



**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2018

MIDLAND, TEXAS

CITY OF MIDLAND, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended
September 30, 2018

Prepared by the Finance Department

Pam Simecka
Director of Finance

Seth Boles
Comptroller

Shelby Zuniga
Accounting Manager

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INTRODUCTORY SECTION (Unaudited)

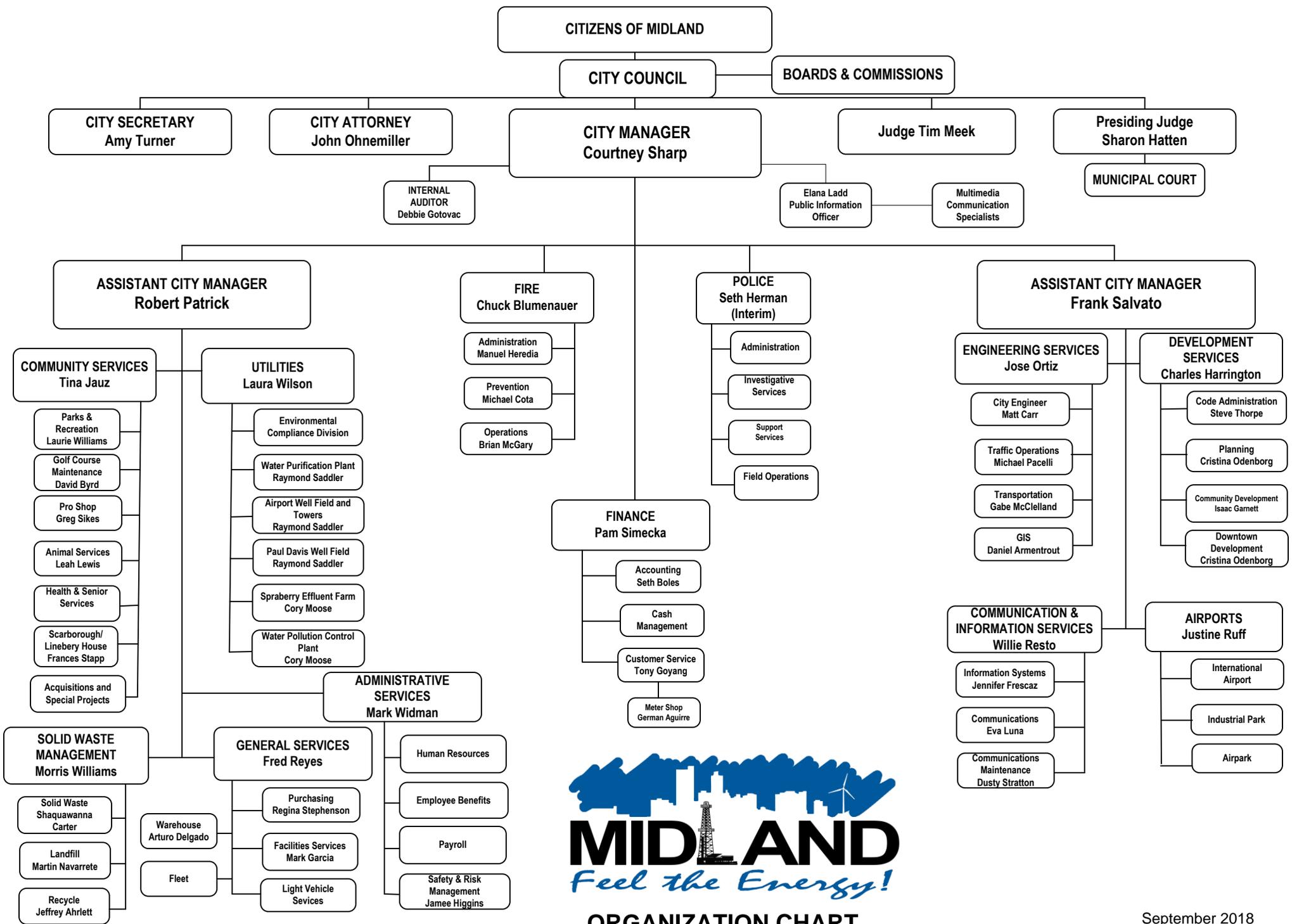
CITY OF MIDLAND
PRINCIPAL OFFICIALS

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 OhnemillerCity Attorney
Amy M. TurnerCity Secretary
Seth Herman Interim Chief of Police
Charles Blumenauer..... Fire Chief
Pam Simecka Director of Finance
Mark Widmann Director of Administrative Services
Tina Jauz..... Director of Community Services
Justine Ruff Director of Airports
Laura Wilson Director of Utilities
Morris WilliamsDirector 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

September 2018



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, 2017

Christopher P. Morrill

Executive Director/CEO



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

432.685.7203
Fax 432.686.1600

May 31, 2019

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, 2018 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 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 2013-2017 American Community Survey 5-year estimates, bachelor's degrees are held by 20.5% of the population 25 years and older, and graduate or professional degrees are held by 7.8%. 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 2.2% for September 2018. 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 170,675 as of July 1, 2017. 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 2018, in its efforts to continue to provide great service, the following activities occurred:

- The City continues construction of pedestrian and drainage enhancements at the intersection of Carver Street and Scharbauer Drive, estimated to cost \$2.3 million.
- The City continues upgrading, replacing and expanding the existing wireless radio system to better serve City-wide traffic operations, estimated to cost \$1.6 million.
- The City, along with support from TXDOT continues the rehabilitation and widening of Business State Highway 349 C, estimated to cost \$1.7 million for the City's portion.
- The City started construction of various road paving and utility enhancements to various City streets with proceeds from the Series 2018A Road Bond.
- 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 continues making improvements to the security checkpoint expansion, estimated to cost \$3.1 million.
- The Midland International Air and Space Port continues to rehabilitate several runways and taxiways at a cost of \$4.5 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

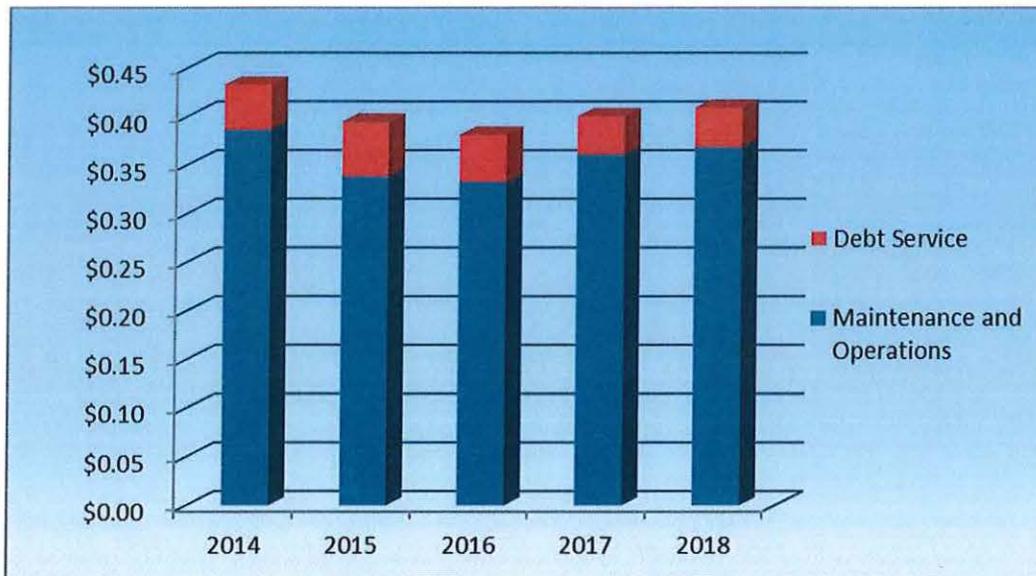
The City adheres to the following financial and managerial practices:

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 2018 was established at 40.8389 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 \$53,462,267 in 2018, which was an increase of 25.02% 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 128.2% in 2018 compared to 2017. 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 2018, the City issued General Obligation Improvement and Refunding Bonds, Series 2018 A and General Obligation Refunding Bonds, Taxable Series 2018 B, in the amount of \$51,555,000 and \$8,865,000, respectively for improvements to the City's infrastructure and refunding past debt to save on interest costs. As of September 30, 2018, Fitch Ratings and Standard & Poor's credit ratings on the City's general obligation debt were the highest ratings possible, 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, 2017. This was the thirty-fifth 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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018, the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and 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 Honorable Mayor, City Council and City Manager
City of Midland, Texas
Page 3

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
May 31, 2019

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(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, 2018. 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 and deferred outflows of resources of the City of Midland exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$538.0 million (net position). Unrestricted net position of \$114.4 million, an increase of \$24.4 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 2018, the City of Midland governmental activities reported combined net position of \$193.3 million, a decrease of \$12.1 million from the prior year. Unrestricted net position was \$4.0 million deficit, a decrease of \$28.8 million from the prior year.
- As of September 30, 2018, unassigned fund balance of the General Fund was \$61.9 million, or 51.7% of total General Fund expenditures. At the close of the prior fiscal year, unassigned fund balance for the General Fund was \$90.9 million or 76.8% of that year's expenditures. In fiscal year 2018, the General Fund transferred \$31.3 million to the Scharbauer Sports Complex which contributed to the decrease in unassigned fund balance.
- The government's business-type activities total net position increased from \$297.0 million in fiscal year 2017 to \$344.8 million in the current year, a change of 16.1%. This increase was due primarily to airport operations and to \$27.0 million in total transfers in from governmental activities. This includes the \$31.3 million transfer to the Sports Complex.
- The City's total bonds payable and capital lease operations increased by \$18.9 million during the current fiscal year. The increase was primarily due to the issuance of General Obligation Improvement and Refunding Bonds, Series 2018A, and General Obligation Refunding Bonds, Taxable Series 2018B in the amount of \$51,555,000 and \$8,865,000, respectively. This issuance included refunding of the General Obligation Bonds, Series 2007 Combination Tax and Limited Revenue Certificates of Obligation in the principal amount of \$33,920,000. Normal scheduled debt service payments also helped offset the 2018 debt issuances.
- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation required a restatement and a prior period adjustment of \$1.6 million to the 2018 beginning net position related to the Other Postemployment Benefit (OPEB) liability (see Note 21). The effects of GASB Statement No. 75 are not reflected in the 2017 financial information.

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

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.

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 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.

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

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.

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 25 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 23 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.

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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.

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, progress in funding its obligations to provide other postemployment benefits to its employees, 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 \$538.0 million at September 30, 2018.

By far the largest portion of the City's net position, 73.0%, 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.

CITY OF MIDLAND, TEXAS
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The restricted portion of the City's net position, \$31.0 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.

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 203,820	\$ 188,658	\$ 170,341	\$ 114,422	\$ 374,161	\$ 303,080
Capital assets	<u>231,808</u>	<u>210,115</u>	<u>506,487</u>	<u>514,672</u>	<u>738,295</u>	<u>724,787</u>
Total assets	<u>435,628</u>	<u>398,774</u>	<u>676,828</u>	<u>629,094</u>	<u>1,112,456</u>	<u>1,027,868</u>
Deferred outflows of resources	<u>67,474</u>	<u>26,604</u>	<u>1,341</u>	<u>4,075</u>	<u>68,815</u>	<u>30,679</u>
Long-term liabilities outstanding	273,829	205,995	316,512	320,470	590,341	526,465
Other liabilities	<u>23,488</u>	<u>12,099</u>	<u>15,182</u>	<u>15,374</u>	<u>38,670</u>	<u>27,472</u>
Total liabilities	297,317	218,094	331,694	335,844	629,010	553,937
Deferred inflow of resources	<u>12,499</u>	<u>1,934</u>	<u>1,721</u>	<u>371</u>	<u>14,220</u>	<u>2,305</u>
Net position:						
Net investment in capital assets	174,150	164,184	218,454	224,677	392,604	388,862
Restricted	23,122	16,363	7,901	7,033	31,023	23,396
Unrestricted	<u>(3,985)</u>	<u>24,802</u>	<u>118,398</u>	<u>65,245</u>	<u>114,414</u>	<u>90,047</u>
Total net position	<u>\$ 193,287</u>	<u>\$ 205,350</u>	<u>\$ 344,754</u>	<u>\$ 296,955</u>	<u>\$ 538,041</u>	<u>\$ 502,304</u>

At the end of the current fiscal year, for governmental activities, two categories of net position were positive and one category of net position was negative. For business-type activities, all three categories of net position were positive.

Overall, the City's net position, excluding offset of restatement for GASB Statement No. 75, increased \$34.1 million during the current fiscal year, with governmental activities reflecting a decrease of \$13.7 million and business-type activities increasing \$47.8 million. The decrease in governmental activities net position is due to an increase in revenues and expenses but including large transfers out while the increase in the net position of business type activities is attributable primarily to an increase in revenues and large transfers in.

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

The following table provides a summary of the City's operations for the year ended September 30, 2018 with comparative totals for the year ended September 30, 2017.

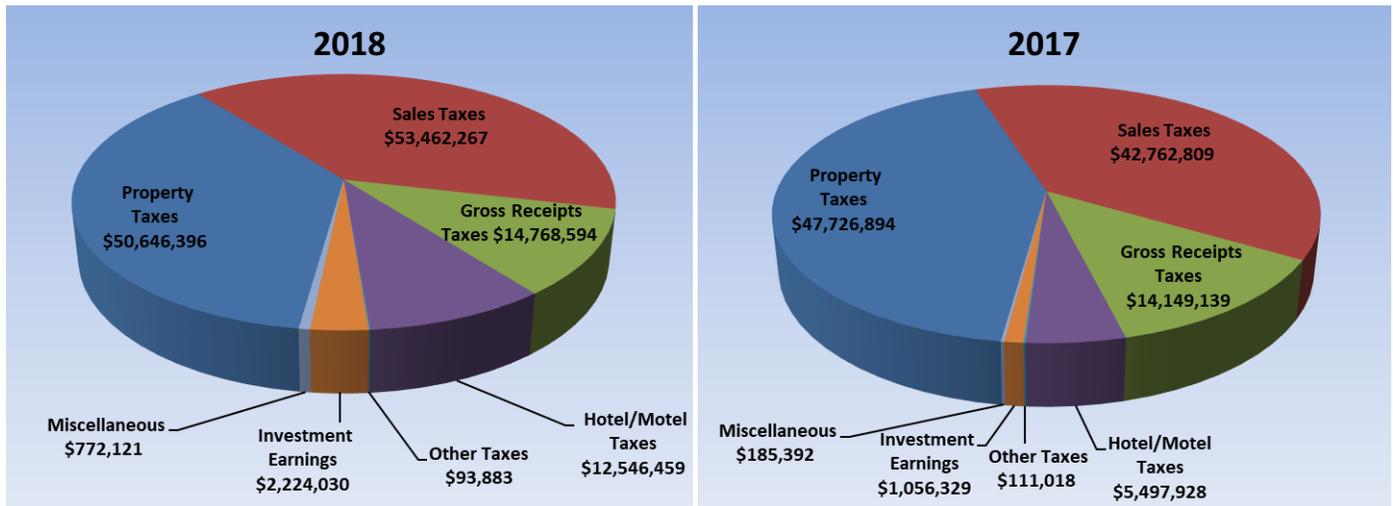
Table 2
City of Midland's Changes in Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 15,216	\$ 14,526	\$ 122,498	\$ 106,995	\$ 137,713	\$ 121,520
Operating grants and contributions	1,566	1,738	-	-	1,566	1,738
Capital grants and contributions	158	6,696	5,603	7,394	5,761	14,090
General revenues:						
Property taxes	50,646	47,727	-	-	50,646	47,727
Sales taxes	53,462	42,763	-	-	53,462	42,763
Other taxes	27,409	19,758	-	-	27,409	19,758
Other	2,996	1,242	1,713	779	4,710	2,021
Total revenues	151,454	134,449	129,814	115,168	281,268	249,617
Expenses:						
General government:						
Administration	3,274	1,328	-	-	3,274	1,328
Support services	18,279	17,835	-	-	18,279	17,835
Fiscal management	2,574	2,282	-	-	2,574	2,282
Other	3,715	4,126	-	-	3,715	4,126
Development services	4,320	3,609	-	-	4,320	3,609
Engineering	22,116	17,837	-	-	22,116	17,837
Community services	17,363	17,218	-	-	17,363	17,218
Police	33,012	29,056	-	-	33,012	29,056
Fire	30,965	32,303	-	-	30,965	32,303
Interest on long-term debt	2,588	2,868	-	-	2,588	2,868
Airport	-	-	11,525	13,625	11,525	13,625
Water and sewer	-	-	76,868	71,978	76,868	71,978
Sanitation	-	-	13,978	13,731	13,978	13,731
Sports complex	-	-	3,829	4,258	3,829	4,258
Golf course	-	-	2,728	2,701	2,728	2,701
Total expenses	138,205	128,462	108,928	106,293	247,133	234,755
Increase in net position before transfers and change in accounting principle	13,249	5,987	20,886	8,876	34,135	14,863
Transfers	(26,960)	33,757	26,960	(33,757)	-	-
Change in accounting principle	1,648	-	(47)	-	1,602	-
Increase (decrease) in net position	(12,062)	39,744	47,799	(24,881)	35,737	14,863
Net position - October 1	205,350	165,606	296,955	321,836	502,304	487,442
Net position - September 30	\$ 193,287	\$ 205,350	\$ 344,754	\$ 296,955	\$ 538,041	\$ 502,304

CITY OF MIDLAND, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2018
 (Unaudited)

Governmental Activities

The following charts show the City's general revenues as of September 30, 2018 and 2017.



Revenues for governmental activities were \$151.4 million, and were used to pay for expenses associated with governmental activities of \$138.2 million, excluding transfers to other funds of \$27.0 million.

The City's general revenues provided \$134.5 million, an increase of \$23.0 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 2018, property taxes generated \$50.6 million, an increase of \$2.9 million over the previous year, and were derived from a property tax base of \$12.242 billion, up from \$11.859 billion the previous year, and a property tax rate of 40.8389 cents per hundred dollars valuation, an increase of 0.00871 cents from the previous year. Sales taxes generated \$53.5 million, an increase of \$10.7 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 \$14.8 million to operations. Hotel-motel taxes contributed \$0.09 million to operations. Operating grants and contributions provided \$1.6 million, while capital grants and contributions provided another \$0.2 million. Capital grants from the Midland Development Corporation decreased in 2018 compared to 2017 due to less activity. Investment income provided \$2.2 million, an increase of \$1.2 million from the prior year due to higher short term interest rates. Miscellaneous revenues provided \$0.8 million, an increase of \$0.6 million from the previous 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.

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Police protection, \$33.0 million, and fire protection, \$30.9 million, represent a combined 46.3% of all governmental activities expenses. Police and fire protection increased \$0.2 million from the previous year.

When combining police and fire protection with engineering, \$22.1 million, community services, \$17.4 million, and support services, \$18.3 million, this represents 88.1% of total governmental activities expenses.

Engineering costs increased compared to the prior year mainly due to focus shifting to larger capital projects to enhance streets and roadways. Projects starting in the current fiscal year contributed to the increase in engineering costs.

Support services increased compared to the prior year and was mainly due to support services focusing on larger capital projects starting 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 \$15.2 million charged for services rendered, \$0.2 million received as capital grants and contributions, and \$107.6 million in general revenues, net of transfers out.

Business-Type Activities

Net position of business-type activities increased \$47.8 million or 16.1% from \$297.0 million to \$344.8 million. Business-type revenues contributed \$129.8 million to the operations of the City, excluding transfers from other funds of \$27.0 million, while business-type expenses amounted to \$108.9 million.

Charges for services for business-type activities increased by \$15.5 million or 14.5%. Airport, water and sewer, sanitation, and golf course combined increased by \$22.1 million. The largest of this increase was water and sewer charges, which increased by \$11.6 million and was primarily due to increased water and sewer rates that became effective in October 2018. The increase was partially offset by a decrease in sports complex charges for services of \$6.6 million. This decrease was due to the termination of the Sports Complex Development Corporation in June 2017 which resulted in less receipts being remitted from the Sports Complex Development Corporation to the sports complex.

Grants and contributions, \$5.6 million, and investment earnings, \$1.7 million, were the other components of business-type activity revenue for the City. Compared to the prior year, grants and contributions decreased by \$1.8 million due to less activity and investment earnings increased by \$0.9 million due to higher short-term interest rates.

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Expenses of business-type activities were less than combined revenues and grants. The water and sewer system had \$76.9 million in expenses, up from \$72.0 million in the prior year due mainly to increase in water rates and fees, and sanitation had \$14.0 million in expenses. Airport expenses were \$11.5 million, a decrease of \$2.1 million from fiscal year 2017. This decrease was due to a decrease in project related non-capital expenditures. Expenses were \$3.8 million and \$2.7 million, respectively, for the sports complex and golf course. Net position of the water and sewer, airport, sanitation, sports complex, and golf course increased from fiscal year 2017.

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 \$154.4 million, an increase of \$1.1 million in comparison with the prior year. Approximately \$61.9 million or 40.1% 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 (\$66.7 million), 2) committed to pay for specific types of expenditures (\$25.8 million), 3) nonspendable – prepayments or advances (\$0.1 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 \$61.9 million compared to \$90.9 million last year, while total fund balance was \$84.8 million compared to \$99.6 million in the prior year. As noted above, due to the termination of the Sports Complex Development Corporation, the Scharbauer Sports Complex proprietary fund received \$31.3 million from the General Fund. This transfer contributed to both the decrease 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 51.7% of total General Fund expenditures, down from 76.8% in 2017, while total fund balance represents 70.8%, compared with 84.1% in 2017, of that same amount.

CITY OF MIDLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Fund balance of the City of Midland's General Fund decreased \$14.8 million during the current fiscal year. Key factors for this decrease are as follows:

Taxes were up \$13.9 million or 13.9% compared to the prior year mainly due to increases in property taxes and sales taxes. Property taxes were up \$2.6 million or 6.0% due to an increase in both the property tax base and the property tax rate. Sales tax receipts were up \$10.7 million or 25.0% compared to 2017. Sales tax receipts increased due to increased activity in the oil and gas industry resulting in an upturn in the local economy.

The Sports Complex Development Corporation was terminated in the prior year and as part of the termination procedures, all funds held in trust by the City for the Sports Complex Development Corporation were required to be initially sent to the General Fund. The City Council decided in 2018 to transfer from the General Fund to the Scharbauer Sports Complex proprietary fund \$31.3 million.

The total fund balance for the Debt Service Fund was \$0.3 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 \$55.1 million, an increase of \$6.6 million from 2017. Water and Sewer Fund net investment in capital assets decreased by \$3.4 million and total net position increased by \$2.3 million.

Airport Fund unrestricted net position amounted to \$18.6 million, up from \$9.6 million in fiscal year 2017. Net position increased \$10.9 million primarily due to increases in airport activity, PFC revenues and capital grants.

Unrestricted net position of the Sanitation Fund at the end of the year amounted to \$3.5 million, up from \$0.5 million in 2017. Sanitation Fund net investment in capital assets decreased by \$0.4 million from \$12.9 million in 2017 to \$12.5 million in 2018. Overall, total net position in the Sanitation Fund increased \$2.6 million from 2017 to 2018.

