,381,529</u>				
Excess of revenues over (under) expenditures	\$ <u>2,572,695</u>	<u>(13,187,014)</u>	\$ <u>(2,323,487)</u>	\$ <u>6,101,976</u>	\$ <u>(4,644,524)</u>
<b>Other financing sources (uses):</b>					
Sale of capital assets	\$ 279,973	-	\$ -	\$ -	\$ 350,000
Transfers in	40,020,913	6,054,080	4,566,344	5,270,262	5,043,341
Transfers out	(6,292,654)	(1,008,329)	(751,830)	(590,937)	(565,834)
Total Other Financing Sources (Uses)	\$ <u>34,008,232</u>	<u>5,045,751</u>	\$ <u>3,814,514</u>	\$ <u>4,679,325</u>	\$ <u>4,827,507</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ 36,580,927	(8,141,263)	\$ 1,491,027	\$ 10,781,301	\$ 182,983
Fund balance at the beginning of the year, as previously reported	\$ <u>62,991,568</u>	<u>71,132,831</u>	\$ <u>69,641,804</u>	\$ <u>58,860,503</u>	\$ <u>58,677,520</u>
Fund balance at the end of the year	\$ <u>99,572,495</u>	<u>62,991,568</u>	\$ <u>71,132,831</u>	\$ <u>69,641,804</u>	\$ <u>58,860,503</u>

**CITY OF MIDLAND, TEXAS**

**Table 14 - Municipal Sales Tax History**

<u>Fiscal Year Ended 9-30</u>	<u>Total Collected</u>	<u>% of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>	<u>Per Capita (1)</u>
2013	39,046,477	109.67%	0.5057	312.86
2014	44,776,484	117.30%	0.5067	348.40
2015	42,942,587	106.43%	0.4192	324.09
2016	34,858,568	79.47%	0.3024	270.44
2017	39,501,727	83.34%	0.3331	297.12

(1) See "Estimated Population" under "Table 3A - Valuation and Funded Debt History".

**Table 15 - Current Investments**

As of September 30, 2017, the City's investable funds were invested in the following categories:

Type of Investment

<u>Description</u>	<u>% of Market Value</u>	<u>Market Value</u>
U.S. Treasury Notes and Bills	0.00%	\$ 0
U.S. Agency and Instrumentality	22.52%	64,389,735
Cash and Local Government Pools	<u>77.48%</u>	<u>221,519,434</u>
Totals	<u>100.00%</u>	<u>\$ 285,909,169</u>

As of such date, 72.28% of the City's investment portfolio was invested in immediately available the effective investment yield was 1.0765%. Average maturity of the portfolio was 9.47 months.