The Scharbauer Sports Complex Fund unrestricted net position increased by \$30.4 million from \$2.4 million in 2017 to \$32.8 million in 2018. Total net position at the end of 2018 was \$60.8 million, an increase of \$28.3 million compared to the prior fiscal year; both increase are attributable to \$31.3 million transfer in from the General Fund previously discussed.

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Unrestricted net position (deficiency) of the Golf Course Fund at the end of the year amounted to (\$0.2) million, an increase of \$1.4 million from the previous fiscal year. Overall, total net position of the Golf Course Fund increased \$1.1 million from 2017 to 2018 due primarily to transfers in from other funds.

General Fund Budgetary Highlights

The City of Midland allows authorized encumbered budgetary funds to carry forward from one fiscal year to the next fiscal year. Thus, revising the carry forward from one fiscal year to the next authorized budget numbers. These changes resulted in an overall increase in budgeted expenditures of \$1.8 million or 1.6% from the original budget. Overall, expenditures were \$5.8 million over budget mainly due to capital outlay expenditures being \$5.8 million over budget. This was due to more than anticipated capital related activity in FY18.

Management's estimate of the General Fund's budgeted revenues was unchanged from the original budget. Taxes of \$113.9 million were \$17.5 million higher than budgeted. This was mainly due to sales taxes of \$53.5 million being \$10.7 million higher than budgeted resulting from improvements in the local economy as activity in the oil and gas industry increased. Charges for services of \$19.4 million were \$17.1 million higher than originally budgeted. This was due to the increased activity within the surrounding area; however, adjustments of \$14.5 million were done on a budgetary basis to address the increase for needed funds.

Transfers from the General Fund include the \$31.3 million transfer to the Scharbauer Sports Complex proprietary fund resulting from the termination of the Sports Complex Development Corporation and allocation authorized by the City Council.

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, 2018 amounts to \$738.3 million (net of accumulated depreciation), compared to \$724.8 million (net of accumulated depreciation) at September 30, 2017. 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.

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

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

	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 10,284	\$ 10,080	\$ 14,479	\$ 14,479	\$ 24,762	\$ 24,559
Buildings	37,279	38,610	36,611	38,403	73,891	77,012
Improvements other than buildings	17,051	18,113	47,817	50,487	64,867	68,601
Machinery and equipment	28,416	31,527	2,827	3,423	31,243	34,950
Infrastructure	103,015	100,183	389,508	403,597	492,524	503,780
Intangible and other	1,015	820	671	985	1,686	1,805
Construction in progress	34,748	10,782	14,575	3,298	49,323	14,080
Totals	<u>\$ 231,808</u>	<u>\$ 210,115</u>	<u>\$ 506,487</u>	<u>\$ 514,672</u>	<u>\$ 738,295</u>	<u>\$ 724,787</u>

Major capital asset events during fiscal year 2018 included the following:

Support Services – Construction of a Sprayberry Effluent Pump Station and completion of the Grassland Estates Development Project

Engineering – The City completed several street projects including the Lamesa Mill and Inlay and the Fairgrounds Widening Project.

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

CITY OF MIDLAND, TEXAS
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Long-Term Debt

At the end of the current fiscal year, the City of Midland had total bond debt outstanding of \$153.7 million. Of this amount, \$100.9 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 \$51.1 million and a capital lease obligation of \$235.5 million. Bond debt supported by Golf Course revenues was \$1.7 million.

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Certificates of Obligation serviced by tax revenues	\$ 96,734	\$ 78,536	\$ 8,615	\$ -	\$ 105,349	\$ 78,536
General Obligation Bonds serviced by tax revenues	4,175	1,560	-	-	4,175	1,560
Certificates of Obligation serviced by Enterprise Funds revenues	-	-	15,592	56,053	15,592	56,053
General Obligation Bonds serviced by Enterprise Funds revenues	-	-	28,544	-	28,544	-
Capital Lease Obligation	-	-	235,485	234,097	235,485	234,097
	<u>\$ 100,909</u>	<u>\$ 80,096</u>	<u>\$ 288,236</u>	<u>\$ 290,150</u>	<u>\$ 389,144</u>	<u>\$ 370,246</u>

The City of Midland's general obligation debt increased by \$37.1million during the current fiscal year. The increase was primarily due to the issuance of General Obligation Improvement and Refunding Bonds, Series 2018A, and General Obligation Refunding Bonds, Taxable Series 2018B in the amount of \$51,555,000 and \$8,865,000, respectively. This issuance included the refunding of the General Obligation Bonds, Series 2007 Combination Tax and Limited Revenue Certificates of Obligation in the principal amount of \$33,920,000. Normal scheduled debt service payments reduced debt by \$51.8 million. Debt serviced by tax revenues increased by \$20.8 million and debt serviced by enterprise fund revenues decreased by \$11.9 million. The City maintains an 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.

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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 \$827.3 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.

Economic Factors and Next Year's Budgets and Rates

Midland's economy rose during 2017 due to rising oil prices but started to increase more in 2018 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 2019 focused on maintaining funding for street improvements, increasing funding for traffic control operations, increasing investment in personnel and equipment and vehicles, and evaluation of major revenue streams of the General Fund, specifically sales tax revenue. The budget presented for the major operating funds of the City for fiscal year 2019 totals \$294.5 million, a 14.5% increase from the prior year.

The fiscal year 2019 major operating funds budget is supported by combined revenues of \$269.8 million, up 15.7% from the prior year budget. The combined property tax rate is 39.2249 cents per \$100 valuation, compared with a rate of 40.8389 in fiscal year 2018, a 4.0% decrease. Property tax revenue will increase from last year's budget by \$1.2 million or 10.0%. The property tax revenue to be raised from new property added to the tax roll is \$2.7 million. Sales tax receipts, another major revenue source, are budgeted at \$48.0 million, an increase of \$10.0 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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Spaceport Development Corporation	Midland Economic Development Corporation
ASSETS					
Cash and cash equivalents	\$ 110,726,917	\$ 103,032,278	\$ 213,759,195	\$ 560,711	\$ 25,420,106
Investments	34,834,056	30,862,116	65,696,172	-	-
Receivables (net of allowance where applicable)					
Property taxes	798,708	-	798,708	-	-
Sales taxes	9,985,986	-	9,985,986	-	2,484,097
Accounts	4,603,788	15,424,800	20,028,588	-	127,774
Interest	101,508	84,918	186,426	1,011	-
Assessments	509,058	-	509,058	-	-
Intergovernmental	712,880	-	712,880	697,107	-
Prepaid items and other assets	172,571	23,237	195,808	-	83,600
Inventories	417,279	401,594	818,873	-	-
Due from primary government	-	-	-	-	5,911,873
Internal balances	(7,798,252)	7,798,252	-	-	-
Notes receivable	-	502,629	502,629	-	1,204,686
Restricted assets					
Cash and cash equivalents	43,411,512	10,464,734	53,876,246	-	-
Investments	5,330,079	1,432,039	6,762,118	-	-
Interest receivable	13,735	-	13,735	-	-
Accounts receivable	-	314,445	314,445	-	-
Capital assets					
Nondepreciable	45,031,619	29,053,185	74,084,804	-	-
Depreciable, net of accumulated depreciation	186,776,476	477,433,935	664,210,411	2,417,931	18,642,208
Total assets	435,627,920	676,828,162	1,112,456,082	3,676,760	53,874,344
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding	84,106	-	84,106	-	-
Pension items	66,585,575	1,172,211	67,757,786	-	-
OPEB items	804,506	168,729	973,235	-	-
Total deferred outflows of resources	67,474,187	1,340,940	68,815,127	-	-
Total assets and deferred outflows of resources	503,102,107	678,169,102	1,181,271,209	3,676,760	53,874,344

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Spaceport Development Corporation	Midland Economic Development Corporation
LIABILITIES					
Accounts payable and other accrued liabilities	\$ 11,864,211	\$ 9,772,487	\$ 21,636,698	\$ -	\$ 708,069
Accrued payroll	4,095,032	791,227	4,886,259	-	-
Accrued interest payable	440,218	-	440,218	-	-
Retainage payable	1,128,795	203,548	1,332,343	121,369	-
Customer deposits	-	3,625,051	3,625,051	-	-
Due to component unit	5,911,873	-	5,911,873	-	-
Unearned revenue	47,419	322,279	369,698	-	-
Liabilities payable from restricted assets	-	467,444	467,444	-	-
Long-term liabilities					
Due within one year	9,735,094	2,495,048	12,230,142	698,107	75,578
Due in more than one year	264,093,784	314,016,963	578,110,747	-	245,404
Total liabilities	297,316,426	331,694,047	629,010,473	819,476	1,029,051
DEFERRED INFLOWS OF RESOURCES					
Pension items	12,449,980	1,712,502	14,162,482	-	-
OPEB items	48,860	8,808	57,668	-	-
Total deferred inflows of resources	12,498,840	1,721,310	14,220,150	-	-
Total liabilities and deferred inflows of resources	309,815,266	333,415,357	643,230,623	819,476	1,029,051
NET POSITION					
Net investment in capital assets	\$ 174,150,136	\$ 218,454,203	\$ 392,604,339	\$ 2,296,562	\$ 18,305,924
Restricted for					
Debt service	388,464	142,353	530,817	-	-
Public safety	1,103,416	-	1,103,416	-	-
Court	696,779	-	696,779	-	-
Buildings and renovations	3,965,150	-	3,965,150	-	-
Parks and recreation	1,479	-	1,479	-	-
Hotel/Motel	15,428,012	-	15,428,012	-	-
Passenger facility improvements	-	7,759,012	7,759,012	-	-
Other purposes	1,538,141	-	1,538,141	560,722	-
Unrestricted (deficit)	(3,984,736)	118,398,177	114,413,441	-	34,539,369
TOTAL NET POSITION	\$ 193,286,841	\$ 344,753,745	\$ 538,040,586	\$ 2,857,284	\$ 52,845,293

See Accompanying Notes to Financial Statements.

CITY OF MIDLAND, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government				
Administration	\$ 3,274,430	\$ 670,945	\$ -	\$ -
Support services	18,082,917	487,601	-	48,595
Fiscal management	2,573,605	3,147	-	-
Other	3,714,631	529,158	-	-
Development services	4,320,319	3,663,827	751,270	-
Engineering	22,463,436	24,650	-	-
Community services	17,362,841	1,557,952	362,222	-
Police	32,888,963	5,044,874	433,711	98,211
Fire	30,936,240	3,233,630	19,248	11,478
Interest and fiscal charges on long-term debt	2,587,862	-	-	-
Total governmental activities	138,205,244	15,215,784	1,566,451	158,284
Business-Type Activities				
Airport	11,525,312	20,443,321	-	3,875,224
Water and sewer	76,868,084	79,858,913	-	1,727,411
Sanitation	13,977,814	18,575,987	-	-
Sports complex	3,828,851	985,826	-	-
Golf course	2,727,783	2,633,486	-	-
Total business-type activities	108,927,844	122,497,533	-	5,602,635
TOTAL PRIMARY GOVERNMENT	\$ 247,133,088	\$ 137,713,317	\$ 1,566,451	\$ 5,760,919
COMPONENT UNITS				
Spaceport Development Corporation	\$ 32,559	\$ -	\$ 312,516	\$ -
Midland Economic Development Corporation	7,299,332	-	-	-
TOTAL COMPONENT UNITS	\$ 7,331,891	\$ -	\$ 312,516	\$ -

Net (Expense) Revenue and Change in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Spaceport Development Corporation	Midland Economic Development Corporation	
\$ (2,603,485)	\$ -	\$ (2,603,485)	\$ -	\$ -	
(17,546,721)	-	(17,546,721)	-	-	
(2,570,458)	-	(2,570,458)	-	-	
(3,185,473)	-	(3,185,473)	-	-	
94,778	-	94,778	-	-	
(22,438,786)	-	(22,438,786)	-	-	
(15,442,667)	-	(15,442,667)	-	-	
(27,312,167)	-	(27,312,167)	-	-	
(27,671,884)	-	(27,671,884)	-	-	
(2,587,862)	-	(2,587,862)	-	-	
(121,264,725)	-	(121,264,725)	-	-	
-	12,793,233	12,793,233	-	-	
-	4,718,240	4,718,240	-	-	
-	4,598,173	4,598,173	-	-	
-	(2,843,025)	(2,843,025)	-	-	
-	(94,297)	(94,297)	-	-	
-	19,172,324	19,172,324	-	-	
(121,264,725)	19,172,324	(102,092,401)	-	-	
-	-	-	279,957	-	
-	-	-	-	(7,299,332)	
-	-	-	279,957	(7,299,332)	
General Revenues					
Taxes					
Property	50,646,396	-	50,646,396	-	-
Sales	53,462,267	-	53,462,267	-	13,353,167
Gross receipts and mixed beverages	14,768,594	-	14,768,594	-	-
Hotel-motel	12,546,459	-	12,546,459	-	-
Other	93,883	-	93,883	-	-
Investment income	2,224,030	1,713,385	3,937,415	12	365,937
Miscellaneous	772,117	-	772,117	-	392,641
Transfers in (out)	(26,960,087)	26,960,087	-	-	-
Total	107,553,659	28,673,472	136,227,131	12	14,111,745
CHANGE IN NET POSITION	(13,711,066)	47,845,796	34,134,730	279,969	6,812,413
NET POSITION, OCTOBER 1	205,349,564	296,954,723	502,304,287	2,577,315	46,032,880
Change in accounting principle	1,648,343	(46,774)	1,601,569	-	-
NET POSITION, OCTOBER 1, AS RESTATED	206,997,907	296,907,949	503,905,856	2,577,315	46,032,880
NET POSITION, SEPTEMBER 30	\$ 193,286,841	\$ 344,753,745	\$ 538,040,586	\$ 2,857,284	\$ 52,845,293

See Accompanying Notes to Financial Statements.

CITY OF MIDLAND, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS				
ASSETS				
Cash and cash equivalents	\$ 66,072,685	\$ 119,255	\$ 65,804,674	\$ 131,996,614
Investments	23,291,171	154,644	6,315,314	29,761,129
Receivables (net, where applicable, of allowances for uncollectibles)				
Property taxes	688,815	109,893	-	798,708
Sales taxes	9,985,986	-	-	9,985,986
Accounts	2,016,575	3,465	2,402,904	4,422,944
Interest	71,684	1,207	15,536	88,427
Assessments	509,058	-	-	509,058
Intergovernmental	105,407	-	607,473	712,880
Prepaid items and other assets	102,773	-	-	102,773
Due from other funds	534,165	-	-	534,165
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TOTAL ASSETS	\$ 103,378,319	\$ 388,464	\$ 75,145,901	\$ 178,912,684
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(This statement is continued on the following page.)

CITY OF MIDLAND, TEXAS

BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS

September 30, 2018

	General	Debt Service	Nonmajor	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,551,860	\$ -	\$ 4,428,684	\$ 7,980,544
Accrued payroll	3,969,957	-	-	3,969,957
Retainage payable	298,907	-	829,888	1,128,795
Due to other funds	-	-	534,165	534,165
Due to component unit	5,911,873	-	-	5,911,873
Unearned revenue	47,419	-	-	47,419
Other liabilities	2,723,303	-	-	2,723,303
Total liabilities	16,503,319	-	5,792,737	22,296,056
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,093,574	94,307	-	2,187,881
Total deferred inflows of resources	2,093,574	94,307	-	2,187,881
Total liabilities and deferred inflows of resources	18,596,893	94,307	5,792,737	24,483,937
FUND BALANCES				
Nonspendable				
Prepayments	102,773	-	-	102,773
Restricted				
Debt service	-	294,157	-	294,157
Public safety	13,794	-	1,089,622	1,103,416
Court	129,332	-	567,447	696,779
Communications	-	-	275,573	275,573
Downtown	-	-	588,770	588,770
Buildings and renovations	-	-	25,326,788	25,326,788
Streets and drainage	-	-	21,136,386	21,136,386
Parks and recreation	-	-	273,062	273,062
Hotel/Motel	-	-	15,428,012	15,428,012
Other purposes	-	-	1,538,529	1,538,529
Unrestricted				
Committed				
Buildings and renovations	917,656	-	270,287	1,187,943
Streets and drainage	12,845,822	-	2,858,688	15,704,510
Parks and recreation	1,498,324	-	-	1,498,324
Public safety	356,464	-	-	356,464
Technology	5,652,914	-	-	5,652,914
Other purposes	1,375,804	-	-	1,375,804
Unassigned	61,888,543	-	-	61,888,543
Total fund balances	84,781,426	294,157	69,353,164	154,428,747
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 103,378,319	\$ 388,464	\$ 75,145,901	\$ 178,912,684

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, 2018

FUND BALANCES OF GOVERNMENTAL FUNDS		\$ 154,428,747
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		210,383,041
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		2,187,881
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		66,402,100
Deferred inflows of resources		(12,148,910)
Total other postemployment benefits liability is shown as a liability on the statement of net position		(23,916,780)
Differences between expected and actual experiences, assumption changes, net differences between projected, and actual earnings for other postemployment benefits are recognized as deferred outflows and inflows of resources on the statement of net position		730,325
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Compensated absences payable		(4,630,593)
Bonds, leases, and notes payable		(91,632,587)
Premium on bonds		(9,275,982)
Loss on refunding		84,106
Net pension liability		(138,500,075)
Accrued interest on long-term liabilities is reported as a liability on the statement of net position		(440,218)
The portion of the net position of the internal service funds primarily serving the governmental funds are included in the governmental activities in the statement of net position		39,615,786
Cash	\$ 22,141,815	
Investments	10,403,006	
Receivables	207,660	
Capital assets net of depreciation	21,425,054	
Internal balances	(7,798,252)	
Other assets	487,077	
Deferred outflows related to pensions	183,475	
Deferred outflows related to OPEB	26,709	
Current liabilities	(2,974,336)	
Noncurrent liabilities	(4,183,964)	
Deferred inflows related to pensions	(301,070)	
Deferred inflows related to OPEB	(1,388)	
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 193,286,841</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, 2018

	General	Debt Service	Nonmajor	Total
REVENUES				
Taxes	\$ 113,951,964	\$ 5,019,176	\$ 13,550,335	\$ 132,521,475
Licenses and permits	2,963,061	-	64,445	3,027,506
Fines and forfeitures	4,710,743	-	135,877	4,846,620
Charges for services	4,845,556	-	-	4,845,556
Rentals	223,989	-	8,113	232,102
Program income	-	-	179,790	179,790
Intergovernmental	815,181	-	749,180	1,564,361
Investment earnings:				
Interest income	1,369,451	43,219	829,198	2,241,868
Net increase (decrease) in the fair value of investments	(327,804)	(1,924)	(64,895)	(394,623)
Contributions and donations	48,595	-	111,779	160,374
Miscellaneous	1,592,279	-	260,174	1,852,453
Total revenues	130,193,015	5,060,471	15,823,996	151,077,482
EXPENDITURES				
Current				
General government				
Administration	1,446,093	-	-	1,446,093
Support services	14,938,860	-	-	14,938,860
Fiscal management	2,098,600	-	-	2,098,600
Development services	3,505,250	-	-	3,505,250
Engineering	15,519,206	-	-	15,519,206
Community services	11,010,270	-	-	11,010,270
Police	27,772,640	-	-	27,772,640
Fire	28,203,934	-	-	28,203,934
Housing programs	-	-	433,743	433,743
Economic development	-	-	3,016,266	3,016,266
Other	3,305,082	-	666,819	3,971,901
Debt Service				
Principal	-	3,710,172	-	3,710,172
Interest	-	2,899,644	-	2,899,644
Fiscal charges	-	2,146	-	2,146
Issuance costs	-	230,717	-	230,717
Capital outlay	11,872,633	-	19,141,093	31,013,726
Total expenditures	119,672,568	6,842,679	23,257,921	149,773,168
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,520,447	(1,782,208)	(7,433,925)	1,304,314
OTHER FINANCING SOURCES (USES)				
Transfers in	6,463,236	1,794,050	2,500	8,259,786
Transfers (out)	(31,966,157)	-	(1,818,737)	(33,784,894)
Bonds issued	-	3,420,000	22,195,000	25,615,000
Payment to escrow agent	-	(4,064,106)	-	(4,064,106)
Premium on bonds	-	492,074	3,042,973	3,535,047
Proceeds from sale of asset	191,405	-	-	191,405
Total other financing sources (uses)	(25,311,516)	1,642,018	23,421,736	(247,762)
NET CHANGE IN FUND BALANCES	(14,791,069)	(140,190)	15,987,811	1,056,552
FUND BALANCES, OCTOBER 1	99,572,495	434,347	53,365,353	153,372,195
FUND BALANCES, SEPTEMBER 30	\$ 84,781,426	\$ 294,157	\$ 69,353,164	\$ 154,428,747

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, 2018

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS \$ 1,056,552

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. This also includes developer contributed assets 35,084,315

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. (3,843)

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 (12,045,450)

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 (1,319,360)

The issuance of long-term debt provides current financial resources to governmental funds
Bonds issued (25,615,000)
Payment to escrow agent 3,980,000

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 3,710,172

The change in accrued interest payable on long-term debt is reported as an expense on the statement of activities (102,784)

The change in loss on refunding on long-term debt is reported as an expense on the statement of activities 84,106

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. (2,887,618)

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 (303,129)
Other postemployment benefits (1,538,643)
Pension costs, net (16,435,490)

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. 2,625,106

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (13,711,066)

See Accompanying Notes to Financial Statements.

CITY OF MIDLAND, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2018

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
CURRENT ASSETS							
Cash and cash equivalents	\$ 14,305,287	\$ 40,737,803	\$ 16,579,193	\$ 30,453,611	\$ 495,144	\$ 102,571,038	\$ 22,603,055
Investments	6,373,884	13,827,949	7,925,868	2,302,182	211,572	30,641,455	10,623,667
Accounts receivable (net of allowance for uncollectibles)	1,028,161	13,944,630	350,362	60,460	41,187	15,424,800	180,844
Interest receivable	18,340	38,682	20,612	6,153	558	84,345	27,389
Inventories	-	-	-	-	189,282	189,282	629,591
Prepaid items and other assets	-	23,237	-	-	-	23,237	69,798
Restricted assets							
Passenger facility charge							
Cash and cash equivalents	7,639,756	-	-	-	-	7,639,756	-
Accounts receivable	314,445	-	-	-	-	314,445	-
Customer deposits							
Cash and cash equivalents	-	2,330,299	-	-	-	2,330,299	-
Investments	-	1,294,752	-	-	-	1,294,752	-
Bond construction fund							
Cash and cash equivalents	-	421,053	-	-	-	421,053	-
Investments	-	68,560	-	-	-	68,560	-
Bond debt service							
Cash and cash equivalents	-	44,996	-	-	28,630	73,626	-
Investments	-	51,543	-	-	17,184	68,727	-
Total current assets	29,679,873	72,783,504	24,876,035	32,822,406	983,557	161,145,375	34,134,344
NONCURRENT ASSETS							
Capital assets							
Land	1,571,906	12,679,508	-	227,240	-	14,478,654	-
Buildings	51,646,189	1,825,939	8,874,446	2,588,898	448,875	65,384,347	1,205,930
Improvements other than buildings	8,560,138	19,834,976	17,395,395	51,256,902	6,616,317	103,663,728	995,570
Infrastructure	100,637,238	485,624,645	-	-	-	586,261,883	-
Machinery and equipment	5,461,046	4,375,967	566,524	2,586,551	-	12,990,088	57,555,173
Intangible and other	1,867,836	2,998,800	98,002	-	16,371	4,981,009	248,108
Construction in progress	6,821,063	7,753,468	-	-	-	14,574,531	744,397
Less: Accumulated depreciation	(100,237,650)	(148,363,650)	(14,423,695)	(28,681,648)	(4,462,576)	(296,169,219)	(39,002,025)
Net capital assets	76,327,766	386,729,653	12,510,672	27,977,943	2,618,987	506,165,021	21,747,153
Notes receivable	-	502,629	-	-	-	502,629	-
Total noncurrent assets	76,327,766	387,232,282	12,510,672	27,977,943	2,618,987	506,667,650	21,747,153
Total assets	106,007,639	460,015,786	37,386,707	60,800,349	3,602,544	667,813,025	55,881,497

	Business-Type Activities					Governmental	
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course	Total	Internal Service Funds
DEFERRED OUTFLOWS OF RESOURCES							
Pension items	\$ 197,711	\$ 544,207	\$ 346,948	\$ -	\$ 74,957	\$ 1,163,823	\$ 191,863
OPEB items	27,236	76,278	52,061	-	11,928	167,503	27,935
Total deferred outflows of resources	224,947	620,485	399,009	-	86,885	1,331,326	219,798
Total assets and deferred outflows of resources	106,232,586	460,636,271	37,785,716	60,800,349	3,689,429	669,144,351	56,101,295
CURRENT LIABILITIES							
Accounts payable	1,065,687	7,519,052	254,030	26,910	68,992	8,934,671	1,185,889
Accrued payroll	124,164	354,002	252,093	-	55,347	785,606	130,696
Retainage payable	-	203,548	-	-	-	203,548	-
Customer deposits	-	3,625,051	-	-	-	3,625,051	-
General obligation bonds payable from unrestricted assets	-	484,687	-	-	15,431	500,118	-
Compensated absences	116,849	194,811	91,924	-	46,895	450,479	82,319
Total OPEB liability	21,204	61,574	41,686	-	9,579	134,043	22,117
Estimated unpaid claims	-	-	-	-	-	-	1,597,283
Unearned revenue	-	-	164,934	-	157,345	322,279	-
Other liabilities	38,744	698,886	15,415	-	50,411	803,456	8,835
Current liabilities payable from restricted assets							
Accounts payable	1,700	-	-	-	-	1,700	-
Retainage	195,909	-	-	-	-	195,909	-
Accrued interest payable	-	263,446	-	-	6,389	269,835	-
Certificates of obligation payable	-	1,330,000	-	-	67,586	1,397,586	-
Total current liabilities	1,564,257	14,735,057	820,082	26,910	477,975	17,624,281	3,027,139
NONCURRENT LIABILITIES							
Estimated unpaid claims	-	-	-	-	-	-	2,488,659
General obligation bonds payable	-	3,391,875	-	-	124,086	3,515,961	-
Certificates of obligation payable	-	45,690,000	-	-	1,534,827	47,224,827	-
Capital lease obligations payable	-	235,484,581	-	-	-	235,484,581	-
Net pension liability	971,567	2,502,278	1,539,519	-	298,126	5,311,490	934,231
Compensated absences	51,144	85,267	40,234	-	20,526	197,171	36,031
Total OPEB liability	776,721	2,202,776	1,511,609	-	347,003	4,838,109	805,287
Landfill closure/postclosure care	-	-	17,364,580	-	-	17,364,580	-
Total noncurrent liabilities	1,799,432	289,356,777	20,455,942	-	2,324,568	313,936,719	4,264,208
Total liabilities	3,363,689	304,091,834	21,276,024	26,910	2,802,543	331,561,000	7,291,347

(This statement is continued on the following page.)

CITY OF MIDLAND, TEXAS

STATEMENT OF NET POSITION (Continued)
 PROPRIETARY FUNDS

September 30, 2018

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
DEFERRED INFLOWS OF RESOURCES							
Pension items	\$ 333,696	\$ 711,017	\$ 520,820	\$ -	\$ 132,765	\$ 1,698,298	\$ 315,274
OPEB items	1,387	3,982	2,744	-	631	8,744	1,452
Total deferred inflows of resources	335,083	714,999	523,564	-	133,396	1,707,042	316,726
Total liabilities and deferred inflows of resources	3,698,772	304,806,833	21,799,588	26,910	2,935,939	333,268,042	7,608,073
NET POSITION							
Net investment in capital assets	76,131,857	100,634,575	12,510,672	27,977,943	877,057	218,132,104	21,747,153
Restricted for passenger facility improvements	7,759,012	-	-	-	-	7,759,012	-
Restricted for debt service	-	96,539	-	-	45,814	142,353	-
Unrestricted (deficit)	18,642,945	55,098,324	3,475,456	32,795,496	(169,381)	109,842,840	26,746,069
TOTAL NET POSITION	<u>\$ 102,533,814</u>	<u>\$ 155,829,438</u>	<u>\$ 15,986,128</u>	<u>\$ 60,773,439</u>	<u>\$ 753,490</u>	<u>335,876,309</u>	<u>\$ 48,493,222</u>
Reconciliation to government-wide statement of net position:							
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds						8,877,436	
NET POSITION OF BUSINESS-TYPE ACTIVITIES						<u>\$ 344,753,745</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, 2018

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course		Internal Service Funds
OPERATING REVENUES							
International airport parking revenues	\$ 4,301,281	\$ -	\$ -	\$ -	\$ -	\$ 4,301,281	\$ -
International airport building rentals	5,214,775	-	-	-	-	5,214,775	-
International airport aviation rentals	260,438	-	-	-	-	260,438	-
International airport landing fees	497,198	-	-	-	-	497,198	-
International airport fuel and oil commissions	117,262	-	-	-	-	117,262	-
Airpark rentals	139,871	-	-	-	-	139,871	-
Airpark fuel and oil commissions	23,504	-	-	-	-	23,504	-
Water sales	-	59,928,993	-	-	-	59,928,993	-
Sewer charges	-	15,418,041	-	-	-	15,418,041	-
Tap installations and service charges	-	361,614	-	-	-	361,614	-
Garbage collection fees	-	-	18,429,706	-	-	18,429,706	-
Penalties	-	267,710	110,916	-	-	378,626	-
Course usage fees	-	-	-	-	956,916	956,916	-
Golf cart fees	-	-	-	-	561,303	561,303	-
Pro shop rentals	-	-	-	-	29,077	29,077	-
Pro shop sales	-	-	-	-	810,763	810,763	-
Snack bar concession rentals	-	-	-	-	76,107	76,107	-
Football-soccer stadium	-	-	-	455,380	-	455,380	-
Baseball stadium	-	-	-	412,235	-	412,235	-
Common areas	-	-	-	105,611	-	105,611	-
Billings to other funds	-	-	-	-	-	-	14,519,148
Motor vehicle repair billings	-	-	-	-	-	-	5,953,529
Motor vehicle lease charges	-	-	-	-	-	-	7,436,544
Equipment lease - other	-	-	-	-	-	-	130,895
Charges for fuel	-	-	-	-	-	-	2,380,492
Employee payments	-	-	-	-	-	-	3,291,594
Miscellaneous	-	54,053	-	-	1,528	55,581	-
Total operating revenues	10,554,329	76,030,411	18,540,622	973,226	2,435,694	108,534,282	33,712,202

	Business-Type Activities					Total	Governmental
	Airport	Water and Sewer	Sanitation	Scharbauer	Nonmajor		Internal
				Sports Complex	Enterprise Fund Golf Course		
OPERATING EXPENSES EXCLUDING DEPRECIATION							
Cost of goods sold	\$ -	\$ -	\$ -	\$ -	\$ 559,977	\$ 559,977	\$ 1,517,746
Salaries and fringe benefits	2,406,309	6,902,055	4,753,864	-	1,092,960	15,155,188	2,517,930
Contractual services	3,021,706	25,732,371	7,409,310	774,399	521,781	37,459,567	5,045,169
Maintenance of structure	89,032	3,389,521	28,797	788,541	99,030	4,394,921	181,760
Maintenance of equipment	366,450	2,143,435	24,429	25,319	10,077	2,569,710	2,779,829
Payment of claims	-	-	-	-	-	-	7,532,005
Franchise fees	-	4,323,055	628,235	-	-	4,951,290	-
Closure and postclosure care	-	-	1,611,936	-	-	1,611,936	-
Supplies	139,518	4,103,351	402,224	31,527	134,860	4,811,480	3,509,761
Other expenses	142,696	329,108	182,032	97,992	5,859	757,687	-
Total operating expenses	6,165,711	46,922,896	15,040,827	1,717,778	2,424,544	72,271,756	23,084,200
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	4,388,618	29,107,515	3,499,795	(744,552)	11,150	36,262,526	10,628,002
Depreciation	5,559,750	13,705,166	374,889	2,123,290	304,268	22,067,363	4,455,711
OPERATING INCOME (LOSS)	(1,171,132)	15,402,349	3,124,906	(2,867,842)	(293,118)	14,195,163	6,172,291
NON-OPERATING REVENUES (EXPENSES)							
Investment income							
Interest income	334,724	765,327	362,737	638,153	9,753	2,110,694	516,289
Net decrease in the fair value of investments	(79,332)	(195,589)	(98,769)	(28,657)	(2,849)	(405,196)	(131,623)
Interest expense	-	(17,144,800)	-	-	(63,066)	(17,207,866)	-
Rentals	-	98,094	-	-	-	98,094	-
Water royalties	58,406	-	-	-	-	58,406	-
Gain (loss) on sale of capital assets	-	-	2,893	-	-	2,893	45,500
Passenger facility charge revenues	2,259,621	-	-	-	-	2,259,621	-
Player facility charge revenues	-	-	-	-	197,792	197,792	-
Recoveries of damages to city property, net other	-	-	-	-	-	-	90,310
Other, net	7,570,965	3,730,408	35,365	12,600	-	11,349,338	(8,548)
Total non-operating revenues (expenses)	10,144,384	(12,746,560)	302,226	622,096	141,630	(1,536,224)	511,928

(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, 2018

	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	\$ 8,973,252	\$ 2,655,789	\$ 3,427,132	\$ (2,245,746)	\$ (151,488)	\$ 12,658,939	\$ 6,684,219
TRANSFERS							
Transfers (out)	(2,014,148)	(2,239,669)	(632,500)	(712,572)	(164,016)	(5,762,905)	(1,517,212)
Transfers in	-	-	-	31,268,516	1,536,709	32,805,225	-
Total transfers	(2,014,148)	(2,239,669)	(632,500)	30,555,944	1,372,693	27,042,320	(1,517,212)
CAPITAL CONTRIBUTIONS	3,875,224	1,727,411	-	-	-	5,602,635	-
CHANGE IN NET POSITION	10,834,328	2,143,531	2,794,632	28,310,198	1,221,205	45,303,894	5,167,007
NET POSITION (DEFICIT), OCTOBER 1	91,635,756	153,536,394	13,375,984	32,463,241	(394,617)	290,616,758	43,250,995
Change in accounting principle	63,730	149,513	(184,488)	-	(73,098)	(44,343)	75,220
NET POSITION (DEFICIT), OCTOBER 1, RESTATED	91,699,486	153,685,907	13,191,496	32,463,241	(467,715)	290,572,415	43,326,215
NET POSITION, SEPTEMBER 30	\$ 102,533,814	\$ 155,829,438	\$ 15,986,128	\$ 60,773,439	\$ 753,490	\$ 335,876,309	\$ 48,493,222
Reconciliation to government-wide statement of net position:							
Change in net position enterprise funds						\$ 45,303,894	
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds						2,541,902	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES						<u>\$ 47,845,796</u>	

See Accompanying Notes to Financial Statements.

CITY OF MIDLAND, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended September 30, 2018

	Business-Type Activities					Governmental	
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course	Internal Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 10,570,913	\$ 74,098,850	\$ 18,250,042	\$ 943,550	\$ 2,466,361	\$ 106,329,716	\$ -
Receipts from interfund service transactions	58,406	-	-	-	-	58,406	30,494,663
Receipts from miscellaneous revenues	7,629,371	3,828,502	35,365	12,600	-	11,505,838	-
Receipts from employees	-	-	-	-	-	-	3,291,594
Payments to suppliers	(2,704,340)	(36,374,279)	(3,093,437)	(1,741,621)	(964,312)	(44,877,989)	(19,405,040)
Payments to employees	(2,345,305)	(6,657,814)	(2,923,269)	-	(1,081,225)	(13,007,613)	(2,433,424)
Payments for interfund service transactions	(711,690)	(3,194,159)	(7,054,412)	(19,983)	(343,682)	(11,323,926)	(667,172)
Net cash from (used in) operating activities	12,497,355	31,701,100	5,214,289	(805,454)	77,142	48,684,432	11,280,621
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers (out)	(2,014,148)	(2,239,669)	(632,500)	(712,572)	(164,016)	(5,762,905)	(1,517,212)
Transfers in	-	-	-	31,268,516	1,536,709	32,805,225	-
Repayment of advances from other funds	-	-	-	-	(736,031)	(736,031)	-
Net cash from (used in) noncapital financing activities	(2,014,148)	(2,239,669)	(632,500)	30,555,944	636,662	26,306,289	(1,517,212)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions	3,875,224	-	-	-	-	3,875,224	-
Capital assets purchased	(5,553,567)	(6,724,238)	-	(11,280)	-	(12,289,085)	(3,041,972)
Principal paid on capital debt and notes payable	-	(3,980,000)	-	-	(114,332)	(4,094,332)	-
Interest and fees paid on capital debt and notes payable	-	(14,938,246)	-	-	(79,344)	(15,017,590)	-
Repayment of loans from (to) other funds	-	-	-	-	(841,568)	(841,568)	891,072
Repayment of note receivable	-	13,228	-	-	-	13,228	-
Proceeds from the sale of capital assets	-	-	2,893	-	-	2,893	-
Passenger facility charge revenue	2,259,621	-	-	-	-	2,259,621	-
Player Facility Charge	-	-	-	-	197,792	197,792	-
Insurance proceeds	-	-	-	-	-	-	90,310
Net cash from (used in) capital and related financing activities	581,278	(25,629,256)	2,893	(11,280)	(837,452)	(25,893,817)	(2,060,590)

	Business-Type Activities					Governmental	
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course	Internal Service Funds	
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of investments	\$ (5,762,591)	\$ (1,893,299)	\$ (2,667,544)	\$ (1,687,840)	\$ (28,414)	\$ (12,039,688)	\$ (5,512,523)
Proceeds from sales and maturities of investments	185,269	5,151,614	1,593,590	186,183	118,781	7,235,437	1,141,643
Interest received	243,425	576,727	260,121	605,532	7,125	1,692,930	372,487
Net cash from (used in) investing activities	(5,333,897)	3,835,042	(813,833)	(896,125)	97,492	(3,111,321)	(3,998,393)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,730,588	7,667,217	3,770,849	28,843,085	(26,156)	45,985,583	3,704,426
CASH AND CASH EQUIVALENTS, OCTOBER 1	16,214,455	35,866,934	12,808,344	1,610,526	549,930	67,050,189	18,898,629
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$ 21,945,043	\$ 43,534,151	\$ 16,579,193	\$ 30,453,611	\$ 523,774	\$ 113,035,772	\$ 22,603,055
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating income (loss)	\$ (1,171,132)	\$ 15,402,349	\$ 3,124,906	\$ (2,867,842)	\$ (293,118)	\$ 14,195,163	\$ 6,172,291
Adjustments to reconcile operating income (loss) to net cash from operating activities							
Depreciation	5,559,750	13,705,166	374,889	2,123,290	304,268	22,067,363	4,455,711
Other income (expense)	7,629,371	3,828,502	35,365	12,600	-	11,505,838	(8,548)
(Increase) decrease in							
Receivables	74,990	(1,953,403)	(299,217)	(29,676)	(15,619)	(2,222,925)	82,603
Inventories	-	-	-	-	15,259	15,259	49,595
Prepaid items and other assets	-	540,476	7,093	-	-	547,569	33,661
Pension deferred outflow of resources	465,954	1,379,622	859,278	-	178,652	2,883,506	456,343
OPEB deferred outflow of resources	(27,236)	(76,278)	(52,061)	-	(11,928)	(167,503)	(27,935)
Increase (decrease) in							
Accounts payable	251,082	(713,217)	132,021	(43,826)	1,707	(372,233)	319,350
Accrued payroll	(8,027)	4,075	42,390	-	(1,238)	37,200	2,300
Retainage payable	63,755	182,095	-	-	-	245,850	-
Customer deposits	-	21,842	-	-	-	21,842	-
Estimated unpaid claims	-	-	-	-	-	-	93,319
Unearned revenue	-	-	8,637	-	46,286	54,923	-
Pension deferred inflow of resources	273,719	538,515	410,237	-	108,835	1,331,306	255,549
OPEB deferred inflow of resources	-	3,982	2,744	-	631	7,357	1,452
Compensated absences	(6,527)	31,604	26,664	-	(19,389)	32,352	5,634
Net pension liability	(713,946)	(1,854,902)	(1,227,664)	-	(278,010)	(4,074,522)	(688,425)
Total other postemployment benefit liability	77,067	217,623	149,003	-	34,182	477,875	79,588
Closure/postclosure cost liabilities	-	-	1,611,936	-	-	1,611,936	-
Other liabilities	28,535	443,049	8,068	-	6,624	486,276	(1,867)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	\$ 12,497,355	\$ 31,701,100	\$ 5,214,289	\$ (805,454)	\$ 77,142	\$ 48,684,432	\$ 11,280,621

(This statement is continued on the following page.)

CITY OF MIDLAND, TEXAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (Continued)

For the Year Ended September 30, 2018

	Business-Type Activities					Governmental	
	Airport	Water and Sewer	Sanitation	Scharbauer Sports Complex	Nonmajor Enterprise Fund Golf Course	Internal Service Funds	
NONCASH TRANSACTIONS							
Changes in the fair value of investments	\$ (79,332)	\$ (195,589)	\$ (98,769)	\$ (28,657)	\$ (2,849)	\$ (405,196)	\$ (131,623)
Contributions of capital assets	-	1,727,411	-	-	-	1,727,411	-
Proceeds from issuance of refunding debt paid directly to escrow agent	-	38,289,664	-	-	-	38,289,664	-
Principal and fiscal charges paid on refunding debt	-	(38,289,664)	-	-	-	(38,289,664)	-
TOTAL NONCASH TRANSACTIONS	\$ (79,332)	\$ 1,531,822	\$ (98,769)	\$ (28,657)	\$ (2,849)	\$ 1,322,215	\$ (131,623)

See Accompanying Notes to Financial Statements.

CITY OF MIDLAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 39, 61, and 80, 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 dependency 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 Development Corporation (MDC) and the Midland Spaceport Development Corporation (Spaceport) are the only component units of the City and are discretely presented.

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.

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 MDC and Spaceport may be examined at City of Midland, City Hall, 300 North Loraine, Midland, Texas.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Special Revenue Funds – interest, ad valorem taxes, occupancy taxes and federal and state grant proceeds, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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. Although this fund did not qualify as a major fund for the current year, the City has designated it to be reported as such.

2. Governmental Funds - Nonmajor Funds

- a. 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.

3. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

3. Proprietary Funds (Continued)

- 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.
- 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.

4. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

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. 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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Federal and State Grants (Continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Retirement Plans (Continued)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the balances and additions to/deductions from the balances have been determined on the same basis as they are reported by the City and TMRS. 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.

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 Retirements 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.

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, 2018, the City implemented GASB Statement No. 75. See Note 21 for additional information.

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, 2018. At September 30, 2018, the carrying amount of cash for the City, MDC, and the Spaceport was \$3,331,884, \$7,730,276, and \$560,711, respectively. The bank balance of \$13,327,052 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 \$20,769,726 at September 30, 2018, 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 \$72,458,290.

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.

2. DEPOSITS AND INVESTMENTS (Continued)

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.

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.

2. DEPOSITS AND INVESTMENTS (Continued)

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

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.

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, 2018, the City invested in no reverse repurchase agreements.

Credit Risk - In compliance with the City's investment policy, as of September 30, 2018, 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 75% 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.

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)

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, 2018, the weighted-average portfolio maturity was 6.99 years.

The City's investments carried at fair value as of September 30, 2018 are:

Investments	Fair Value			Weighted-Average Maturity (in years)	Credit Risk
	Primary Government	Component Units	Total		
FHLB	\$ 14,000,685	\$ -	\$ 14,000,685	6.41	AAA
FNMA	34,619,445	-	34,619,445	1.03	AAA
FHLMC	23,838,160	-	23,838,160	3.01	AAA
Subtotal investments - fair value	72,458,290	-	72,458,290		
Pools	264,303,558	17,689,829	281,993,387	0.08	AAAm
TOTAL	\$ 336,761,848	\$ 17,689,829	\$ 354,451,677	6.99	

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, 2018, more than 5% of the City's investments are in Federal National Mortgage Association (9.77%), and Federal Home Loan Mortgage Corporation (6.73%). Investments in investment pools as of September 30, 2018, consisted of TexPool and TexStar in the amounts of \$71,439,916 and \$210,553,471, respectively.

2. DEPOSITS AND INVESTMENTS (Continued)

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, 2018, the City has the recurring fair value measurements for U.S. agency securities of \$72,458,290 valued using quoted prices for similar assets (Level 2 inputs). TexStar investments are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. TexStar balances of \$210,553,471 approximate net asset value for the applicable external investment pool balances. Additionally, the City has investments in TexPool of \$71,439,916, which are recorded at amortized cost.

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 2017 tax roll or Fiscal Year 2017-2018 was \$0.408389 per \$100.00 assessed valuation, resulting in a tax levy in the amount of \$50,032,693 on an assessed valuation of \$12,241,760,880. The levy is composed of a maintenance and operations levy of \$0.367501 and an interest and sinking fund (debt service) levy of \$0.040888 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.

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.