CITY OF MIDLAND, TEXAS

Table 16A - Airport Statement of Operations

	For Fiscal Year Ending Septe		For Fiscal Year Ending September 30,			
	2017	2016	2015	2014	2013	2012
<u>Operating Revenues</u>						
<u>Terminal (1)</u>						
Airport Parking	\$ 3,533,079	\$ 3,391,476	\$ 3,923,015	\$ 2,987,635	\$ 2,417,005	\$ 2,245,055
Airport Building Rental	4,704,832	4,614,015	4,312,874	4,090,892	3,411,902	3,107,199
Airport Aviation Rental	260,392	130,796	431,819	359,438	235,853	234,823
Airport Landing Fees	423,375	494,015	527,521	487,659	464,970	435,169
Airport Commercial Rentals	0	(172)	150,066	168,248	188,032	181,789
Airport Fuel and Oil Commissions	107,506	109,374	88,955	104,480	96,250	98,528
Miscellaneous	1,722,520	115,036	538,283	504,421	94,199	95,197
	<u>\$ 10,751,704</u>	<u>\$ 8,854,540</u>	<u>\$ 9,972,533</u>	<u>\$ 8,702,773</u>	<u>\$ 6,908,211</u>	<u>\$ 6,397,760</u>
<u>Air Park (2)</u>						
Airpark Rentals	\$ 124,853	\$ 12,099	\$ 136,204	\$ 135,924	\$ 138,837	\$ 145,220
Airpark Fuel and Oil Commissions	4,530	4,162	21,832	22,614	20,602	18,874
	<u>\$ 129,383</u>	<u>\$ 16,261</u>	<u>\$ 158,036</u>	<u>\$ 158,538</u>	<u>\$ 159,439</u>	<u>\$ 164,094</u>
Total Operating Revenues	<u>\$ 10,881,087</u>	<u>\$ 8,870,801</u>	<u>\$ 10,130,569</u>	<u>\$ 8,861,311</u>	<u>\$ 7,067,650</u>	<u>\$ 6,561,854</u>
<u>Nonoperating Revenues</u>						
Passenger Facility Charges	\$ 1,952,350	\$ 1,957,035	\$ 1,999,243	\$ 1,594,738	\$ 2,028,866	\$ 2,126,221
Other Nonoperating	513,190	158,732	533,078	2,152,211	225,079	388,153
Total Nonoperating Revenues	<u>\$ 2,465,540</u>	<u>\$ 2,115,767</u>	<u>\$ 2,532,321</u>	<u>\$ 3,746,949</u>	<u>\$ 2,253,945</u>	<u>\$ 2,514,374</u>
GROSS REVENUES	<u>\$ 13,346,627</u>	<u>\$ 10,986,568</u>	<u>\$ 12,662,890</u>	<u>\$ 12,608,260</u>	<u>\$ 9,321,595</u>	<u>\$ 9,076,228</u>
<u>OPERATING AND MAINTENANCE EXPENSES (3)</u>						
Salaries and Fringe Benefits	\$ 2,490,903	\$ 2,320,708	\$ 2,168,268	\$ 2,308,505	\$ 2,147,271	\$ 1,929,992
Contractual Services	5,074,994	2,157,535	2,104,835	1,812,983	1,976,765	1,816,722
Maintenance of Structures	201,980	189,704	210,415	66,786	113,984	65,661
Maintenance of Equipment	52,536	51,021	90,981	57,603	25,890	52,287
Foreign Trade Zone	143,853	149,495	174,989	149,552	155,011	154,132
General Fund Services	1,934,680	1,758,800	1,600,000	1,500,000	1,368,159	1,409,574
Supplies	82,917	122,020	200,480	121,702	71,977	64,927
Other Expenses	-	-	-	-	-	-
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 9,981,863</u>	<u>\$ 6,749,283</u>	<u>\$ 6,549,968</u>	<u>\$ 6,017,131</u>	<u>\$ 5,859,057</u>	<u>\$ 5,493,295</u>
NET REVENUES	<u>\$ 3,364,764</u>	<u>\$ 4,237,285</u>	<u>\$ 6,112,922</u>	<u>\$ 6,591,129</u>	<u>\$ 3,462,538</u>	<u>\$ 3,582,933</u>

(1) "Terminal" means Midland International Airport

(2) "Airpark" is a 500 acre airport, part of the Airport System, located in north Midland.

(3) "Operating and Maintenance Expenses" do not include depreciation, capital outlay or debt service.

**CITY OF MIDLAND, TEXAS**

**Table 16B - Water & Sewer Statement of Operations**

REVENUES	For Fiscal Year Ending September 30,				
	2017	2016	2015	2014	2013
Water Sales ( 1 )	\$ 51,066,659	46,239,322	\$ 42,865,547	\$ 40,020,844	\$ 33,976,375
Sewer Charges ( 1 )	14,849,607	13,850,463	13,012,975	11,394,356	10,482,328
Other Operating Revenue	47,235	51,729	1,001,856	1,146,497	1,085,465
Total Operating Revenue	\$ 65,963,501	60,141,514	\$ 56,880,378	\$ 52,561,697	\$ 45,544,168
Non-Operating Income ( 2 )	2,847,545	2,229,917	2,046,584	2,125,809	107,824
Total Revenue	\$ 68,811,046	62,371,431	\$ 58,926,962	\$ 54,687,506	\$ 45,651,992
<b>OPERATING EXPENSE ( 3 )</b>					
Salaries and Fringe Benefits	\$ 7,101,354	6,958,527	\$ 5,912,909	\$ 5,751,727	\$ 5,830,211
Contractual Services ( 4 )	23,733,048	24,423,834	24,248,801	26,616,536	24,630,222
Maintenance of Structure	1,218,574	3,385,840	1,124,146	558,523	438,788
Maintenance of Equipment	1,069,120	970,145	564,050	518,957	456,659
Franchise Fees	3,957,289	3,582,351	3,527,560	3,114,314	2,692,772
General Fund Services	1,575,626	1,588,293	1,103,177	1,300,289	1,388,229
Supplies	3,727,856	2,823,433	2,554,046	1,631,981	1,581,354
Other Expenses	67,314	39,524	114,237	5,182	40,084
Total Operating Expenses	\$ 42,450,181	43,771,947	\$ 39,148,926	\$ 39,497,509	\$ 37,058,319
Net Revenues	\$ 26,360,865	18,599,484	\$ 19,778,036	\$ 15,189,997	\$ 8,593,673
Water Customers	42,375	41,076	40,367	39,679	38,719
Sewer Customers (Est.)	42,375	41,076	40,367	39,679	38,719

(1) Net after discounts allowed ( see "Water and Sewer Rates " ), penalties and bad debts.

(2) Non-operating income excludes (1) interest income and gain on sale of securities from investment of funds restricted for construction and (2) interest expense.

(3) Depreciation excluded.