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

4. RECEIVABLES

Receivables as of September 30, 2018 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	\$ 913,937	\$ 134,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,048,871
Sales taxed	9,985,986	-	-	-	-	-	-	9,985,986
Accounts	5,608,764	3,465	1,039,407	14,422,340	414,400	60,460	2,624,935	24,173,771
Interest	71,684	1,208	18,340	38,682	20,612	6,153	43,516	200,195
Assessments	509,058	-	-	-	-	-	-	509,058
Intergovernmental	105,407	-	-	-	-	-	607,473	712,880
Gross receivables	17,194,836	139,607	1,057,747	14,461,022	435,012	66,613	3,275,924	36,630,761
Less allowance for uncollectibles	(3,817,311)	(25,042)	(11,246)	(477,710)	(64,038)	-	-	(4,395,347)
NET TOTAL RECEIVABLES	\$ 13,377,525	\$ 114,565	\$ 1,046,501	\$ 13,983,312	\$ 370,974	\$ 66,613	\$ 3,275,924	\$ 32,235,414

Governmental funds report 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, 2018, the composition of these revenues was as follows:

	Deferred Inflows Unavailable Revenue	Governmental Unearned Revenue
Delinquent property taxes receivable - General Fund	\$ 556,043	\$ -
Lot clearing receivable - General Fund	284,323	-
Municipal court fines - General Fund	744,261	-
Delinquent property taxes receivable - Debt Service Fund	94,307	-
Street paving liens receivable - General Fund	508,947	-
Grant drawdowns prior to meeting all eligibility requirements	-	47,419
TOTAL DEFERRED/UNEARNED REVENUE FOR GOVERNMENTAL FUNDS	\$ 2,187,881	\$ 47,419

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

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases/ Adjustments	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 10,080,079	\$ 203,517	\$ -	\$ 10,283,596
Construction in progress	10,781,830	23,966,193	-	34,748,023
Total capital assets not being depreciated	<u>20,861,909</u>	<u>24,169,710</u>	<u>-</u>	<u>45,031,619</u>
Capital assets being depreciated				
Buildings	54,211,236	146,745	(356,245)	54,001,736
Improvements other than building	30,929,017	185,993	(1,484)	31,113,526
Machinery and equipment	79,231,211	3,221,354	(1,915,536)	80,537,029
Infrastructure	177,750,126	10,103,873	-	187,853,999
Other	5,118,749	663,224	(154,423)	5,627,550
Total capital assets being depreciated	<u>347,240,339</u>	<u>14,321,189</u>	<u>(2,427,688)</u>	<u>359,133,840</u>
Less accumulated depreciation for				
Buildings	(15,601,593)	(1,474,547)	353,578	(16,722,562)
Improvements other than building	(12,815,929)	(1,246,968)	-	(14,062,897)
Machinery and equipment	(47,703,776)	(6,149,116)	1,732,125	(52,120,767)
Infrastructure	(77,567,076)	(7,271,624)	-	(84,838,700)
Other	(4,298,623)	(332,845)	19,030	(4,612,438)
Total accumulated depreciation	<u>(157,986,997)</u>	<u>(16,475,100)</u>	<u>2,104,733</u>	<u>(172,357,364)</u>
Total capital assets being depreciated, net	<u>189,253,342</u>	<u>(2,153,911)</u>	<u>(322,955)</u>	<u>186,776,476</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 210,115,251</u>	<u>\$ 22,015,799</u>	<u>\$ (322,955)</u>	<u>\$ 231,808,095</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 14,478,655	\$ -	\$ -	\$ 14,478,655
Construction in progress	3,298,300	11,886,935	(610,705)	14,574,530
Total capital assets not being depreciated	<u>17,776,955</u>	<u>11,886,935</u>	<u>(610,705)</u>	<u>29,053,185</u>
Capital assets being depreciated				
Water rights	717,058	-	-	717,058
Buildings	65,027,545	29,360	351,245	65,408,150
Improvements other than building	106,675,487	1,038,560	(3,550,319)	104,163,728
Machinery and equipment	13,069,001	11,282	(90,195)	12,990,088
Infrastructure	584,208,529	2,053,354	-	586,261,883
Other	4,383,920	-	(119,969)	4,263,951
Total capital assets being depreciated	<u>774,081,540</u>	<u>3,132,556</u>	<u>(3,409,238)</u>	<u>773,804,858</u>

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

5. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases/ Adjustments	Ending Balances
BUSINESS-TYPE ACTIVITIES (Continued)				
Less accumulated depreciation for				
Water rights	\$ (717,058)	\$ -	\$ -	\$ (717,058)
Buildings	(26,624,718)	(1,006,109)	(851,251)	(28,482,078)
Improvements other than building	(56,187,990)	(4,024,018)	3,550,319	(56,661,689)
Machinery and equipment	(9,646,073)	(607,361)	90,195	(10,163,239)
Infrastructure	(180,612,016)	(16,141,554)	-	(196,753,570)
Other	(3,398,876)	(314,382)	119,969	(3,593,289)
Total accumulated depreciation	<u>(277,186,731)</u>	<u>(22,093,424)</u>	<u>2,909,232</u>	<u>(296,370,923)</u>
Total capital assets being depreciated, net	<u>496,894,809</u>	<u>(18,960,868)</u>	<u>(500,006)</u>	<u>477,433,935</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 514,671,764</u>	<u>\$ (7,073,933)</u>	<u>\$ (1,110,711)</u>	<u>\$ 506,487,120</u>

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

GOVERNMENTAL ACTIVITIES

General government	
Administration	\$ 14,084
Support services	2,455,816
Engineering	7,307,235
Community services	1,818,882
Police	225,073
Fire	224,360
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>4,429,650</u>

**TOTAL DEPRECIATION EXPENSE -
GOVERNMENTAL ACTIVITIES** \$ 16,475,100

BUSINESS-TYPE ACTIVITIES

Airport	\$ 5,559,750
Water and sewer	13,705,166
Sanitation	374,889
Scharbauer sports complex	2,123,290
Nonmajor funds	304,268
Warehouse fund - internal service fund	<u>26,061</u>

**TOTAL DEPRECIATION EXPENSE -
BUSINESS-TYPE ACTIVITIES** \$ 22,093,424

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, 2018 was as follows:

	Beginning Balances	Increases	Decreases/ Adjustments	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,424,753	\$ 790,435	\$ (173,487)	\$ 5,041,701
Construction in progress	826,165	509,366	(877,735)	457,796
Total capital assets not being depreciated	5,250,918	1,299,801	(1,051,222)	5,499,497
Capital assets being depreciated				
Buildings	9,412,265	2,560,555	-	11,972,820
Improvements other than building	216,336	500,373	-	716,709
Machinery and equipment	130,880	-	(15,005)	115,875
Infrastructure	484,502	877,735	-	1,362,237
Total capital assets being depreciated	10,243,983	3,938,663	(15,005)	14,167,641
Less accumulated Depreciation for				
Buildings	(357,490)	(379,062)	-	(736,552)
Improvements other than building	(125,295)	(11,859)	-	(137,154)
Machinery and equipment	(11,621)	(11,588)	8,120	(15,089)
Infrastructure	(115,473)	(20,662)	-	(136,135)
Total accumulated depreciation	(609,879)	(423,171)	8,120	(1,024,930)
Total capital assets being depreciated, net	9,634,104	3,515,492	(6,885)	13,142,711
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 14,885,022	\$ 4,815,293	\$ (1,058,107)	\$ 18,642,208

Capital asset activity for Spaceport for the year ended September 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases/ Adjustments	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 1,777,525	\$ 660,725	\$ (2,438,250)	\$ -
Total capital assets not being depreciated	1,777,525	660,725	(2,438,250)	-
Capital assets being depreciated				
Infrastructure	-	2,438,250	-	2,438,250
Total capital assets being depreciated	-	2,438,250	-	2,438,250
Less accumulated depreciation for				
Infrastructure	-	(20,319)	-	(20,319)
Total accumulated depreciation	-	(20,319)	-	(20,319)
Total capital assets being depreciated, net	-	2,417,931	-	2,417,931
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 1,777,525	\$ 3,078,656	\$ (2,438,250)	\$ 2,417,931

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

6. EMPLOYEE BENEFIT PLANS

A summary of the net pension liability, deferred outflows, deferred inflows and pension expense of each plan is shown below. Detailed discussion of each plan with follow in this note.

	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
GOVERNMENTAL ACTIVITIES				
Texas Municipal Retirement System (TMRS)	\$ 20,175,840	\$ 4,374,475	\$ 7,026,645	\$ 5,995,785
Midland Firemen’s Relief and Retirement Fund	119,218,752	62,211,100	5,423,335	19,787,843
Total Governmental Activities	<u>\$ 139,394,592</u>	<u>\$ 66,585,575</u>	<u>\$ 12,449,980</u>	<u>\$ 25,783,628</u>
BUSINESS-TYPE ACTIVITIES*				
Texas Municipal Retirement System (TMRS)	\$ 5,351,202	\$ 1,172,211	\$ 1,712,502	\$ 1,583,446
Total Business-Type Activities	<u>\$ 5,351,202</u>	<u>\$ 1,172,211</u>	<u>\$ 1,712,502</u>	<u>\$ 1,583,446</u>

*Same amounts for proprietary funds’ financial statements.

A. Plan Descriptions

Texas Municipal Retirement System

The City participates as one of 883 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.

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.

6. EMPLOYEE BENEFIT PLANS (Continued)

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

Benefits Provided (Continued)

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 payment 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 years/age 60, 20 years/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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or their beneficiaries currently receiving benefits	605
Inactive employees entitled to but not yet receiving benefits	590
Active employees	761
	<hr/>
TOTAL	1,956
	<hr/>

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.

6. EMPLOYEE BENEFIT PLANS (Continued)

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

Contributions (Continued)

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 15.06% and 14.56% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 was \$7,063,858 and was equal to the required contributions.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2017, 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, 2017 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.

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.

6. EMPLOYEE BENEFIT PLANS (Continued)

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the December 31, 2017 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.

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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
TOTAL	100.00%	

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, 2017	\$ 307,423,938	\$ 262,248,983	\$ 45,174,955
Changes for the period			
Service cost	7,173,321	-	7,173,321
Interest	20,425,225	-	20,425,225
Difference between expected and actual experience	(1,024,053)	-	(1,024,053)
Employer contributions	-	6,862,664	(6,862,664)
Employee contributions	-	3,232,126	(3,232,126)
Net investment income	-	36,325,527	(36,325,527)
Benefit payments and refunds	(16,829,343)	(16,829,343)	-
Administrative expense	-	(188,365)	188,365
Other (net transfer)	-	(9,546)	9,546
Net changes	9,745,150	29,393,063	(19,647,913)
BALANCES AT DECEMBER 31, 2017	\$ 317,169,088	\$ 291,642,046	\$ 25,527,042

6. EMPLOYEE BENEFIT PLANS (Continued)

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the pension liability (asset) of the City calculated using the discount rate of 6.75% as well as what the City's net pension liability (asset) 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 (asset)	\$ 68,044,145	\$ 25,527,042	\$ (9,353,464)

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.

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

For the year ended September 30, 2018, the City recognized pension expense of \$7,579,231.

At September 30, 2018, 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	\$ -	\$ 1,549,976
Changes in assumption	428,763	-
Net difference between projected and actual earnings on pension plan investments	-	7,189,171
Contributions made after the measurement date	5,117,923	-
TOTAL	\$ 5,546,686	\$ 8,739,147

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

6. EMPLOYEE BENEFIT PLANS (Continued)

A. Plan Descriptions (Continued)

Texas Municipal Retirement System (Continued)

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

\$5,117,923 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>September 30,</u>	
2019	\$ (33,254)
2020	(666,399)
2021	(3,885,987)
2022	<u>(3,724,744)</u>
 TOTAL	 <u>\$ (8,310,384)</u>

Midland Firemen’s Relief and Retirement Fund

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, 2017. All assumptions for this valuation are contained in the Fund’s Actuarial Valuation Report and Review as of December 31, 2017, 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 0.40% per year that the beneficiary's age is less than the firefighter's age and minus 0.40% 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% 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, 2017 measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	169
Terminated employees entitled to but not yet receiving benefits	8
Active employees	<u>207</u>
TOTAL	<u><u>384</u></u>

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 2018 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 TLFRA.

The Fund is required by statute to conduct actuarial studies every odd year and conducted the last study December 31, 2017 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. Subsequent to that, beginning November 2018, the Fund will require contributions equal to 14.20%. The contribution rates for the City were 22.20% for both calendar years 2017 and 2018. The City's contributions for the year ended September 30, 2018 were \$3,555,264 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, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.25% per year
Overall payroll growth	3.50% per year
Investment rate of return	7.75%, 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 2017 valuation by one year of service. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP-2000 Combined Healthy Mortality Tables, with separate rates for males and females.

Actuarial assumptions used in the December 31, 2017 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 long-term expected rate of return on pension plan investments of 7.75% (8.00% in prior valuation) was set by examining each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.68%) and by adding expected inflation (3.25%).

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	5%	0.00%
Fixed income	20%	1.45%
Equities, real estate, and alternative investments		
Large-cap	15%	5.65%
Small/mid-cap mutual funds	5%	6.15%
International developed	15%	6.15%
International developing	5%	7.65%
Real estate	25%	4.65%
Private equity	10%	7.65%
TOTAL	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.84% (8.0% in prior valuation). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current 14.20% contribution rate and that City contributions will be made at the current 22.20% contribution rate. Based on those assumptions, the Fund’s fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2043. Therefore, the discount rate of 4.84% is the single rate of return that results in a present value of all projected benefits equal to the sum of (a) the present value of benefits through 2043 discounted at the long-term expected rate of return of 7.75% and (b) the present value of benefits after 2043 discounted at the 3.44% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity as of December 2017.

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, 2017	\$ 140,416,713	\$ 82,664,948	\$ 57,751,765
Changes for the period			
Service cost	4,531,907	-	4,531,907
Interest	11,265,786	-	11,265,786
Differences between expected and actual experience	(5,933,150)	-	(5,933,150)
Employer contributions	-	3,555,264	(3,555,264)
Employee contributions	-	2,113,940	(2,113,940)
Net investment income	-	9,952,749	(9,952,749)
Benefit payments and refunds	(8,252,601)	(8,252,601)	-
Administrative expense	-	(279,569)	279,569
Assumption changes	66,944,828	-	66,944,828
Other (net transfer)	-	-	-
Net changes	68,556,770	7,089,783	61,466,987
BALANCES AT DECEMBER 31, 2017	\$ 208,973,483	\$ 89,754,731	\$ 119,218,752

6. EMPLOYEE BENEFIT PLANS (Continued)

A. Plan Descriptions (Continued)

Midland Firemen’s Relief and Retirement Fund (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 4.84% 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 (3.84%) or 1 percentage point higher (5.84%) than the current rate:

	1% Decrease (3.84%)	Current Discount Rate (4.84%)	1% Increase (5.84%)
Net pension liability	\$ 148,075,381	\$ 119,218,752	\$ 95,589,262

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.midlandfrf.com.

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

For the year ended September 30, 2018, the City recognized pension expense of \$19,787,843. At September 30, 2018, 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	\$ -	\$ 5,423,335
Changes in assumption	56,497,164	-
Net difference between projected and actual earnings on pension plan investments	2,872,441	-
Contributions made after the measurement date	2,841,495	-
TOTAL	\$ 62,211,100	\$ 5,423,335

6. EMPLOYEE BENEFIT PLANS (Continued)

A. Plan Descriptions (Continued)

Midland Firemen’s Relief and Retirement Fund (Continued)

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

\$2,841,495 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>September 30,</u>	
2019	\$ 12,323,198
2020	11,586,733
2021	10,131,326
2022	9,468,520
2023	10,132,953
2024	<u>303,540</u>
 TOTAL	 <u>\$ 53,946,270</u>

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.

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

6. EMPLOYEE BENEFIT PLANS (Continued)

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 summary of the total OPEB liability, deferred outflows, deferred inflows and OPEB expense of each plan is shown below. Detailed discussion of each plan with follow in this note.

Plan	Total OPEB Liability	Deferred Outflows	Deferred Inflows	OPEB Expense
Retiree Health Care Plan				
Governmental Activities	\$ 22,549,102	\$ 650,192	\$ 48,860	\$ 2,095,609
Business-Type Activities	4,438,349	127,977	8,808	412,479
Supplemental Death Benefits				
Governmental Activities	\$ 2,158,768	\$ 154,313	\$ -	\$ 162,847
Business-Type Activities	570,116	40,753	-	43,007
Total	<u>\$ 29,716,335</u>	<u>\$ 973,235</u>	<u>\$ 57,668</u>	<u>\$ 2,713,942</u>

A. City of Midland Postemployment Healthcare Benefit Plan

Plan Description

One of the City's other postemployment benefits (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 TMRS or the 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City's OPEB plan does not issue a publicly available financial report.

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.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. City of Midland Postemployment Healthcare Benefit Plan (Continued)

Benefits Provided

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 per 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, 2018 were \$778,169. The retired employees are required to pay the balance of their respective health plan contributions or premiums to participate in either plan.

Plan Membership

At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Active primary managers	922
Self-insured plan primary members (<65)	92
Medicare supplement plan members (>65)	<u>140</u>
TOTAL	<u><u>1,154</u></u>

Total OPEB Liability for Retiree Health Care Plan

The Plan's total OPEB liability of \$26,987,451 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Plan's total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions; applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50%
Discount rate	3.00%
Healthcare cost trend rates	8.00% Initial 4.50% Ultimate

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

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. City of Midland Postemployment Healthcare Benefit Plan (Continued)

Rate Sensitivity (Continued)

The table below presents the total OPEB liability of the City calculated using the healthcare rate of 8%, decreasing to 4.50% by 2024, as well as what the City's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Healthcare Rate	1% Increase
Total OPEB liability	\$ 24,604,326	\$ 26,987,451	\$ 29,939,960

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$2,508,088. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 57,668
Contributions made subsequent to measurement date	778,169	-
TOTAL	\$ 778,169	\$ 57,668

The \$778,169 reported as deferred outflows related to OPEB resulting from contributions subsequent to the measurement date will reduce the total OPEB liability during the year ending September 30, 2019. The amount reported as deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	
2019	\$ (4,116)
2020	(4,116)
2021	(4,116)
2022	(4,116)
2023	(4,116)
Thereafter	<u>(37,088)</u>
TOTAL	\$ <u>(57,668)</u>

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Texas Municipal Retirement System Supplemental Death Benefits Funds

Plan Description

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Funds (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e., no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for city reporting.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

Plan Membership

At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	456
Inactive employees entitled to but not yet receiving benefits	105
Active employees	761
 TOTAL	 1,322

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefits for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

**B. Texas Municipal Retirement System Supplemental Death Benefits Funds
(Continued)**

Contributions (Continued)

Contributions are made monthly based on the covered payroll of the city. The contractually required contribution rate is determined annually for the city. The rate is based on mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of the contribution rates to the SDBF for the City was 0.07% and 0.06% in calendar years 2017 and 2018, respectively. The City's contributions to the SDBF for the year ended September 30, 2018 were \$37,105, and were equal to the required contributions.

Total OPEB Liability for Supplemental Death Benefits

The City's total OPEB liability of \$2,728,884 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50% to 10.50%, including inflation
Discount rate	3.31% (3.78% in prior year)
Retiree's share of benefit-related costs	0.00%

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 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.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

**B. Texas Municipal Retirement System Supplemental Death Benefits Funds
 (Continued)**

Actuarial Assumptions (Continued)

Actuarial assumptions used in the December 31, 2017 valuation were developed primarily from an actuarial experience study of the four-year period December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the entry-age normal actuarial cost method.

The discount rate used to measure the total OPEB liability was 3.31% and was based upon the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2017.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
BALANCES AT DECEMBER 31, 2016	<u>\$ 2,389,303</u>
Changes for the period	
Service cost	73,857
Interest on total OPEB liability	91,101
Benefit payments	(32,312)
Changes in assumptions or other inputs	<u>206,935</u>
Net changes	<u>339,581</u>
BALANCES AT DECEMBER 31, 2017	<u>\$ 2,728,884</u>

Rate Sensitivity

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate:

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

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

**B. Texas Municipal Retirement System Supplemental Death Benefits Funds
(Continued)**

Rate Sensitivity (Continued)

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$ 3,262,240	\$ 2,728,884	\$ 2,315,844

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$205,854. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions and other inputs	\$ 166,039	\$ -
Contributions made subsequent to measurement date	29,027	-
TOTAL	\$ 195,066	\$ -

The \$29,027 reported as deferred outflows related to OPEB resulting from contributions subsequent to the measurement date will reduce the total OPEB liability during the year ending September 30, 2019. The other amount reported as deferred outflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	
2019	\$ 40,896
2020	40,896
2021	40,896
2022	40,896
2023	2,455
TOTAL	\$ 166,039

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

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 \$5,615,085 and \$341,701 for the MAF and Sports Complex, respectively.

Minimum future rentals on noncancelable operating leases as of September 30, 2018 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
2019	\$ 3,395,978	\$ 253,850	\$ 3,649,828
2020	3,396,057	178,850	3,574,907
2021	1,477,292	178,850	1,656,142
2022	1,481,597	140,467	1,622,064
2023	1,481,597	48,750	1,530,347
2024-2028	2,300,082	146,250	2,446,332
2029-2033	1,323,128	-	1,323,128
2034-2038	627,928	-	627,928
TOTAL	\$ 15,483,659	\$ 947,017	\$ 16,430,676

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.

8. LEASES (Continued)

A. Operating Lease Receivables (Continued)

Airline Exclusive Space and Joint Use Space (Continued)

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 expires August 15, 2033. Rental rates for this lease agreement 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. This lease agreement allows for rent to be adjusted annually beginning January 1, 2009 to reflect changes in the CPI.

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.

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 October 31, 2020.

8. LEASES (Continued)

A. Operating Lease Receivables (Continued)

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.

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.

8. LEASES (Continued)

A. Operating Lease Receivables (Continued)

Scharbauer Sports Complex (Continued)

Security Bank Ballpark Naming Rights (Continued)

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.

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.

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

8. LEASES (Continued)

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 term of this agreement is through Fiscal Year 2041 with an implied interest rate of 4.91%.

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. The term of this agreement is through Fiscal Year 2029 with an implied interest rate of 3.33%.

A summary of assets acquired through lease is as follows:

Infrastructure	\$ 226,576,160
Less accumulated amortization	<u>(32,335,155)</u>
TOTAL	<u>\$ 194,241,005</u>

The following is a summary of the capitalized lease transactions for the City for the year ended September 30, 2018:

	Balance at September 30, 2017	Capital Lease Commitments	Amortization of Capital Leases	Balance at September 30, 2018
Water and Sewer Fund	\$ 234,096,590	\$ 3,222,991	\$ (1,835,000)	\$ 235,484,581

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 2018.

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

8. LEASES (Continued)

B. Capital Leases Payable (Continued)

Future minimum lease obligations and the net present value of these payments as of September 30, 2018 were as follows:

<u>Year Ending</u> <u>September 30,</u>	
2019	\$ 9,667,862
2020	10,413,508
2021	10,318,457
2022	10,214,524
2023	10,965,877
2024-2028	55,471,371
2029-2033	122,870,866
2034-2038	148,249,511
2039-2041	<u>66,015,197</u>
Total minimum lease payments	444,187,173
Less interest at 3.33% and 4.91%	<u>(208,702,592)</u>
PRESENT VALUE	<u>\$ 235,484,581</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.

As of January 15, 2014, the minimum monthly rent shall be increased only in the same proportion or percentage by which the cost of living has been increased as reflected by the CPI - All Urban Consumers, All Items, Dallas-Fort Worth Area. Provided, however, that any such rental increase shall not exceed 5% above the prior year's rent. In no event shall the monthly payment due be less than \$6,000.

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, 2018, were as follows:

<u>Year Ending</u> <u>September 30,</u>	
2019	\$ 77,199
2020	77,199
2021	77,199
2022	77,199
2023	<u>19,300</u>
Total minimum lease payments	328,096
Less interest at 5%	<u>(33,068)</u>
PRESENT VALUE	<u>\$ 295,028</u>

9. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2018:

	Balances October 1, As restated	Increases	Decreases	Balances September 30	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation refunding bonds	\$ 1,560,000	\$ 25,615,000	\$ 805,000	\$ 26,370,000	\$ 610,000
Certificates of obligation	72,147,759	-	6,885,172	65,262,587	2,642,414
Plus premium on debt	6,388,364	3,535,047	647,429	9,275,982	920,924
Total bonds payable	<u>80,096,123</u>	<u>29,150,047</u>	<u>8,337,601</u>	<u>100,908,569</u>	<u>4,173,338</u>
Compensated absences liability	4,424,347	6,887,179	6,579,623	4,731,903	3,291,318
Net pension liability	93,470,695	76,269,472	30,345,575	139,394,592	-
Other postemployment benefits liability	21,117,020	2,099,048	666,966	22,549,102	650,192
Other postemployment benefits liability - TMRS	1,890,132	294,197	25,561	2,158,768	22,963
Self-insurance liability	3,992,623	7,450,016	7,356,698	4,085,941	1,597,283
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 204,990,940</u>	<u>\$ 122,149,959</u>	<u>\$ 53,312,024</u>	<u>\$ 273,828,875</u>	<u>\$ 9,735,094</u>

The retirement of the compensated absences liability is normally paid from the General Fund, General Liability Fund, and Garage Fund. The net pension liability and other postemployment liabilities are generally liquidated by the General Fund, General Liability Fund, and Garage Fund.

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

9. LONG-TERM DEBT (Continued)

	Balances October 1, As restated	Increases	Decreases	Balances September 30	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Water and Sewer					
Certificates of obligation	\$ 52,845,000	\$ -	\$ 40,380,000	\$ 12,465,000	\$ 690,000
General obligation refunding bonds	-	34,805,000	250,000	34,555,000	640,000
Plus issuance premiums	1,385,465	3,484,664	993,567	3,876,562	484,688
Capital lease obligation	234,096,590	3,222,991	1,835,000	235,484,581	-
Nonmajor Funds					
Certificates of obligation	1,667,241	-	64,828	1,602,413	67,586
Plus issuance premium	155,579	-	16,062	139,517	15,431
Total bonds payable	290,149,875	41,512,655	43,539,457	288,123,073	1,897,705
Water and Sewer					
Compensated absences	248,474	520,672	489,068	280,078	195,780
Net pension liability	4,357,180	919,803	2,774,705	2,502,278	-
Other postemployment benefits liability	1,879,278	186,802	59,356	2,006,724	57,863
Other postemployment benefits liability - TMRS	225,567	35,109	3,050	257,626	2,740
Sanitation Fund					
Closure/postclosure care	15,752,644	1,611,936	-	17,364,580	-
Compensated absences liability	105,494	315,829	289,165	132,158	91,924
Net pension liability	2,767,183	609,402	1,837,066	1,539,519	-
Other postemployment benefits liability	1,294,965	128,721	40,901	1,382,785	39,872
Other postemployment benefits liability - TMRS	149,291	23,237	2,019	170,509	1,814
Airport Fund					
Compensated absences	174,520	207,782	214,309	167,993	116,849
Net pension liability	1,685,513	353,022	1,066,968	971,567	-
Other postemployment benefits liability	654,387	65,047	20,668	698,766	20,149
Other postemployment benefits liability - TMRS	86,820	13,513	1,174	99,159	1,055
Nonmajor Funds					
Compensated absences - Golf	86,810	40,236	59,625	67,421	46,895
Compensated absences - I/S	15,833	7,411	6,204	17,040	11,852
Net pension liability - Golf	576,136	136,432	414,442	298,126	-
Net pension liability - I/S	70,013	13,790	44,090	39,713	-
Other postemployment benefits liability - Golf	297,776	29,599	9,405	317,970	9,168
Other postemployment benefits liability - I/S	30,065	2,988	949	32,104	926
Other postemployment benefits liability - TMRS - Golf	33,808	5,262	457	38,613	411
Other postemployment benefits liability - TMRS - I/S	3,685	574	50	4,209	45
Total other liabilities	30,495,442	5,227,167	7,333,671	28,388,938	597,343
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 320,645,317	\$ 46,739,822	\$ 50,873,128	\$ 316,512,011	\$ 2,495,048

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

9. LONG-TERM DEBT (Continued)

Long-term debt at September 30, 2018 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 Bond, Series 2014	\$ 3,800,000	3.00% to 4.00%	2020	\$ 755,000	\$ 370,000-805,000	1
General Obligation Bond, Series 2018A	25,615,000	3.25% to 5.00%	2043	25,615,000	525,000-1,490,000	6
Certificates of Obligation Serviced by Tax Revenues						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2009	9,855,000	3.00% to 4.25%	2029	6,355,000	450,000-700,000	2
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2012	13,590,000	3.00% to 4.25%	2032	10,680,000	550,000-950,000	3
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2014	24,374,483	3.00% to 5.00%	2034	21,632,587	837,000-1,890,000	4
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2016	27,245,000	2.00% to 5.00%	2042	<u>26,595,000</u>	650,000-1,770,000	5
Total				<u>\$ 91,632,587</u>		
General Obligation Bonds Serviced By Enterprise Fund Revenues						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2018A	25,940,000	3.25% to 5.00%	2043	\$ 25,940,000	250,000-2,085,000	6
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2018B	8,865,000	3.25% to 4.08%	2037	8,615,000	250,000-555,000	6
Certificates of Obligation Serviced by Enterprise Fund Revenues						
Water and Sewer Fund						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2012	15,855,000	3.00% to 4.25%	2032	12,465,000	640,000-1,110,000	3
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>1,602,413</u>	62,069-140,000	4
Total				<u>\$ 48,622,413</u>		

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

9. LONG-TERM DEBT (Continued)

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 2020 through 2029, on March 1, 2019, or on any interest payment date thereafter at par plus accrued interest.
3. 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.
4. 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.
5. 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.
6. Callable as a whole or in part, bonds maturing 2028 through 2043, on March 1, 2027, or on any interest payment date thereafter at par plus accrued interest.

The annual requirements to amortize debt outstanding as of September 30, 2018 follow, including interest payments of approximately \$67,923,662 are below. 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			General Obligation Bonds and Certificates of Obligation Payables		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 3,252,415	\$ 4,583,118	\$ 7,835,533	\$ 1,397,585	\$ 2,582,852	\$ 3,980,437
2020	3,993,966	3,812,133	7,806,099	2,091,034	1,889,342	3,980,376
2021	3,745,862	3,669,720	7,415,582	2,164,138	1,815,315	3,979,453
2022	3,907,069	3,507,887	7,414,956	2,247,931	1,732,115	3,980,046
2023	4,082,931	3,329,207	7,412,138	2,342,069	1,634,726	3,976,795
2024	4,273,793	3,145,249	7,419,042	2,451,207	1,532,229	3,983,436
2025	4,469,310	2,948,131	7,417,441	2,550,690	1,424,545	3,975,235
2026	4,669,828	2,741,147	7,410,975	2,665,172	1,316,195	3,981,367
2027	4,890,000	2,523,749	7,413,749	2,780,000	1,207,051	3,987,051
2028	4,614,828	2,312,504	6,927,332	2,880,172	1,094,324	3,974,496
2029	4,819,310	2,111,079	6,930,389	2,995,690	981,766	3,977,456

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

9. LONG-TERM DEBT (Continued)

Debt Service to Maturity (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
2030	\$ 4,303,793	\$ 1,913,298	\$ 6,217,091	\$ 3,116,207	\$ 867,253	\$ 3,983,460
2031	4,492,586	1,725,954	6,218,540	3,232,414	745,882	3,978,296
2032	4,691,379	1,524,111	6,215,490	3,368,621	609,523	3,978,144
2033	3,915,517	1,333,948	5,249,465	2,349,483	497,947	2,847,430
2034	4,080,000	1,166,838	5,246,838	2,435,000	411,436	2,846,436
2035	2,300,000	1,021,638	3,321,638	2,400,000	305,196	2,705,196
2036	2,420,000	903,638	3,323,638	2,515,000	187,292	2,702,292
2037	2,545,000	779,513	3,324,513	2,640,000	63,441	2,703,441
2038	2,670,000	649,138	3,319,138	-	-	-
2039	2,810,000	512,138	3,322,138	-	-	-
2040	2,945,000	379,594	3,324,594	-	-	-
2041	3,065,000	257,825	3,322,825	-	-	-
2042	3,185,000	136,425	3,321,425	-	-	-
2043	1,490,000	37,250	1,527,250	-	-	-
TOTAL	\$ 91,632,587	\$ 47,025,232	\$ 138,657,819	\$ 48,622,413	\$ 20,898,430	\$ 69,520,843

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 \$0.040888 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 \$1,005,896,113.

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, 2018.

9. LONG-TERM DEBT (Continued)

Debt Service to Maturity (Continued)

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.

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% to 4%, 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

9. LONG-TERM DEBT (Continued)

Debt Service to Maturity (Continued)

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% to 5%. Annual debt service requirements on this issue (including principal and interest) range from \$2,067,150 to \$2,072,050.

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.

On January 15, 2018, the City issued \$51,555,000 in non-taxable City of Midland General Obligation Improvement and Refunding Bonds, Series 2018A. The purpose of the bonds included the first installment of the voter approved road maintenance authorized at \$100 million. The balance of the General Obligation Bond was the refunding of 2007 Certificate of Obligation Bond. This included \$25,940,000 to be self-supported by Water and Sewer and \$3,420,000 by ad valorem tax. The road maintenance portion matures in 25 years. The 2007 refunding portion matures in 2037. Interest rates for the bond runs from 3.25% to 5.00%. Annual debt service for principal and interest runs from \$1,527,250 to \$4,077,807.

9. LONG-TERM DEBT (Continued)

Debt Service to Maturity (Continued)

On January 15, 2018, the City also issued \$8,865,000 in General Obligation Refunding Bonds, Series 2018B. These are the taxable portion of the 2007 Certificate of Obligation. Debt service will be paid by the Water and Sewer operation. The annual debt service payments will run from a low of \$410,673 to a high of \$735,575. Interest rates for the bond runs from 4% to 5%.

Debt Refunding

On January 15, 2018, the City issued \$51,555,000 General Obligation Improvement and Refunding Bonds, Series 2018A. The proceeds of the bonds were being used to call and refund the City's outstanding General Obligation Bonds, Series 2007 Combination Tax and Limited Revenue Certificates of Obligation, dated February 14, 2018 to pay costs of issuance of the bonds and to achieve debt service savings. The Series 2018A outstanding as of September 30, 2018, totaling \$25,615,000 bear interest at 3% to 4%. Interest on the bonds is payable semiannually, each March 1 and September 1, commencing March 1, 2019 and the bonds mature serially on March 1 of each year commencing March 1, 2027 through March 1, 2043. As a result of the refunding transaction, the City achieved a cash flow savings of \$7,161,115 and an economic gain of \$5,354,491.

Also, on January 15, 2018, the City issued \$8,865,000 General Obligation Refunding Bonds, Taxable Series 2018B. The proceeds of the bonds were being used to call and refund the City's outstanding General Obligation Bonds, Series 2007 Combination Tax and Limited Revenue Certificates of Obligation, dated February 14, 2018 to pay costs of issuance of the bonds and to achieve debt service savings. The Series 2018B outstanding as of September 30, 2018, totaling \$8,615,000 bear interest at 3% to 4%. Interest on the bonds is payable semiannually, each March 1 and September 1, commencing March 1, 2018 and the bonds mature serially on March 1 of each year commencing March 1, 2031 through March 1, 2037. As a result of the refunding transaction, the City achieved a cash flow savings of \$1,119,829 and an economic gain of \$778,618.

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.

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

11. INTERFUND TRANSACTIONS

Interfund transfers during the year ended September 30, 2018 were as follows:

Fund	Transfer Out	Transfer In
Major Governmental Funds		
General Fund		
Nondepartmental Services	\$ -	\$ 577,500
Direct Cost Allocation	-	5,885,736
Cancellation of Golf Course Loan	695,141	-
CDBG Minor Repair Program	2,500	-
Sports Complex Corporation Receipts	31,268,516	-
Debt Service Fund		
Hotel Motel Fund	-	1,794,050
Nonmajor Governmental Funds		
Special Revenue Fund		
Hotel-Motel Fund - Direct Cost Allocation	24,687	-
Hotel-Motel Fund - Debt Service	1,794,050	-
CDBG Fund - Repair Program	-	2,500
Major Proprietary Funds		
Enterprise Funds		
Water and Sewer Fund		
Nondepartmental Services	577,500	-
Direct Cost Allocation	1,662,169	-
Sanitation Fund - Direct Cost Allocation	632,500	-
Airport Fund - Direct Cost Allocation	2,014,148	-
Sports Complex Fund		
Direct Cost Allocation	712,572	-
Sports Complex Corporation Receipts	-	31,268,516
Nonmajor Proprietary Funds		
Golf Course Fund		
Direct Cost Allocation	164,016	-
Cancellation of Golf Course Loan	-	1,536,709
Internal Service Funds		
Garage Fund - Direct Cost Allocation	593,411	-
Cancellation of Golf Course Loan	841,568	-
Warehouse Fund - Direct Cost Allocation	82,233	-
TOTAL	<u>\$ 41,065,011</u>	<u>\$ 41,065,011</u>

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 closed out as of September 30, 2018.

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. These projects were not completed as of September 30, 2018.

In August 2018, the City accepted A.I.P Grant 3-48-0150-058-2018 in the amount of \$2,534,316 to be used for the payment of costs associated to acquire 1,500 gallon replacement ARFF vehicle, acquire 1,500 gallon replacement ARFF vehicle w/HRET, Rehab North Terminal and South Apron Concrete Pavement, Phase 1 Design, Rehab Northwest Taxilane and Executive Apron Concrete Pavement, Phase 1 Design, NW Basin Wildlife improvement, Phase 1 Design, Improve Terminal Building, Phase 1 Design. These projects were not completed as of September 30, 2018.

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.

13. CONTINGENT LIABILITIES (Continued)

The City has a \$5,911,873 interest free forgivable loan as part of an economic development agreement with the MDC for street improvements. All repayment terms and conditions shall apply to said funds, including, but not limited to, the City's obligation to repay to the MDC any said funds that are not expensed for the 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; and Cyber Liability and Data Breach Response coverage of a \$1,000,000 aggregate limit, of which took a retrospective effect of October 1, 2016.

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.

14. RISK MANAGEMENT (Continued)

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.

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.

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

14. RISK MANAGEMENT (Continued)

Changes in the claims liability amounts for each of the self-insurance funds in the fiscal years ended September 30, 2017 and 2018 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2016 to 2017				
Workers' compensation	\$ 1,456,195	\$ 1,488,426	\$ 1,362,773	\$ 1,581,848
Medical/dental	583,621	9,348,643	9,067,329	864,935
General liability	1,382,333	811,574	648,067	1,545,840
Unemployment	-	40,032	40,032	-
TOTAL	\$ 3,422,149	\$ 11,688,675	\$ 11,118,201	\$ 3,992,623
2017 to 2018				
Workers' compensation	\$ 1,581,848	\$ 1,072,049	\$ 890,971	\$ 1,762,926
Medical/dental	864,935	6,398,100	6,398,101	864,934
General liability	1,545,840	159,837	247,596	1,458,081
Unemployment	-	6,668	6,668	-
TOTAL	\$ 3,992,623	\$ 7,636,654	\$ 7,543,336	\$ 4,085,941

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 1,000 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 1,000 gallons. Total royalty paid amounted to \$900,384 in Fiscal Year 2018.

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.

15. COMMITMENTS (Continued)

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 CRMWD cash contributions.

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.

15. COMMITMENTS (Continued)

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 \$2,993,071 to CRMWD in 2018, 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 District). 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 2018 is \$3.34 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% 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 Note 8b.

The City has active construction projects as of September 30, 2018. Approved budgets for the larger ongoing capital projects are as follows:

Streets and Drainage	\$ 21,183,582
General Facilities	44,383,528
Parks	2,349,711
Technology	7,172,233
Airport	24,274,640
Water and Sewer	<u>591,600</u>
 TOTAL	 <u>\$ 99,955,294</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 2017 through July 2018 was 1.03%. The amount expensed for the year ended September 30, 2018 is \$1,611,936. The \$17,364,580 reported as a landfill closure and postclosure care liability at September 30, 2018, represents the cumulative amount reported to date based on the use of 22.60% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$53,842,795 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended September 30, 2018. 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.

17. CLOSURE AND POSTCLOSURE CARE COST (Continued)

- B. Financial assurance costs are anticipated in the following categories of expenditures and in the amount of the corresponding cost estimates.

Closure costs	\$ 7,696,911
Postclosure costs	<u>13,930,386</u>
 TOTAL	 <u>\$ 21,627,297</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 \$309,564 per year.

18. JOINT VENTURE

An interlocal agreement between the City and the City of Odessa established the MOU as an urban transportation system provider under Chapter 458 of the Texas Transportation Code. The MOU 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, 2018, the City contributed money to the MOU in the amount of \$500,000. Both cities have budgeted contributions to the MOU but do not have an equity interest. As of September 30, 2017, the MOU had net position of \$10,684,545 of which \$11,139,286 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 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

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

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, 2018 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 capital assets. The Spaceport's liabilities as of September 30, 2018 consist primarily of a note payable to MDC.

20. SUBSEQUENT EVENTS

A. Changes in Financing

Early in fiscal year 2019, the City executed a current refunding in the amount of \$5,880,000 of a portion of series 2009 tax and limited pledge revenue certificates of obligation. The bonds were refunded with \$28,530,000, Series 2019 General Obligation Improvement and Refunding Bonds dated February 15, 2019, bearing interest rates ranging from 3% to 5%. The refunding was undertaken to achieve debt service savings and the remaining proceeds from the sale of the bonds will be used for the discharge and final payment of certain outstanding obligations for the City, 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 waterworks and sewer system, and for the purchase of land, easements, rights-of-way, and other real property interests necessary.

On March 14, 2019, the City issued \$22,840,000 of the City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 for the purpose of acquiring, constructing, improving and equipping firefighting facilities, improving and extending the City's water and wastewater system, constructing and improving streets within the City, and to pay the costs associated with the issuance of the certificates. The bonds mature over a 20-year period and have interest rates ranging from 4% to 5%.

21. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended September 30, 2018, the City implemented GASB Statement No. 75. With the implementation, the City is required to retroactively record the total postemployment benefit liability and write-off the net OPEB obligation.

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

21. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The beginning net position reported in the statement of net position has been restated to reflect the new guidance as follows:

	Increase (Decrease)
CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES	
To record the total OPEB liability	\$ (23,007,152)
Contribution subsequent to measurement date	644,342
To write off net OPEB obligation	<u>24,011,152</u>
TOTAL CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES	<u>\$ 1,648,342</u>
CHANGE IN ACCOUNTING PRINCIPLE - BUSINESS-TYPE ACTIVITIES	
To record the total OPEB liability	\$ (4,655,642)
Contribution subsequent to measurement date	128,546
To write off net OPEB obligation	<u>4,480,322</u>
TOTAL CHANGE IN ACCOUNTING PRINCIPLE - BUSINESS-TYPE ACTIVITIES	<u>\$ (46,774)</u>

GASB Statement No. 89 - Accounting for Interest Costs Incurred Before the End of a Construction Period supersedes the requirement of paragraphs 5-22 of *GASB Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and requires interest costs incurred before the end of a construction period to be recognized as expense in the period incurred under the economic resources measurement focus. This standard was early adopted by the City in fiscal year 2018 and did not have a material effect on the City.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

CITY OF MIDLAND, TEXAS

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

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance
REVENUES						
Taxes	\$ 96,479,553	\$ 96,479,553	\$ 113,951,964	\$ -	\$ 113,951,964	\$ 17,472,411
Licenses and permits	1,690,200	1,690,200	2,963,061	-	2,963,061	1,272,861
Fines and forfeitures	3,846,000	3,846,000	4,710,743	-	4,710,743	864,743
Charges for services	2,234,075	2,234,075	4,845,556	14,535,759	19,381,315	17,147,240
Rentals	250,500	250,500	223,989	-	223,989	(26,511)
Intergovernmental	723,604	723,604	815,181	-	815,181	91,577
Investment income						
Interest income	266,200	266,200	1,369,451	-	1,369,451	1,103,251
Net increase (decrease) in the fair value of investments	-	-	(327,804)	-	(327,804)	(327,804)
Contributions and donations	-	-	48,595	-	48,595	48,595
Miscellaneous	44,000	44,000	1,592,279	-	1,592,279	1,548,279
Total revenues	105,534,132	105,534,132	130,193,015	14,535,759	144,728,774	39,194,642
EXPENDITURES						
Current						
General government						
Administration	1,485,223	1,485,223	1,446,093	-	1,446,093	(39,130)
Support services	15,185,697	15,455,813	14,938,860	-	14,938,860	(516,953)
Fiscal management	2,266,937	2,266,937	2,098,600	-	2,098,600	(168,337)
Development services	3,559,198	3,559,198	3,505,250	-	3,505,250	(53,948)
Engineering	14,126,755	16,007,083	15,519,206	-	15,519,206	(487,877)
Community services	11,337,242	10,844,004	11,010,270	-	11,010,270	166,266
Police	27,098,358	27,132,358	27,772,640	-	27,772,640	640,282
Fire	26,668,535	26,668,535	28,203,934	-	28,203,934	1,535,399
Other	4,638,063	4,028,138	3,305,082	-	3,305,082	(723,056)
Capital outlay	5,661,960	6,379,235	11,872,633	-	11,872,633	5,493,398
Total expenditures	112,027,968	113,826,524	119,672,568	-	119,672,568	5,846,044
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,493,836)	(8,292,392)	10,520,447	14,535,759	25,056,206	33,348,598
OTHER FINANCING SOURCES (USES)						
Transfers in	36,635,736	36,635,736	6,463,236	(14,535,759)	(8,072,523)	(44,708,259)
Transfers (out)	(30,135,000)	(52,850,021)	(31,966,157)	-	(31,966,157)	20,883,864
Proceeds from sale of asset	-	-	191,405	-	191,405	191,405
Total other financing sources (uses)	6,500,736	(16,214,285)	(25,311,516)	(14,535,759)	(39,847,275)	(23,632,990)
NET CHANGE IN FUND BALANCE	\$ 6,900	\$ (24,506,677)	(14,791,069)	\$ -	\$ (14,791,069)	\$ 9,715,608
FUND BALANCE, OCTOBER 1			<u>99,572,495</u>			
FUND BALANCE, SEPTEMBER 30			<u>\$ 84,781,426</u>			

(See Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

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 a resolution. During fiscal year 2018, there was \$24,513,577 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)

BUDGETARY DATA (Continued)

The following fund had a deficit in fund balances at September 30, 2018:

<u>Fund</u>	<u>Deficit</u>
General Fund – total expenditures	\$ 5,846,044

CITY OF MIDLAND, TEXAS

**SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND**

September 30, 2018 Fiscal Year

MEASUREMENT DATE DECEMBER 31,	2017
TOTAL OPEB LIABILITY	
Service cost	\$ 73,857
Interest	91,101
Benefit payments	(32,312)
Changes in assumptions	<u>206,935</u>
Net change in total OPEB liability	339,581
Total OPEB liability - beginning	<u>2,389,303</u>
TOTAL OPEB LIABILITY - ENDING	<u>\$ 2,728,884</u>
Covered-employee payroll	\$ 46,160,369
Employer's total OPEB liability as a percentage of covered-employee payroll	5.91%

Notes to Schedule:

Changes of Benefit Terms: None

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

12/31/16 3.78%

12/31/17 3.31%

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

(See Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

**SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYEMENT BENEFIT PLAN**

September 30, 2018 Fiscal Year

MEASUREMENT DATE DECEMBER 31,	2017
TOTAL OPEB LIABILITY	
Service cost	\$ 1,766,340
Interest	745,864
Difference between expected and actual experience	(57,668)
Benefit payments	<u>(740,576)</u>
Net change in total OPEB liability	1,713,960
Total OPEB liability - beginning	<u>25,273,491</u>
TOTAL OPEB LIABILITY - ENDING	<u>\$ 26,987,451</u>
Covered-employee payroll	\$ 46,160,369
Employer's total OPEB liability as a percentage of covered-employee payroll	58.46%

Notes to Schedule:

Changes of Benefit Terms: None

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

12/31/17 3.00%

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

(See Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

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

Last Four Fiscal Years

FISCAL YEAR ENDED SEPTEMBER 30,	2015	2016	2017	2018
Actuarially determined contribution	\$ 6,682,872	\$ 6,927,806	\$ 6,614,908	\$ 7,063,858
Contributions in relation to the actuarially determined contribution	6,682,872	6,927,806	6,614,908	7,063,858
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 43,561,193	\$ 45,487,794	\$ 43,854,427	\$ 48,149,842
Contributions as a percentage of covered payroll	15.30%	15.23%	15.08%	14.67%

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 28 years; the asset valuation method was at ten-year smoothed market value, with 15.00% soft corridor; and the significant actuarial assumptions were an investment rate of return at 6.75% annually, projected salary increases assumption of 3.50% to 10.50% compounded annually, and postretirement benefit increases of 2.50%

Ultimately, this schedule should present information for the last ten 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 Four Fiscal Years

FISCAL YEAR ENDED SEPTEMBER 30,	2015	2016	2017	2018
Actuarially determined contribution	\$ 3,672,302	\$ 3,560,801	\$ 3,405,259	\$ 3,555,264
Contributions in relation to the actuarially determined contribution	<u>3,672,302</u>	<u>3,560,801</u>	<u>3,405,259</u>	<u>3,555,264</u>
CONTRIBUTION DEFICIENCY (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 16,926,073	\$ 16,130,469	\$ 15,339,005	\$ 16,014,703
Contributions as a percentage of covered payroll	21.70%	22.07%	22.20%	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 5 years; the asset valuation method was at market value; and the significant actuarial assumptions were an investment rate of return at 7.75% annually, projected salary increases assumption of 3.50%, plus promotion, setep and longevity increases that vary by service, and postretirement benefit increases of 3.00% compounded annually.