(4) Includes all payments to Colorado River Municipal Water District ("CRMWD") for purchase of water and other contractual obligations.

**CITY OF MIDLAND, TEXAS**

**Table 17 - Outstanding System Revenue Bonds**

As of September 30, 2017, the City reported no outstanding system revenue bonds.

**CITY OF MIDLAND, TEXAS**

**Table 18 - Historical Water Pumpage and Consumption**

Fiscal Year Ended 9-30	Water Pumpage Average Day Pumpage (MGD)	Peak Day Pumpage (MGD)	Total Pumpage (Million Gallons)	Water Consumption Average Day Consumption (MGD)	Total Consumption (Million Gallons)
2012	15.92	27.11	5,826	15.56	5,694
2013	16.49	24.08	6,019	15.65	5,711
2014	16.75	25.94	6,112	15.41	5,625
2015	18.90	30.21	6,897	17.40	6,351
2016	13.77	23.74	5,039	17.74	6,494
2017	18.88	21.28	6,892	18.19	6,638
Average Number of Accounts, 10/16 - 9/17 (est.).....			42,375		
Average Monthly Water Bill, 10/16 - 9/17 (est.).....			\$117.57		
Average Monthly Consumption per Account.....			13.05		

**CITY OF MIDLAND, TEXAS**

**Table 1 - Passenger Emplanements on Scheduled Airline Flights**

<b>Calendar Year</b>	<b>Southwest Airlines (1)</b>	<b>United Airlines (2)</b>	<b>American Eagle (3)</b>	<b>Other Airlines</b>	<b>Total</b>
2013	278,961	72,478	95,104	56,057	502,600
2014	292,173	89,155	105,504	56,464	543,296
2015	272,517	64,912	100,680	65,163	503,272
2016	245,796	49,375	105,878	66,546	467,595
2017	276,511	56,039	122,162	64,467	519,179

(1) Southwest commenced service in May 1977

(2) Continental commenced service in January 1993 and merged with United in 2010

(3) American Eagle commenced service in November 1990

CITY OF MIDLAND, TEXAS

Table 2 - Airline/Airport User Agreement

**Certificated Passenger Airline/Airport Use Agreement**

Scheduled airlines operating at Midland International Air and Space Port are required to sign standard Airline/Airport use and lease agreements (the "Agreements"). These agreements allow the signatory airline the use of certain premises and facilities and for the exercise of certain rights and privileges at the Midland International Air and Space Port in connection with the operation of an air transportation system. All current airline agreements are in a holdover period with new agreements being worked on at this time.

**Landing Fees**

On August 1, 2008, the rate for landing fees was temporarily rolled back from \$0.70 to \$0.60 per 1,000 Gross Landing Weight. This reduction, enacted to assist the airlines during the crisis generated by high fuel costs, lapsed on February 1, 2009. At that time the rate returned to the \$0.70 per 1,000 Gross Landing Weight. The City has no plans to increase landing fees above that level during the year ended September 30, 2017.

**Rentals**

Terminal Building joint use and exclusive rates are currently \$20.50 per square foot per year. The rate used to calculate the amount of rent to be paid by the airline to the City shall be reviewed annually and may be adjusted if the Airport's financial data for the Airport System Cost/Revenue indicates such need. In no event shall the square footage rate be less than the base \$20.50 rate. No change in rates is anticipated for Fiscal Year 2017.

Exclusive Terminal Building Space

Includes ticket counters, operations offices, airfreight handling areas, and administrative offices.

Non-exclusive Terminal Building Space

Joint Use Area - 20% of the total monthly charge divided equally among all scheduled airlines. 40% of the total is prorated among all scheduled airlines based upon the ratio of each such airline's number of revenue landings during the calendar month for which such charges are being determined, to the total of all revenue landings for all scheduled airlines. The remaining 40% is prorated among all scheduled airlines based upon the ratio of each such scheduled airline's number of enplaned passengers to the total of enplaned passengers for the calendar month.

**Passenger Loading Bridges and Baggage Claim System**

Under the terms of the Airline/Airport Use and Lease agreement between the City of Midland and the airlines serving the Airport, the airlines have responsibility for operation of these systems. In accordance with the Aircraft Passenger Loading Bridge and Baggage System Maintenance contract, charges for maintenance are assessed to the airlines based upon labor performed plus parts, materials and shipping costs.

**Extraordinary Costs and Expenses**

The agreements provide for timely renegotiation and adjustments to rentals, landing fees and other charges in the event extraordinary costs or expenses are incurred by the City, including technical advances or new governmental requirements.

**CITY OF MIDLAND, TEXAS**

**Table 3 - Airport Revenue Debt Service Requirements**

The final payment to retire the Airport Revenue Bonds, Series 1997 was made on December 1, 2006.

**Table 4 - Authorized But Unissued Airport Revenue Bonds; Anticipated Issuance of Airport Revenue Bonds**

The City has no authorized but unissued revenue bonds, and pursuant to State law is not required to approve its revenue bonds through election. The City does not anticipate the issuance of additional Airport Revenue Bonds in the foreseeable future.

**Table 5 - Other Airport Obligations**

The City has no lease, lease-purchase or note obligations secured by Airport revenues.

**CITY OF MIDLAND, TEXAS**

**Table 6 - Airport Statement of Operations**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Operating Revenues</b>					
<b>Terminal (1)</b>					
Airport Parking	\$ 3,533,079	\$ 3,391,476	\$ 3,923,015	\$ 2,987,635	\$ 2,417,005
Airport Building Rental	4,704,832	4,614,015	4,312,874	4,090,892	3,411,902
Airport Aviation Rental	260,392	130,796	431,819	359,438	235,853
Airport Landing Fees	423,375	494,015	527,521	487,659	464,970
Airport Commercial Rentals	-	(172)	150,066	168,248	188,032
Airport Fuel and Oil Commissions	107,506	109,374	88,955	104,480	96,250
Miscellaneous	1,722,520	115,036	538,283	504,421	94,199
<b>Total terminal</b>	<b>10,751,704</b>	<b>8,854,540</b>	<b>9,972,533</b>	<b>8,702,773</b>	<b>6,908,211</b>
<b>Air Park (2)</b>					
Airpark Rentals	124,853	12,099	136,204	135,924	138,837
Airpark Fuel and Oil Commissions	4,530	4,162	21,832	22,614	20,602
<b>Total air park</b>	<b>129,383</b>	<b>16,261</b>	<b>158,036</b>	<b>158,538</b>	<b>159,439</b>
<b>Total operating revenues</b>	<b>10,881,087</b>	<b>8,870,801</b>	<b>10,130,569</b>	<b>8,861,311</b>	<b>7,067,650</b>
<b>Non-Operating Revenues</b>					
Passenger Facility Cahrges	1,952,350	1,957,035	1,999,243	1,594,738	2,028,866
Other Non-operating	513,190	158,732	533,078	2,152,211	225,079
<b>Total Non-Operating Revenues</b>	<b>2,465,540</b>	<b>2,115,767</b>	<b>2,532,321</b>	<b>3,746,949</b>	<b>2,253,945</b>
<b>Gross Revenues</b>	<b>13,346,627</b>	<b>10,986,568</b>	<b>12,662,890</b>	<b>12,608,260</b>	<b>9,321,595</b>
<b>Operating and Maintenance Expenses</b>					
Salaries and Fringe Benefits	2,490,903	2,320,708	2,168,268	2,308,505	2,147,271
Contractual Services	5,074,994	2,157,535	2,104,835	1,812,983	1,976,765
Maintenance of Structures	201,980	189,704	210,415	66,786	113,984
Maintenance of Equipment	52,536	51,021	90,981	57,603	25,890
Foreign Trade Zone	143,853	149,495	174,989	149,552	155,011
General Fund Services	1,934,680	1,758,800	1,600,000	1,500,000	1,368,159
Supplies	82,917	122,020	200,480	121,702	71,976
	-				
<b>Total Operating and Maintenance Expenses</b>	<b>9,981,863</b>	<b>6,749,283</b>	<b>6,549,968</b>	<b>6,017,131</b>	<b>5,859,056</b>
<b>NET REVENUES</b>	<b>\$ 3,364,764</b>	<b>\$ 4,237,285</b>	<b>\$ 6,112,922</b>	<b>\$ 6,591,129</b>	<b>\$ 3,462,539</b>

(1) "Terminal" means Midland International Airport.

(2) "Airpark" is a 500 acre airport, part of the Airport System, located in north Midland.

(3) "Operating and Maintenance Expenses" do not include depreciation, capital outlay or debt service.

**CITY OF MIDLAND, TEXAS**

**Table 7 - Coverage**

The City does not have outstanding Airport Revenue Bonds at September 30, 2017.

**Table 8 - Current Investments**

As of September 30, 2017, the City's investable funds were invested in the following categories:

<u>Type of Investment</u>	<u>% of Market Value</u>	<u>Market Value</u>
<u>Description</u>		
U.S. Treasury Notes and Bills	0.00%	\$ 0
U.S. Agency and Instrumentality	22.52%	64,389,735
Cash and Local Government Pools	<u>77.48%</u>	<u>221,519,433</u>
Totals	<u>100.00%</u>	<u>\$ 285,909,168</u>

As of such date, 72.28% of the City's investment portfolio was invested in immediately available funds from pools. The market value of the investment portfolio was 100% of its fair value and the effective investment yield was 1.0765%. Average maturity of the portfolio was 9.47 months.