There have been no benefit changes.

Ultimately, this schedule should present information for the last ten 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 CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Four Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016	2017
TOTAL PENSION LIABILITY				
Service cost	\$ 5,708,477	\$ 6,819,607	\$ 7,218,730	\$ 7,173,321
Interest	18,903,934	19,670,175	19,807,241	20,425,225
Differences between expected and actual experience	2,321,980	(1,598,670)	(1,502,270)	(1,024,053)
Changes of assumptions	-	3,644,493	-	-
Benefit payments, including refunds of member contributions	(16,355,215)	(16,732,102)	(15,862,016)	(16,829,343)
Net change in total pension liability	10,579,176	11,803,503	9,661,685	9,745,150
Total pension liability - beginning	275,379,574	285,958,750	297,762,253	307,423,938
TOTAL PENSION LIABILITY - ENDING	\$ 285,958,750	\$ 297,762,253	\$ 307,423,938	\$ 317,169,088
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 6,525,057	\$ 6,612,574	\$ 6,896,363	\$ 6,862,664
Contributions - member	2,927,933	3,077,837	3,214,447	3,232,126
Net investment income	14,348,994	380,860	16,971,040	36,325,527
Benefit payments, including refunds of member contributions	(16,355,215)	(16,732,102)	(15,862,016)	(16,829,343)
Administrative expense	(149,823)	(232,003)	(191,753)	(188,365)
Other	(12,318)	(11,458)	(10,331)	(9,546)
Net change in plan fiduciary net position	7,284,628	(6,904,292)	11,017,750	29,393,063
Plan fiduciary net position - beginning	250,850,897	258,135,525	251,231,233	262,248,983
PLAN FIDUCIARY NET POSITION - ENDING	\$ 258,135,525	\$ 251,231,233	\$ 262,248,983	\$ 291,642,046
EMPLOYER'S NET PENSION LIABILITY				
Plan fiduciary net position as a percentage of the total pension liability	90.30%	84.40%	85.30%	92.00%
Covered payroll	\$ 41,827,614	\$ 43,969,099	\$ 45,920,672	\$ 46,160,369
Employer's net pension liability as a percentage of covered payroll	66.50%	105.80%	98.40%	55.30%

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

(See Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

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

Last Four Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016	2017
TOTAL PENSION LIABILITY				
Service cost	\$ 3,843,870	\$ 4,197,602	\$ 4,336,753	\$ 4,531,907
Interest	9,442,123	10,022,772	10,654,714	11,265,786
Differences between expected and actual experience	-	(800,260)	-	(5,933,150)
Changes of assumptions	-	1,104,367	-	66,944,828
Benefit payments, including refunds of member contributions	(6,301,043)	(6,684,894)	(6,843,836)	(8,252,601)
Net change in total pension liability	6,984,950	7,839,587	8,147,631	68,556,770
Total pension liability - beginning	117,444,545	124,429,495	132,269,082	140,416,713
TOTAL PENSION LIABILITY - ENDING	\$ 124,429,495	\$ 132,269,082	\$ 140,416,713	\$ 208,973,483
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 3,318,107	\$ 3,729,857	\$ 3,582,056	\$ 3,555,264
Contributions - member	2,055,503	2,258,218	2,129,871	2,113,940
Net investment income	2,747,881	(708,892)	3,106,027	9,952,749
Benefit payments, including refunds of member contributions	(6,301,043)	(6,684,894)	(6,843,836)	(8,252,601)
Administrative expense	(222,705)	(211,442)	(251,621)	(279,569)
Other	3,863	7,118	66	-
Net change in plan fiduciary net position	1,601,606	(1,610,035)	1,722,563	7,089,783
Plan fiduciary net position - beginning	80,950,814	82,552,420	80,942,385	82,664,948
PLAN FIDUCIARY NET POSITION - ENDING	\$ 82,552,420	\$ 80,942,385	\$ 82,664,948	\$ 89,754,731
EMPLOYER'S NET PENSION LIABILITY	\$ 41,877,075	\$ 51,326,697	\$ 57,751,765	\$ 119,218,752
Plan fiduciary net position as a percentage of the total pension liability	66.30%	61.20%	58.90%	43.00%
Covered payroll	\$ 15,559,705	\$ 17,089,837	\$ 16,135,387	\$ 16,014,697
Employer's net pension liability as a percentage of covered payroll	269.10%	300.30%	357.90%	744.40%

The total pension liability based on the December 31, 2017 actuarial valuation was determined using a change in assumptions related to a change in the investment rate of return from 8.00% in 2016 to 7.75% in 2017 and a change in the discount rate from 8.00% in 2016 to 4.84% in 2017.

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

(See Independent Auditor's Report.)

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES (Unaudited)**

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, 2018

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Property taxes	\$ 5,001,380	\$ 5,001,380	\$ 5,019,176	\$ 17,796
Investment earnings				
Interest income	6,000	6,000	43,219	37,219
Net increase (decrease) in the fair value of investments	-	-	(1,924)	(1,924)
Total revenues	5,007,380	5,007,380	5,060,471	53,091
EXPENDITURES				
Debt service				
Principal	3,538,166	3,538,166	3,710,172	172,006
Interest	3,255,155	3,255,155	2,899,644	(355,511)
Fiscal charges	2,000	2,000	2,146	146
Debt issuance costs	-	-	230,717	230,717
Total expenditures	6,795,321	6,795,321	6,842,679	47,358
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,787,941)	(1,787,941)	(1,782,208)	5,733
OTHER FINANCING SOURCES (USES)				
Transfers in	1,796,550	1,796,550	1,794,050	(2,500)
Bonds issued	-	-	3,420,000	3,420,000
Payment to escrow agent	-	-	(4,064,106)	(4,064,106)
Premium on bond	-	-	492,074	492,074
Total other financing sources (uses)	1,796,550	1,796,550	1,642,018	(154,532)
NET CHANGE IN FUND BALANCE	\$ 8,609	\$ 8,609	(140,190)	\$ (148,799)
FUND BALANCE, OCTOBER 1			434,347	
FUND BALANCE, SEPTEMBER 30			\$ 294,157	

(See Independent Auditor's Report.)

NONMAJOR GOVERNMENTAL FUNDS

CITY OF MIDLAND, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental
ASSETS			
ASSETS			
Cash and cash equivalents	\$ 17,397,283	\$ 48,407,391	\$ 65,804,674
Investments	6,075,671	239,643	6,315,314
Receivables			
Accounts	2,402,871	33	2,402,904
Interest	15,179	357	15,536
Intergovernmental	607,473	-	607,473
	\$ 26,498,477	\$ 48,647,424	\$ 75,145,901
LIABILITIES			
Accounts payable	\$ 352,876	\$ 4,075,808	\$ 4,428,684
Retainage payable	162,897	666,991	829,888
Due to other funds	534,165	-	534,165
	1,049,938	4,742,799	5,792,737
FUND BALANCES			
Restricted			
Public safety	1,089,622	-	1,089,622
Court	567,447	-	567,447
Communications	-	275,573	275,573
Downtown	-	588,770	588,770
Buildings and renovations	3,965,150	21,361,638	25,326,788
Streets and drainage	-	21,136,386	21,136,386
Parks and recreation	1,479	271,583	273,062
Hotel/Motel	15,428,012	-	15,428,012
Other purposes	1,538,141	388	1,538,529
Unrestricted			
Committed			
Buildings and renovations	-	270,287	270,287
Streets and drainage	2,858,688	-	2,858,688
	25,448,539	43,904,625	69,353,164
	\$ 26,498,477	\$ 48,647,424	\$ 75,145,901

(See Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

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

For the Year Ended September 30, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental
REVENUES			
Hotel-motel tax revenues	\$ 12,546,459	\$ -	\$ 12,546,459
Sales taxes	1,003,876	-	1,003,876
Pet licenses	-	64,445	64,445
Municipal court technology assessment	77,656	-	77,656
Municipal court security fee	58,221	-	58,221
Rentals	8,113	-	8,113
Intergovernmental	749,180	-	749,180
Investment income			
Interest income	273,593	555,605	829,198
Net decrease in the fair value of investments	(61,947)	(2,948)	(64,895)
Program income	179,790	-	179,790
Contributions and donations	111,779	-	111,779
Miscellaneous	260,174	-	260,174
Total revenues	15,206,894	617,102	15,823,996
EXPENDITURES			
Current			
Housing programs	433,743	-	433,743
Economic development	3,016,266	-	3,016,266
Other	638,134	28,685	666,819
Capital outlay	2,939,333	16,201,760	19,141,093
Total expenditures	7,027,476	16,230,445	23,257,921
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,179,418	(15,613,343)	(7,433,925)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,500	-	2,500
Transfers (out)	(1,818,737)	-	(1,818,737)
Bonds issued	-	22,195,000	22,195,000
Premium on bonds	-	3,042,973	3,042,973
Total other financing sources (uses)	(1,816,237)	25,237,973	23,421,736
NET CHANGE IN FUND BALANCES	6,363,181	9,624,630	15,987,811
FUND BALANCES, OCTOBER 1	19,085,358	34,279,995	53,365,353
FUND BALANCES, SEPTEMBER 30	\$ 25,448,539	\$ 43,904,625	\$ 69,353,164

(See Independent Auditor's 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, 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, 2018

	<u>Community Development</u>	<u>Federal Police Special Purposes</u>	<u>State Police Special Purposes</u>	<u>H.I.T.D.A Federal Seizure</u>	<u>Department of Justice Grant</u>
ASSETS					
ASSETS					
Cash and cash equivalents	\$ -	\$ 818,679	\$ 263,154	\$ 7,789	\$ 4,212
Investments	-	-	-	-	-
Receivables					
Accounts	-	-	-	-	-
Interest	-	-	-	-	-
Intergovernmental	607,473	-	-	-	-
TOTAL ASSETS	<u>\$ 607,473</u>	<u>\$ 818,679</u>	<u>\$ 263,154</u>	<u>\$ 7,789</u>	<u>\$ 4,212</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 17,608	\$ -	\$ -	\$ -	\$ -
Retainage payable	21,561	-	-	-	-
Due to other funds	534,165	-	-	-	-
Total liabilities	<u>573,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted					
Public safety	-	818,679	263,154	7,789	-
Court	-	-	-	-	-
Buildings and renovations	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Hotel/Motel	-	-	-	-	-
Other purposes	34,139	-	-	-	4,212
Committed					
Streets and drainage	-	-	-	-	-
Total fund balances	<u>34,139</u>	<u>818,679</u>	<u>263,154</u>	<u>7,789</u>	<u>4,212</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 607,473</u>	<u>\$ 818,679</u>	<u>\$ 263,154</u>	<u>\$ 7,789</u>	<u>\$ 4,212</u>

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
\$ 636,599	\$ 12,644,177	\$ 260,089	\$ 114,813	\$ 2,078,298	\$ 106,752	\$ 67,256	\$ 395,465	\$ 17,397,283
-	4,485,428	133,674	58,354	1,097,152	65,210	34,889	200,964	6,075,671
-	2,402,871	-	-	-	-	-	-	2,402,871
-	10,922	347	170	2,934	188	89	529	15,179
-	-	-	-	-	-	-	-	607,473
\$ 636,599	\$ 19,543,398	\$ 394,110	\$ 173,337	\$ 3,178,384	\$ 172,150	\$ 102,234	\$ 596,958	\$ 26,498,477
\$ -	\$ 32,781	\$ -	\$ -	\$ 298,269	\$ -	\$ -	\$ 4,218	\$ 352,876
3,933	115,976	-	-	21,427	-	-	-	162,897
-	-	-	-	-	-	-	-	534,165
3,933	148,757	-	-	319,696	-	-	4,218	1,049,938
-	-	-	-	-	-	-	-	1,089,622
-	-	394,110	173,337	-	-	-	-	567,447
-	3,965,150	-	-	-	-	-	-	3,965,150
-	1,479	-	-	-	-	-	-	1,479
-	15,428,012	-	-	-	-	-	-	15,428,012
632,666	-	-	-	-	172,150	102,234	592,740	1,538,141
-	-	-	-	2,858,688	-	-	-	2,858,688
632,666	19,394,641	394,110	173,337	2,858,688	172,150	102,234	592,740	25,448,539
\$ 636,599	\$ 19,543,398	\$ 394,110	\$ 173,337	\$ 3,178,384	\$ 172,150	\$ 102,234	\$ 596,958	\$ 26,498,477

(See Independent Auditor's 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, 2018

	Community Development	Federal Police Special Purposes	State Police Special Purposes	H.I.T.D.A Federal Seizure	Department of Justice Grant
REVENUES					
Hotel-motel tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Municipal court technology assessment	-	-	-	-	-
Municipal court security fee	-	-	-	-	-
Rentals	-	-	-	-	-
Intergovernmental grants	749,180	-	-	-	-
Investment income					
Interest income	-	9,766	3,377	-	-
Net increase (decrease) in the fair value of investments	-	-	-	-	-
Program income	179,790	-	-	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	-	207,083	53,091	-	-
Total revenues	928,970	216,849	56,468	-	-
EXPENDITURES					
Current					
Housing programs	433,743	-	-	-	-
Economic development	-	-	-	-	-
Other	-	191,667	14,370	-	-
Capital outlay	476,627	-	-	-	-
Total expenditures	910,370	191,667	14,370	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,600	25,182	42,098	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	2,500	-	-	-	-
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	2,500	-	-	-	-
NET CHANGE IN FUND BALANCES	21,100	25,182	42,098	-	-
FUND BALANCES, OCTOBER 1	13,039	793,497	221,056	7,789	4,212
FUND BALANCES, SEPTEMBER 30	\$ 34,139	\$ 818,679	\$ 263,154	\$ 7,789	\$ 4,212

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
\$ -	\$ 12,546,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,546,459
-	-	-	-	1,003,876	-	-	-	1,003,876
-	-	77,656	-	-	-	-	-	77,656
-	-	-	58,221	-	-	-	-	58,221
-	8,113	-	-	-	-	-	-	8,113
-	-	-	-	-	-	-	-	749,180
-	180,952	6,235	3,101	55,206	3,383	1,658	9,915	273,593
-	(55,812)	(1,663)	(726)	-	(811)	(434)	(2,501)	(61,947)
-	-	-	-	-	-	-	-	179,790
-	-	-	-	-	93,211	11,478	7,090	111,779
-	-	-	-	-	-	-	-	260,174
-	12,679,712	82,228	60,596	1,059,082	95,783	12,702	14,504	15,206,894
-	-	-	-	-	-	-	-	433,743
-	2,991,772	-	-	-	-	-	24,494	3,016,266
250,000	24,178	68,044	-	-	60,318	25,339	4,218	638,134
80,214	769,145	-	36,202	1,512,665	64,480	-	-	2,939,333
330,214	3,785,095	68,044	36,202	1,512,665	124,798	25,339	28,712	7,027,476
(330,214)	8,894,617	14,184	24,394	(453,583)	(29,015)	(12,637)	(14,208)	8,179,418
-	-	-	-	-	-	-	-	2,500
-	(1,818,737)	-	-	-	-	-	-	(1,818,737)
-	(1,818,737)	-	-	-	-	-	-	(1,816,237)
(330,214)	7,075,880	14,184	24,394	(453,583)	(29,015)	(12,637)	(14,208)	6,363,181
962,880	12,318,761	379,926	148,943	3,312,271	201,165	114,871	606,948	19,085,358
\$ 632,666	\$ 19,394,641	\$ 394,110	\$ 173,337	\$ 2,858,688	\$ 172,150	\$ 102,234	\$ 592,740	\$ 25,448,539

(See Independent Auditor's 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 firefighting 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, firefighting 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 firefighting departments, improving, constructing and equipping firefighting 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.

2018 General Purpose Certificates of Obligation Fund - to account for the costs of constructing, improving, and renovating 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.

CITY OF MIDLAND, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS

September 30, 2018

	Animal Shelter Facility and Equipment	1998 General Purpose Certificates of Obligation	2003 General Purpose Certificates of Obligation	2005 General Purpose Certificates of Obligation
ASSETS				
ASSETS				
Cash and cash equivalents	\$ 178,549	\$ 176,327	\$ 322,614	\$ 77,014
Investments	91,501	-	3,455	26,545
Receivables				
Accounts receivable	-	-	-	33
Interest receivable	237	-	9	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	270,287	176,327	326,078	103,592
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 270,287	\$ 176,327	\$ 326,078	\$ 103,592
<hr/>				
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-	-
<hr/>				
FUND BALANCES				
Restricted				
Communications	-	-	-	-
Downtown	-	176,327	326,078	86,365
Buildings and renovations	-	-	-	17,227
Streets and drainage	-	-	-	-
Parks and recreation	-	-	-	-
Other purposes	-	-	-	-
Committed				
Buildings and renovations	270,287	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	270,287	176,327	326,078	103,592
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 270,287	\$ 176,327	\$ 326,078	\$ 103,592
<hr/>				

2007 General Purpose Certificates of Obligation	2009 General Purpose Certificates of Obligation	2012 General Purpose Certificates of Obligation	2014 General Purpose Certificates of Obligation	2016 General Purpose Certificates of Obligation	2018 General Purpose Certificates of Obligation	Total
\$ 70,594	\$ 48,310	\$ 114,716	\$ 687,237	\$ 24,647,013	\$ 22,085,017	\$ 48,407,391
29,665	7,651	52,540	28,286	-	-	239,643
-	-	-	-	-	-	33
29	8	74	-	-	-	357
100,288	55,969	167,330	715,523	24,647,013	22,085,017	48,647,424
<u>\$ 100,288</u>	<u>\$ 55,969</u>	<u>\$ 167,330</u>	<u>\$ 715,523</u>	<u>\$ 24,647,013</u>	<u>\$ 22,085,017</u>	<u>\$ 48,647,424</u>
\$ -	\$ -	\$ -	\$ 66,846	\$ 2,920,304	\$ 1,088,658	\$ 4,075,808
-	-	-	33,064	516,285	117,642	666,991
-	-	-	99,910	3,436,589	1,206,300	4,742,799
-	-	4,020	271,553	-	-	275,573
-	-	-	-	-	-	588,770
99,210	25,552	9,225	-	21,210,424	-	21,361,638
690	30,417	71,698	154,864	-	20,878,717	21,136,386
-	-	82,387	189,196	-	-	271,583
388	-	-	-	-	-	388
-	-	-	-	-	-	270,287
100,288	55,969	167,330	615,613	21,210,424	20,878,717	43,904,625
<u>\$ 100,288</u>	<u>\$ 55,969</u>	<u>\$ 167,330</u>	<u>\$ 715,523</u>	<u>\$ 24,647,013</u>	<u>\$ 22,085,017</u>	<u>\$ 48,647,424</u>

(See Independent Auditor's 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, 2018

	Animal Shelter Facility and Equipment	1998 General Purpose Certificates of Obligation	2003 General Purpose Certificates of Obligation	2005 General Purpose Certificates of Obligation
REVENUES				
Pet licenses	\$ 64,445	\$ -	\$ -	\$ -
Investment income				
Interest income	4,321	2,483	4,983	1,640
Net increase (decrease) in the fair value of investments	(1,139)	-	(43)	(330)
Total revenues	67,627	2,483	4,940	1,310
EXPENDITURES				
Current				
Other	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	67,627	2,483	4,940	1,310
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	67,627	2,483	4,940	1,310
FUND BALANCES, OCTOBER 1	202,660	173,844	321,138	102,282
FUND BALANCES, SEPTEMBER 30	\$ 270,287	\$ 176,327	\$ 326,078	\$ 103,592

2007 General Purpose Certificates of Obligation	2009 General Purpose Certificates of Obligation	2012 General Purpose Certificates of Obligation	2014 General Purpose Certificates of Obligation	2016 General Purpose Certificates of Obligation	2018 General Purpose Certificates of Obligation	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,445
1,574	405	1,959	32,522	471,852	33,866	555,605
(369)	(95)	(620)	(352)	-	-	(2,948)
1,205	310	1,339	32,170	471,852	33,866	617,102
-	-	-	28,685	-	-	28,685
-	-	213,260	1,269,678	10,325,700	4,393,122	16,201,760
-	-	213,260	1,298,363	10,325,700	4,393,122	16,230,445
1,205	310	(211,921)	(1,266,193)	(9,853,848)	(4,359,256)	(15,613,343)
-	-	-	-	-	22,195,000	22,195,000
-	-	-	-	-	3,042,973	3,042,973
-	-	-	-	-	25,237,973	25,237,973
1,205	310	(211,921)	(1,266,193)	(9,853,848)	20,878,717	9,624,630
99,083	55,659	379,251	1,881,806	31,064,272	-	34,279,995
\$ 100,288	\$ 55,969	\$ 167,330	\$ 615,613	\$ 21,210,424	\$ 20,878,717	\$ 43,904,625

(See Independent Auditor's 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 workers' 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, 2018

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
CURRENT ASSETS								
Cash and cash equivalents	\$ 461,240	\$ 8,838,813	\$ 3,760,360	\$ 2,735,349	\$ 4,541,044	\$ 2,004,082	\$ 262,167	\$ 22,603,055
Investments	220,661	4,565,058	1,028,663	1,350,352	2,285,455	1,037,497	135,981	10,623,667
Accounts receivable (net of allowance for uncollectibles)	-	13,462	-	-	136,870	30,512	-	180,844
Interest receivable	573	11,951	2,723	3,500	5,641	2,644	357	27,389
Inventories	212,312	417,279	-	-	-	-	-	629,591
Prepaid items and other assets	-	-	49,798	20,000	-	-	-	69,798
Total current assets	894,786	13,846,563	4,841,544	4,109,201	6,969,010	3,074,735	398,505	34,134,344
NONCURRENT ASSETS								
Capital Assets								
Construction in progress	-	-	744,397	-	-	-	-	744,397
Buildings	23,804	1,182,126	-	-	-	-	-	1,205,930
Improvements other than buildings	500,000	495,570	-	-	-	-	-	995,570
Machinery and equipment	-	56,064,638	1,490,535	-	-	-	-	57,555,173
Intangible and other	-	36,790	211,318	-	-	-	-	248,108
Less accumulated depreciation	(201,705)	(37,980,134)	(820,186)	-	-	-	-	(39,002,025)
Total capital assets	322,099	19,798,990	1,626,064	-	-	-	-	21,747,153
Total noncurrent assets	322,099	19,798,990	1,626,064	-	-	-	-	21,747,153
Total assets	1,216,885	33,645,553	6,467,608	4,109,201	6,969,010	3,074,735	398,505	55,881,497
DEFERRED OUTFLOWS OF RESOURCES								
Pension items	8,388	173,046	-	-	-	10,429	-	191,863
OPEB items	1,226	24,725	-	-	-	1,984	-	27,935
Total deferred outflows of resources	9,614	197,771	-	-	-	12,413	-	219,798
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,226,499	\$ 33,843,324	\$ 6,467,608	\$ 4,109,201	\$ 6,969,010	\$ 3,087,148	\$ 398,505	\$ 56,101,295

(This statement is continued on the following page.)

CITY OF MIDLAND, TEXAS

COMBINING STATEMENT OF NET POSITION (Continued)
INTERNAL SERVICE FUNDS

September 30, 2018

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
CURRENT LIABILITIES								
Accounts payable	\$ 34,360	\$ 467,955	\$ 2,689	\$ 26,654	\$ 627,831	\$ 26,400	\$ -	\$ 1,185,889
Accrued payroll	5,621	114,429	-	-	-	10,646	-	130,696
Compensated absences	11,852	68,502	-	-	-	1,965	-	82,319
Total OPEB liability	970	19,455	-	-	-	1,692	-	22,117
Estimated unpaid claims	-	-	-	440,733	864,935	291,615	-	1,597,283
Other liabilities	-	-	-	-	8,835	-	-	8,835
Total current liabilities	52,803	670,341	2,689	467,387	1,501,601	332,318	-	3,027,139
NONCURRENT LIABILITIES								
Net pension liability	39,713	815,045	-	-	-	79,473	-	934,231
Compensated absences	5,188	29,983	-	-	-	860	-	36,031
Total OPEB liability	35,343	709,923	-	-	-	60,021	-	805,287
Estimated unpaid claims	-	-	-	1,322,193	-	1,166,466	-	2,488,659
Total noncurrent liabilities	80,244	1,554,951	-	1,322,193	-	1,306,820	-	4,264,208
Total liabilities	133,047	2,225,292	2,689	1,789,580	1,501,601	1,639,138	-	7,291,347
DEFERRED INFLOWS OF RESOURCES								
Pension items	14,204	282,308	-	-	-	18,762	-	315,274
OPEB items	64	1,275	-	-	-	113	-	1,452
Total deferred inflows of resources	14,268	283,583	-	-	-	18,875	-	316,726
Total liabilities and deferred inflows of resources	147,315	2,508,875	2,689	1,789,580	1,501,601	1,658,013	-	7,608,073
NET POSITION								
Net investment in capital assets	322,099	19,798,990	1,626,064	-	-	-	-	21,747,153
Unrestricted	757,085	11,535,459	4,838,855	2,319,621	5,467,409	1,429,135	398,505	26,746,069
TOTAL NET POSITION	\$ 1,079,184	\$ 31,334,449	\$ 6,464,919	\$ 2,319,621	\$ 5,467,409	\$ 1,429,135	\$ 398,505	\$ 48,493,222

(See Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

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

For the Year Ended September 30, 2018

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
OPERATING REVENUES								
Billings to other funds	\$ 732,258	\$ -	\$ 1,002,738	\$ 1,286,322	\$ 8,707,573	\$ 2,536,540	\$ 253,717	\$ 14,519,148
Motor vehicle repair billings	-	5,953,529	-	-	-	-	-	5,953,529
Motor vehicle lease charges	-	7,436,544	-	-	-	-	-	7,436,544
Equipment lease - other	-	130,895	-	-	-	-	-	130,895
Charges for fuel	-	2,380,492	-	-	-	-	-	2,380,492
Employee payments	-	-	-	-	3,291,594	-	-	3,291,594
Total operating revenues	732,258	15,901,460	1,002,738	1,286,322	11,999,167	2,536,540	253,717	33,712,202
OPERATING EXPENSES EXCLUDING DEPRECIATION								
Cost of goods sold	601,366	916,380	-	-	-	-	-	1,517,746
Salaries and fringe benefits	110,900	2,212,055	-	-	-	194,975	-	2,517,930
Contractual services	12,281	657,409	57,555	5,981	3,560,209	751,734	-	5,045,169
Maintenance of structure	-	181,760	-	-	-	-	-	181,760
Maintenance of equipment	-	2,731,489	48,340	-	-	-	-	2,779,829
Payment of claims	-	-	-	879,640	6,398,101	247,596	6,668	7,532,005
Supplies	2,460	2,828,276	677,043	-	-	1,982	-	3,509,761
Total operating expenses excluding depreciation	727,007	9,527,369	782,938	885,621	9,958,310	1,196,287	6,668	23,084,200
OPERATING INCOME BEFORE DEPRECIATION	5,251	6,374,091	219,800	400,701	2,040,857	1,340,253	247,049	10,628,002
Depreciation	26,061	4,201,343	228,307	-	-	-	-	4,455,711
OPERATING INCOME (LOSS)	(20,810)	2,172,748	(8,507)	400,701	2,040,857	1,340,253	247,049	6,172,291

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
NON-OPERATING REVENUES (EXPENSES)								
Investment income								
Interest income	\$ 10,633	\$ 203,984	\$ 90,533	\$ 62,186	\$ 103,222	\$ 40,494	\$ 5,237	\$ 516,289
Net decrease in the fair value of investments	(2,746)	(56,237)	(12,799)	(16,802)	(28,438)	(12,909)	(1,692)	(131,623)
Gain on sale of capital assets	-	45,500	-	-	-	-	-	45,500
Recoveries of damages to city property, net other	-	90,310	-	-	-	-	-	90,310
Other	-	(44,991)	-	-	5,931	30,512	-	(8,548)
Total non-operating revenues (expenses)	7,887	238,566	77,734	45,384	80,715	58,097	3,545	511,928
INCOME (LOSS) BEFORE TRANSFERS	(12,923)	2,411,314	69,227	446,085	2,121,572	1,398,350	250,594	6,684,219
TRANSFERS								
Transfers (out)	(82,233)	(1,434,979)	-	-	-	-	-	(1,517,212)
Total transfers	(82,233)	(1,434,979)	-	-	-	-	-	(1,517,212)
CHANGE IN NET POSITION	(95,156)	976,335	69,227	446,085	2,121,572	1,398,350	250,594	5,167,007
NET POSITION, OCTOBER 1	1,176,771	30,319,553	6,395,692	1,862,725	3,335,777	12,566	147,911	43,250,995
Change in accounting principle	(2,431)	38,561	-	10,811	10,060	18,219	-	75,220
NET POSITION, OCTOBER 1, RESTATED	1,174,340	30,358,114	6,395,692	1,873,536	3,345,837	30,785	147,911	43,326,215
NET POSITION, SEPTEMBER 30	\$ 1,079,184	\$ 31,334,449	\$ 6,464,919	\$ 2,319,621	\$ 5,467,409	\$ 1,429,135	\$ 398,505	\$ 48,493,222

(See Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2018

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from interfund service transactions	\$ 732,258	\$ 15,911,177	\$ 1,002,738	\$ 1,286,322	\$ 8,719,517	\$ 2,588,934	\$ 253,717	\$ 30,494,663
Receipts from employees	-	-	-	-	3,291,594	-	-	3,291,594
Payments to suppliers	(561,517)	(6,533,317)	(826,621)	(748,107)	(9,665,002)	(1,062,710)	(7,766)	(19,405,040)
Payments to employees	(106,066)	(2,138,855)	-	-	-	(188,503)	-	(2,433,424)
Payments for interfund service transactions	(22,726)	(630,082)	-	-	-	(14,364)	-	(667,172)
Net cash from operating activities	41,949	6,608,923	176,117	538,215	2,346,109	1,323,357	245,951	11,280,621
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers (out)	(82,233)	(1,434,979)	-	-	-	-	-	(1,517,212)
Net cash from noncapital financing activities	(82,233)	(1,434,979)	-	-	-	-	-	(1,517,212)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital assets purchased	-	(2,073,379)	(968,593)	-	-	-	-	(3,041,972)
Repayment of loans from other funds	-	891,072	-	-	-	-	-	891,072
Insurance proceeds	-	90,310	-	-	-	-	-	90,310
Net cash from capital and related financing activities	-	(1,091,997)	(968,593)	-	-	-	-	(2,060,590)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of investments	(27,408)	(2,241,003)	(127,770)	(167,726)	(2,285,455)	(568,792)	(94,369)	(5,512,523)
Proceeds from sales and maturities of investments	54,049	704,328	120,875	107,733	-	142,047	12,611	1,141,643
Interest received	7,929	142,995	77,511	45,066	69,143	26,519	3,324	372,487
Net cash from investing activities	34,570	(1,393,680)	70,616	(14,927)	(2,216,312)	(400,226)	(78,434)	(3,998,393)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,714)	2,688,267	(721,860)	523,288	129,797	923,131	167,517	3,704,426
CASH AND CASH EQUIVALENTS, OCTOBER 1	466,954	6,150,546	4,482,220	2,212,061	4,411,247	1,080,951	94,650	18,898,629
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$ 461,240	\$ 8,838,813	\$ 3,760,360	\$ 2,735,349	\$ 4,541,044	\$ 2,004,082	\$ 262,167	\$ 22,603,055

(This statement is continued on the following page.)

CITY OF MIDLAND, TEXAS

COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2018

	Warehouse Fund	Garage Fund	Technology Fund	Workers' Compensation Self-Insurance Fund	Medical/ Dental Self-Insurance Fund	General Liability Self-Insurance Fund	Unemployment Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS)								
TO NET CASH FLOWS FROM								
OPERATING ACTIVITIES								
Operating income (loss)	\$ (20,810)	\$ 2,172,748	\$ (8,507)	\$ 400,701	\$ 2,040,857	\$ 1,340,253	\$ 247,049	\$ 6,172,291
Adjustments to reconcile operating income (loss) to net cash from operating activities								
Depreciation	26,061	4,201,343	228,307	-	-	-	-	4,455,711
Other income (expense)	-	(44,991)	-	-	5,931	30,512	-	(8,548)
(Increase) decrease in								
Receivables	-	54,708	-	-	6,013	21,882	-	82,603
Inventories	18,122	31,473	-	-	-	-	-	49,595
Prepaid items and other assets	-	-	33,661	-	-	-	-	33,661
Pension deferred outflow of resources	19,729	417,147	-	-	-	19,467	-	456,343
OPEB deferred outflow of resources	(1,226)	(24,725)	-	-	-	(1,984)	-	(27,935)
Increase (decrease) in								
Pension deferred inflow of resources	11,604	227,683	-	-	-	16,262	-	255,549
OPEB deferred inflow of resources	64	1,275	-	-	-	113	-	1,452
Accounts payable	13,742	120,442	(77,344)	(43,564)	295,175	11,997	(1,098)	319,350
Accrued payroll	262	1,079	-	-	-	959	-	2,300
Estimated unpaid claims	-	-	-	181,078	-	(87,759)	-	93,319
Net pension liability	(30,300)	(623,572)	-	-	-	(34,553)	-	(688,425)
Compensated absences	1,207	4,049	-	-	-	378	-	5,634
Total OPEB liability	3,494	70,264	-	-	-	5,830	-	79,588
Other liabilities	-	-	-	-	(1,867)	-	-	(1,867)
NET CASH FROM OPERATING ACTIVITIES	\$ 41,949	\$ 6,608,923	\$ 176,117	\$ 538,215	\$ 2,346,109	\$ 1,323,357	\$ 245,951	\$ 11,280,621
NONCASH TRANSACTIONS								
Change in fair value of investments	\$ (2,746)	\$ (56,237)	\$ (12,799)	\$ (16,802)	\$ (28,438)	\$ (12,909)	\$ (1,692)	\$ (131,623)
TOTAL NONCASH TRANSACTIONS	\$ (2,746)	\$ (56,237)	\$ (12,799)	\$ (16,802)	\$ (28,438)	\$ (12,909)	\$ (1,692)	\$ (131,623)

(See Independent Auditor's Report.)

STATISTICAL SECTION (Unaudited)

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>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have been changed over time.	117-121
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	122-129
Debt Capacity 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.	130-134
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	135-136
Operating Information 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.	137-139

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	2009	2010	2011	2012	2013	2014	2015*	2016	2017	2018**
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 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	\$ 174,150,136
Restricted	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	23,121,441
Unrestricted	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	(3,984,736)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 123,040,985	\$ 119,701,104	\$ 128,974,293	\$ 142,408,602	\$ 159,593,186	\$ 187,422,389	\$ 160,078,943	\$ 165,605,566	\$ 205,349,564	\$ 193,286,841
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 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	\$ 218,454,203
Restricted	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	7,901,365
Unrestricted	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	118,398,177
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 249,758,657	\$ 258,948,993	\$ 272,153,904	\$ 285,805,537	\$ 296,694,327	\$ 313,373,888	\$ 323,028,261	\$ 321,835,939	\$ 296,954,723	\$ 344,753,745
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 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	\$ 392,604,339
Restricted	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	31,022,806
Unrestricted	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	114,413,441
TOTAL PRIMARY GOVERNMENT	\$ 372,799,642	\$ 378,650,097	\$ 401,128,197	\$ 428,214,139	\$ 456,287,513	\$ 500,796,277	\$ 483,107,204	\$ 487,441,505	\$ 502,304,287	\$ 538,040,586

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

** The City implemented GASB Statement No. 75 for the year ended September 30, 2018.

Data Source

Audited Financial Statements

(Unaudited - See Accompanying Independent Auditor's Report.)

TABLE 2

CITY OF MIDLAND, TEXAS

CHANGE IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012	2013	2014	2015*	2016	2017	2018**
EXPENSES										
Governmental activities										
General government	\$ 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	\$ 27,645,583
Development services	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	4,320,319
Engineering	-	-	-	10,642,676	12,321,739	14,099,842	16,352,355	14,919,310	17,837,007	22,463,436
Community services	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	17,362,841
Police	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	32,888,963
Fire	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	30,936,240
Interest on long-term debt	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	2,587,862
Total governmental activities expenses	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	138,205,244
Business-type activities										
Airport	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	11,525,312
Water and sewer	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	76,868,084
Sanitation	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	13,977,814
Sports complex	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	3,828,851
Golf course	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	2,727,783
Total business-type activities expenses	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	108,927,844
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 142,469,864	\$ 145,377,177	\$ 153,328,182	\$ 155,511,359	\$ 173,895,429	\$ 193,948,959	\$ 209,323,800	\$ 218,154,477	\$ 234,754,648	\$ 247,133,088
PROGRAM REVENUES										
Governmental activities										
Charges for services										
General government	\$ 447,368	\$ 596,304	\$ 536,478	\$ 620,524	\$ 872,807	\$ 626,796	\$ 814,523	\$ 1,516,056	\$ 3,507,741	\$ 1,690,851
Development services	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	3,663,827
Engineering	-	-	-	1,963	42,250	66,191	938,852	34,501	14,750	24,650
Community services	929,448	923,658	875,790	898,904	833,761	1,225,240	1,820,759	1,628,503	1,573,961	1,557,952
Police	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	5,044,874
Fire	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	3,233,630
Operating grants and contributions	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	1,566,451
Capital grants and contributions	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	158,284
Total governmental activities program revenues	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	16,940,519
Business-type activities										
Charges for services										
Airport	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	20,443,321
Water and sewer	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	79,858,913
Sanitation	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	18,575,987
Sports complex	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	985,826
Golf course	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	2,633,486
Operating grants and contributions	353,931	454,463	353,020	382,984	62,557	2,238	5,649	34,214	-	-
Capital grants and contributions	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	5,602,635
Total business-type activities program revenues	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	128,100,168
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 91,466,925	\$ 81,507,550	\$ 94,945,103	\$ 95,534,691	\$ 108,948,864	\$ 133,175,346	\$ 135,142,611	\$ 117,605,132	\$ 137,348,632	\$ 145,040,687

CITY OF MIDLAND, TEXAS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012	2013	2014	2015*	2016	2017	2018**
NET (EXPENSE) REVENUE										
Governmental activities	\$ (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)	\$ (121,264,725)
Business-type activities	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	19,172,324
TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE	\$ (51,002,939)	\$ (63,869,627)	\$ (58,383,079)	\$ (59,976,668)	\$ (64,946,565)	\$ (60,773,613)	\$ (74,181,189)	\$ (100,549,345)	\$ (97,406,016)	\$ (102,092,401)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities										
Taxes										
Property	\$ 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	\$ 50,646,396
Sales	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	53,462,267
Gross receipts	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	14,768,594
Hotel-motel	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	12,546,459
Other	441,148	415,279	486,648	493,405	570,975	770,432	857,243	108,193	111,018	93,883
Investment income	1,339,474	1,113,797	782,769	431,732	(1,087,789)	1,558,324	2,116,971	877,094	1,056,329	2,224,030
Miscellaneous	93,921	45,720	1,077,093	22,017	85,365	137,184	-	5,120,698	185,392	772,117
Transfers	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	(26,960,087)
Total governmental activities	71,793,315	72,362,848	84,032,173	90,589,891	96,331,999	109,676,536	111,667,786	108,989,853	145,246,225	107,553,659
Business-type activities										
Investment earnings	1,635,709	1,394,895	1,217,372	587,737	767,187	845,612	1,412,725	723,194	779,289	1,713,385
Transfers	(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)	26,960,087
Total business-type activities	(1,732,386)	(2,642,766)	(3,170,994)	(3,527,281)	(3,312,060)	(3,338,126)	(1,941,091)	(4,106,205)	(32,977,427)	28,673,472
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 70,060,929	\$ 69,720,082	\$ 80,861,179	\$ 87,062,610	\$ 93,019,939	\$ 106,338,410	\$ 109,726,695	\$ 104,883,648	\$ 112,268,798	\$ 136,227,131
CHANGE IN NET POSITION										
Governmental activities	\$ 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	\$ (13,711,066)
Business-type activities	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)	47,845,796
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 19,057,990	\$ 5,850,455	\$ 22,478,100	\$ 27,085,942	\$ 28,073,374	\$ 45,564,797	\$ 35,545,506	\$ 4,334,303	\$ 14,862,782	\$ 34,134,730

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

**The City implemented GASB Statement No. 75 for the year ended September 30, 2018.

Data Source

Audited Financial Statements

(Unaudited - See Accompanying Independent Auditor's Report.)

TABLE 3

CITY OF MIDLAND, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL FUND										
Nonspendable	\$ -	\$ -	\$ 878,796	\$ 881,945	\$ 919,406	\$ 878,494	\$ 883,493	\$ 873,127	\$ 903,858	\$ 102,773
Reserved	12,232,616	8,966,970	-	-	-	-	-	-	-	-
Unreserved	27,502,467	29,106,932	-	-	-	-	-	-	-	-
Restricted	-	-	195,668	210,897	209,747	218,782	204,080	149,561	159,164	143,126
Committed	-	-	7,728,867	8,486,918	13,353,699	29,431,800	22,298,783	17,898,849	7,589,408	22,646,984
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	61,888,543
TOTAL GENERAL FUND	\$ 39,735,083	\$ 38,073,902	\$ 48,575,197	\$ 58,677,520	\$ 58,860,503	\$ 69,641,804	\$ 71,132,831	\$ 62,991,568	\$ 99,572,495	\$ 84,781,426
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ 4,392,945	\$ 6,888,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	4,394,896	5,952,978	-	-	-	-	-	-	-	-
Capital projects funds	6,937,027	4,756,115	-	-	-	-	-	-	-	-
Restricted for										
Debt service	-	-	448,006	413,744	479,598	524,091	778,424	754,328	434,347	294,157
Public safety	-	-	596,708	809,604	567,944	923,395	1,028,685	1,130,934	1,022,342	1,089,622
Court	-	-	596,849	685,740	722,304	807,768	871,016	445,427	528,869	567,447
Communications	-	-	-	3,590,536	3,508,930	6,135,384	2,566,617	669,234	351,044	275,573
Downtown	-	-	644,144	644,886	645,499	645,741	586,906	577,160	580,249	588,770
Building renovations	-	-	1,771,388	7,823,627	7,181,818	7,702,263	7,233,415	5,164,977	35,127,370	25,326,788
Streets and drainage	-	-	6,083,529	8,376,344	7,547,145	12,573,988	7,421,290	4,357,040	1,055,640	21,136,386
Parks and recreation	-	-	525,786	2,359,965	1,430,161	4,515,547	1,130,029	990,256	878,003	273,062
Hotel/Motel	-	-	-	-	-	-	-	-	-	15,428,012
Other capital projects	-	-	42,166	-	-	-	-	-	-	-
Other purposes	-	-	4,774,287	5,433,282	8,768,064	10,609,948	14,749,314	15,602,083	10,306,905	1,538,529
Committed to										
Building renovations	-	-	269,883	245,817	216,271	(6,044)	43,441	101,878	202,660	270,287
Streets and drainage	-	-	1,015,334	1,482,584	2,568,469	3,558,503	4,168,125	3,688,513	3,312,271	2,858,688
Other purposes	-	-	2,129,687	3,077,538	3,697,842	4,765,461	1,590,756	467,525	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 15,724,868	\$ 17,597,791	\$ 18,897,767	\$ 34,943,667	\$ 37,334,045	\$ 52,756,045	\$ 42,168,018	\$ 33,949,355	\$ 53,799,700	\$ 69,647,321

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

Data Source

Audited Financial Statements

(Unaudited - See Accompanying Independent Auditor's Report.)

TABLE 4

CITY OF MIDLAND, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 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	\$ 132,521,475
Licenses and permits	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	3,027,506
Fines and forfeitures	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	4,846,620
Charges for services	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	4,845,556
Rentals	198,555	211,115	203,293	212,962	302,765	286,614	269,291	273,883	220,903	232,102
Program income	115,544	116,859	117,117	121,572	133,202	119,055	106,961	142,196	115,062	179,790
Intergovernmental	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	1,564,361
Investment income	1,109,384	974,529	792,232	460,308	(1,054,054)	1,663,401	2,336,321	797,966	930,544	1,847,245
Contributions and donations	612,493	161,187	1,264,310	277,895	625,989	676,064	583,401	503,114	6,696,527	160,374
Miscellaneous	674,347	725,415	1,782,060	629,871	764,362	971,567	817,815	6,061,537	1,935,288	1,852,453
Total revenues	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	151,077,482
EXPENDITURES										
Current										
General government	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	18,483,553
Development services	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	3,505,250
Engineering	-	-	-	7,700,839	15,188,449	13,905,183	17,431,031	15,178,993	13,576,698	15,519,206
Community services	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	11,010,270
Police	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	27,772,640
Fire	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	28,203,934
Housing	-	-	-	-	-	-	-	-	-	433,743
Economic development	-	-	-	-	-	-	-	-	-	3,016,266
Other	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	3,971,901
Capital outlay	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	31,013,726
Debt service	-	-	-	-	2,818,125	-	-	-	-	-
Principal	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	3,710,172
Interest	887,869	1,325,357	1,040,860	954,843	-	1,238,337	2,838,210	2,159,066	3,078,111	2,899,644
Debt issuance costs	153,789	-	-	157,813	-	327,226	-	1,596	2,146	2,146
Issuance costs	207,720	-	-	-	-	-	-	9,500	210,632	230,717
Paying agents' fees	2,481	1,051	1,051	1,051	1,293	631	1,631	-	-	-
Total expenditures	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	149,773,168
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(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)	1,304,314
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	-	-	-	-	350,000	-	-	-	279,973	191,405
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	25,615,000
Payment to refunded bond escrow agent	(7,638,159)	-	-	-	-	(4,420,000)	-	-	-	(4,064,106)
Premium on debt issuance	281,634	-	-	770,560	-	3,233,327	-	-	3,949,386	3,535,047
Accrued interest on debt issuance	47,160	-	-	499	-	2,177	-	-	-	-
Transfers in	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	8,259,786
Transfers (out)	(958,229)	(471,926)	(677,643)	(2,534,827)	(592,647)	(4,689,962)	(818,165)	(1,064,277)	(7,342,278)	(33,784,894)
Total other financing sources (uses)	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	(247,762)
NET CHANGE IN FUND BALANCES	\$ 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	\$ 1,056,552
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	4.00%	4.80%	4.80%	4.50%	4.00%	3.60%	4.20%	5.40%	5.30%	5.76%

[Data Source](#)

Audited Financial Statements

(Unaudited - See Accompanying Independent Auditor's Report.)

TABLE 5

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

Fiscal Year	Ad Valorem Tax	City Sales Tax	Gross Receipts Tax	Mixed Beverage Tax	Hotel Motel Tax	Miscellaneous	Totals
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
2018	50,646,396	53,462,267	13,907,146	861,448	12,546,459	93,883	131,517,599
Change 2009-2018	0.707916400	1.241792006	0.323531846	1.425719354	3.721536536	0.091442971	0.959791739

(Unaudited - See Accompanying Independent Auditor's Report.)

TABLE 6

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

Fiscal Year Ended September 30,	Real Property	Personal Property	Minerals Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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	0.4729
2012	6,844,436	806,228	47,912	603,653	7,094,923	0.4705
2013	7,329,781	931,865	60,452	600,770	7,721,328	0.4611
2014	8,358,847	1,075,642	67,736	664,669	8,837,556	0.4319
2015	9,520,300	1,454,108	86,535	817,087	10,243,856	0.3939
2016	10,539,319	1,608,772	211,148	830,389	11,528,850	0.3805
2017	10,992,507	1,512,465	162,024	807,685	11,859,311	0.3997
2018	11,344,881	1,412,598	294,473	810,191	12,241,761	0.4084

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.

Source: Midland Central Appraisal District

TABLE 7

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

Year	City Direct Rates			Overlapping Rates ^a			
	Basic Rate	General Obligation Debt Service	Total Direct	Midland Independent School District	Midland Junior College	Midland County	Midland County Hospital District
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	0.4172	0.0557	0.4729	1.1451	0.1699	0.2118	0.1663
2012	0.4185	0.0521	0.4705	1.1411	0.1679	0.1982	0.1622
2013	0.4041	0.0570	0.4611	1.1301	0.1332	0.1402	0.1251
2014	0.3857	0.0462	0.4319	1.1401	0.1244	0.1265	0.1183
2015	0.3375	0.0564	0.3939	1.1401	0.1259	0.1408	0.1198
2016	0.3322	0.0483	0.3805	1.1201	0.1371	0.1560	0.1351
2017	0.3603	0.0394	0.3997	1.1201	0.1371	0.1560	0.1351
2018	0.3675	0.0409	0.4084	1.1200	0.1147	0.1400	0.1262

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

^aOverlapping rates are those of local and county governments that apply to property owners within the City

Source: Midland Central Appraisal District

Table 8

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

Fiscal Year 2018			Fiscal Year 2009		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Diamondback E&P LLC	\$ 341,814,790	2.79%	TRA Midland Properties LLC	\$ 76,311,570	1.27%
Viper Energy Partners LLC	118,314,300	0.97%	TXU Electric Delivery Co.	45,150,740	0.75%
Callon Petroleum Oper Co.	111,927,690	0.91%	Midland Park Mall, LP	37,589,240	0.63%
Propetro Services (VEH)	93,756,290	0.77%	Southwestern Bell Telephone	28,596,840	0.48%
RSP Permian LLC	78,076,247	0.64%	Artificial Lift Division of STC	24,741,240	0.41%
Chevron USA	68,075,950	0.56%	Claydesta Center LP et Al	22,743,720	0.38%
Oncor Electric FKA:TXU Ele (10)	59,782,830	0.49%	JM Cox Resources LP	18,262,550	0.30%
Endeavor Energy Resources LP	52,790,234	0.43%	Midland FC Ltd.	17,016,980	0.28%
Occidental Permian Limited	51,158,450	0.42%	Pioneer Natural Resources WI	14,439,090	0.24%
COG Realty LLC	50,345,840	0.41%	Deer Horn Aviation Ltd.	14,289,680	0.24%
	<u>\$ 1,026,042,621</u>	<u>8.38%</u>		<u>\$ 299,141,650</u>	<u>4.98%</u>

Source: Midland Central Appraisal District

TABLE 9

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Adjustments to the Levy	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 29,198,318	\$ (107,874)	\$ 29,090,444	\$ 28,644,131	98.47%	\$ 428,476	\$ 29,070,560	99.93%
2010	29,754,496	(69,714)	29,684,782	29,260,114	98.57%	403,056	29,659,948	99.92%
2011	31,949,398	(31,512)	31,917,886	31,522,686	98.76%	367,149	31,884,302	99.89%
2012	33,384,453	34,411	33,418,864	33,021,270	98.81%	365,447	33,377,227	99.88%
2013	35,601,095	13,875	35,614,970	35,221,625	98.90%	349,209	35,558,902	99.84%
2014	38,171,791	13,875	38,185,666	35,221,625	92.24%	383,688	35,566,428	93.14%
2015	40,349,624	(61,546)	40,288,078	37,649,507	93.45%	270,448	37,649,507	93.45%
2016	43,993,236	(70,367)	43,922,869	43,388,728	98.78%	340,885	43,388,728	98.78%
2017	47,399,178	(76,649)	47,322,529	46,698,294	98.68%	378,720.00	47,077,014	99.48%
2018	50,032,693	33,238	50,065,931	49,570,541	99.01%	-	49,570,541	99.01%

Source: Midland Central Appraisal District

TABLE 10

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

	<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>	<u>2017</u>
Agriculture, Forestry, Fishing, Hunting	\$ 9	\$ 2	\$ 1	\$ 3	\$ 2	\$ 2	\$ 51	\$ 197	\$ 378	\$ 304
Mining	183,665	131,288	259,423	468,320	538,191	449,326	570,842	1,572,006	244,396	536,229
Utilities	4,128	1,614	1,109	12	215	484	363	90	15	69
Construction	65,047	54,739	69,073	90,610	127,203	150,347	154,455	148,051	106,119	147,344
Manufacturing	54,214	46,183	53,011	71,407	80,801	94,079	91,330	50,920	54,270	105,592
Wholesale Trade	403,058	163,054	240,314	327,609	324,387	379,125	359,109	227,203	147,798	249,368
Retail Trade	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	1,393,758
Transportation, Warehousing	5,158	5,645	10,210	17,847	30,790	29,116	35,188	23,907	16,757	22,042
Information	43,895	41,168	43,214	49,424	53,460	59,935	78,034	81,836	75,945	77,992
Finance, Insurance	5,265	8,570	3,843	3,978	4,248	4,184	4,990	5,867	5,389	6,033
Real Estate, Rental, Leasing	46,016	28,232	37,188	64,100	82,602	92,640	98,098	84,710	66,885	107,551
Professional, Scientific, Technical Svc	69,681	41,756	73,569	86,885	130,234	107,340	99,282	83,674	69,161	93,933
Management of Companies, Enterprises	-	-	-	1	-	-	-	1,834	1	23,445
Admin, Support, Waste Mgmt, Remed	37,813	38,487	37,205	41,560	48,334	58,667	65,082	70,198	62,074	42,481
Educational Services	537	637	646	601	201	565	412	395	414	456
Health Care, Social Assistance	1,957	2,075	2,220	2,875	3,575	3,931	4,111	4,234	4,359	3,788
Arts, Entertainment, Recreation	25,214	23,935	24,042	26,962	33,916	37,669	42,957	44,628	33,659	41,831
Accommodation, Food Services	213,062	207,058	222,912	257,748	294,036	314,494	359,413	353,929	333,202	381,221
Other Services	49,190	43,962	48,100	59,119	73,895	73,294	92,593	86,843	72,023	89,444
Public Administration	1,467	1,593	1,846	1,976	2,146	2,268	9,677	9,511	10,320	9,872
Other	-	10,522	-	-	-	3	-	-	4,599	27,166
Total	\$ 2,253,127	\$ 1,834,665	\$ 2,188,746	\$ 2,820,164	\$ 3,160,845	\$ 3,297,579	\$ 3,643,037	\$ 4,228,227	\$ 2,552,535	\$ 3,359,919
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 Auditor's Report.)

TABLE 11

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

Fiscal Year	City Direct Rate	Midland County	Midland Football/Soccer and Baseball Complex Development Corporation	Midland Development Corporation
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%
2018	1.00%	0.50%	0.00%	0.25%

(Unaudited - See Accompanying Independent Auditor's Report.)

Table 12

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

	<u>2017</u>				<u>2008</u>			
	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Sales Subject to Sales Tax</u>	<u>Percentage of Total</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Sales Subject to Sales Tax</u>	<u>Percentage of Total</u>
Agriculture, Forestry, Fishing, Hunting	14	0.26 %	\$ 304	0.01 %	8	0.20 %	\$ 9	0.00 %
Mining	333	6.19	536,229	15.96	186	4.54	186,477	8.35
Utilities	12	0.22	69	0.00	10	0.24	4,128	0.18
Construction	442	8.21	147,344	4.39	356	8.69	65,759	2.95
Manufacturing	274	5.09	105,592	3.14	213	5.20	59,252	2.65
Wholesale Trade	260	4.83	249,368	7.42	207	5.05	275,870	12.36
Retail Trade	1,702	31.62	1,393,758	41.48	1,532	37.41	1,173,489	52.57
Transportation, Warehousing	56	1.04	22,042	0.66	38	0.93	5,158	0.23
Information	70	1.30	77,992	2.32	84	2.05	43,895	1.97
Finance, Insurance	47	0.87	6,033	0.18	84	2.05	43,895	1.97
Real Estate, Rental, Leasing	208	3.86	107,551	3.20	142	3.47	43,122	1.93
Professional, Scientific, Technical Svc	347	6.45	93,933	2.80	3	0.07	-	-
Management of Companies, Enterprises	22	0.41	23,445	0.70	-	-	889	0.04
Admin, Support, Waste Mgmt, Remed	270	5.02	42,481	1.26	259	6.32	38,726	1.73
Educational Services	69	1.28	456	0.01	53	1.29	537	0.02
Health Care, Social Assistance	46	0.85	3,788	0.11	34	0.83	1,957	0.09
Arts, Entertainment, Recreation	145	2.69	41,831	1.24	74	1.81	25,634	1.15
Accommodation, Food Services	589	10.94	381,221	11.35	365	8.91	213,317	9.56
Other Services	453	8.42	89,444	2.66	413	10.09	48,666	2.18
Public Administration	6	0.11	9,872	0.29	4	0.10	1,471	0.07
Nonclassifiable	-	-	-	-	-	-	-	-
Other	18	0.33	27,166	0.81	30	0.73	-	-
Total	<u>5,383</u>	<u>100.00 %</u>	<u>\$ 2,552,535</u>	<u>100.00 %</u>	<u>4,483</u>	<u>100.00 %</u>	<u>\$ 1,919,731</u>	<u>100.00 %</u>

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.

Source: Texas Comptroller of Public Accounts

(Unaudited - See Accompanying Independent Auditor's 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 ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds	General Obligation Refunding Bonds	Certificates of Obligation	Other Obligations	Capital Leases			
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
2018	26,370,000	74,538,569	-	-	34,555,000	18,083,493	-	235,484,581	363,876,590	2.94%	2,205

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

^a 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 ^a of Property	Net General Bonded Debt Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Total				
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	78,536,123	80,096,123	754,328	79,341,795	0.67%	693
2018	26,370,000	74,538,569	100,908,569	434,347	100,474,222	0.82%	616

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

^a See Table 6 for property value data.

^b See Table 18 for per capita data.

Table 15

**CITY OF MIDLAND, TEXAS
Direct and Overlapping Governmental Activities Debt
As of September 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Midland Independent School District	\$ 207,700,966	53.62%	\$ 111,369,258
Midland Junior College	21,751,633	50.68%	11,023,728
Midland County	15,535,000	48.51%	7,536,029
Midland County Hospital District	95,520,000	47.69%	45,553,488
Subtotal, overlapping debt			175,482,503
City of Midland (direct debt)			<u>100,908,569</u>
Total direct and overlapping debt			<u>\$ 276,391,072</u>

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 the City. 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.

^a 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.

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.

Table 16

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

Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 12,241,761
Debt limit (8% of assessed value)	979,341
Debt applicable to limit:	140,255
Total bonded debt	119,420
Less Net Position/fund balance in:	
Debt Service Fund	466
Water and Sewer Fund	12,465
Airport Fund	-
Sports Complex Fund	-
Hotel Motel bonds	26,595
Golf Course Fund	1,602
Total net debt applicable to limit	99,127
Debt margin	\$ 880,214

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 480,730	\$ 521,094	\$ 540,542	\$ 567,594	\$ 617,706	\$ 707,004	\$ 819,508	\$ 922,308	\$ 948,745	\$ 979,341
Total net debt applicable to limit	131,476	122,737	111,659	131,479	116,534	133,597	123,999	129,095	127,205	99,127
Debt margin	\$ 349,254	\$ 398,357	\$ 428,883	\$ 436,115	\$ 501,172	\$ 573,407	\$ 695,509	\$ 793,213	\$ 821,540	\$ 880,214
Total net debt applicable to the limit as a percentage of debt limit	27.35%	23.55%	20.66%	23.16%	18.87%	18.90%	15.13%	14.00%	13.41%	10.12%

Note: The Constitution and Statutes of the state of Texas and the Charter of the City 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 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 ^a	Operating Expense ^b	Net Revenue Available for Debt Service	Revenue Bond Debt Service ^c	Coverage	Gross Revenue ^a	Operating Expense ^b	Net Revenue Available For Debt Service	Revenue Bond Debt Service ^c	Coverage
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 ^d	45,643,890	37,058,319	8,585,571	-	-	9,321,595	5,859,056	3,462,539	-	-
2014 ^d	54,687,506	39,497,509	15,189,997	-	-	12,608,260	6,017,131	6,591,129	-	-
2015 ^d	58,926,962	39,148,926	19,778,036	-	-	12,662,890	6,549,968	6,112,922	-	-
2016 ^d	62,371,431	43,771,947	18,599,484	-	-	10,986,568	6,749,283	4,237,285	-	-
2017 ^d	68,811,046	42,450,181	26,360,865	-	-	13,346,627	9,981,863	3,364,764	-	-
2018 ^d	79,858,913	46,922,896	32,936,017	-	-	20,443,321	6,165,711	14,277,610	-	-

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

^aThe sum of operating revenue and net non-operating income, excluding interest expense, reduced by interest income from investments by funds restricted for construction.

^bTotal expense exclusive of depreciation, interest, and amortization expenses.

^cExcludes debt defeasance transactions.

^dCity'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>
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%
2017	165,049	12,379,069	75,002	33.5	26,159	2.3%

Sources: Population estimates are prepared by the City 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**

2018			2009		
<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	3.66%	Midland Independent School District	2,887	4.06%
MISD	2,891	2.94%	Midland Memorial Hospital	1,645	2.31%
Midland Memorial Hospital	1,855	1.89%	City of Midland	937	1.32%
Endeavor Energy Resources	1,241	1.26%	Midland College	787	1.11%
City of Midland	951	0.97%	Warren Equipment Companies	620	0.87%
Walmart	796	0.81%	Midland County	608	0.85%
HEB	770	0.78%	Key Energy Services	480	0.67%
Midland College	727	0.74%	Texas Health & Human Services Call Center	440	0.62%
Midland County	611	0.62%	Basic Energy Services	429	0.60%
Dawson Geo	600	0.61%	Schlumberger Oilfield Services	400	0.56%
	<u>14,042</u>	<u>14.29%</u>		<u>9,233</u>	<u>12.97%</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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Administration	6	5	5	8	9	9	10	10	7	10
Support services	123	120	122	114	113	119	123	135	123	131
Fiscal management	17	17	18	17	16	15	15	15	16	16
Development services	105	96	92	89	31	36	37	42	39	41
Engineering	-	-	-	-	58	59	71	77	73	72
Community services	72	68	65	70	72	65	67	75	69	70
Police	222	220	223	225	226	214	234	239	244	225
Fire	191	191	184	181	178	198	204	209	217	212
Other	1	1	1	-	1	-	-	-	-	-
Airport	30	29	27	26	29	30	28	31	30	23
Water and sewer	104	93	88	86	84	80	94	96	92	89
Sanitation	51	46	48	51	51	47	58	59	52	51
Golf course	10	10	8	9	9	10	11	14	14	13
Total	932	896	881	876	877	882	952	1,002	976	953

Source: City departments

Table 21

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Development services										
Street resurfacing/surface treatments (miles)	13.03	-	16.51	-	10.57	2.10	8.96	22.05	60.62	35.20
Potholes repaired	17,414	39,622	8,495	19,794	8,939	31,538	14,801	11,421	17,048	13,118
Community services										
Animal control animals handled	10,711	8,472	6,706	7,087	6,823	6,966	7,040	6,988	6,386	6,722
Health department immunizations given	25,452	22,251	22,989	16,521	13,183	16,815	21,441	19,404	12,499	17,489
Police										
Traffic citations	18,318	17,076	16,364	17,795	20,332	16,924	15,124	18,602	21,573	19,078
Parking citations	4,468	4,111	4,539	3,508	898	2,893	3,049	1,982	2,881	5,238
Criminal misdemeanor citations	5,713	5,198	5,054	4,993	4,587	4,629	4,825	4,593	5,248	4,759
Fire										
Emergency responses	8,873	10,829	12,674	10,175	14,103	15,234	15,369	14,293	15,202	17,879
Fires extinguished	661	543	818	458	531	501	501	473	478	635
Inspections	5,843	6,647	5,246	5,168	7,175	7,446	135	9,913	7,097	14,092
Airport										
Major airlines	3	3	4	4	4	4	4	3	3	3
Passengers boardings	433,738	426,288	463,874	365,991	499,170	529,357	527,315	468,785	503,746	581,721
Commercial Landings	7,691	7,936	7,765	5,988	9,026	9,654	9,632	8,522	8,020	8,557
Water and sewer										
New accounts - net	249	260	523	320	632	960	688	709	1,141	1,011
Water main breaks	54	61	79	81	74	81	99	88	73	86
Average daily consumption (MGD)	24.308	22.821	23.531	15.532	15.717	12.765	12.616	12.442	12.492	37.843
Peak daily consumption (MGD)	42.347	40.041	35.374	27.116	23.198	20.441	20.610	17.364	17.731	18.974
Average daily sewage treatment (MGD)	11.663	10.005	10.553	10.123	9.241	9.162	8.849	9.271	9.379	10.027
Sanitation										
Refuse collected (tons)	210,373	180,422	200,711	195,663	223,796	252,248	272,533	242,784	245,724	299,698
Recyclables collected (tons)	1,787	2,016	1,547	1,506	1,315	1,383	1,812	1,282	1,314	363
Sports complex										
Baseball stadium attendance	325,064	329,688	322,272	331,195	343,615	362,999	382,403	324,307	348,173	336,742
Football/soccer stadium attendance	172,977	167,086	197,665	123,475	105,600	132,064	123,681	127,227	117,890	127,953
Golf course										
Attendance	62,940	57,104	60,236	63,205	68,291	56,636	51,040	50,757	51,253	54,888
Tournaments	89	90	90	82	88	71	81	68	69	72

Notes: N/A - Data not available

Source: City departments

Table 22

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Development services										
Streets - paved (miles)	584	736	741	597	596	607	613	615	627	635
Streets - unpaved (miles)	12	29	28	33	14	19	35	37	19	18
Alleys - paved (miles)	125	133	133	128	136	139	142	137	141	144
Streetlights	6,005	6,050	6,096	6,209	6,272	6,321	6,321	6,351	6,351	6,350
Signalized locations	116	117	118	118	118	118	114	102	113	114
Community services										
Parks acreage	1,256	1,275	1,275	1,275	1,342	1,342	1,342	1,342	1,342	1,342
Playgrounds	40	39	39	39	39	39	40	40	40	40
Baseball/softball diamonds	64	64	64	64	64	64	64	64	64	64
Football/soccer fields	52	49	49	49	49	49	49	49	49	59
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	114	110	138	138	160	151	61	120	120	105
Fire										
Stations	9	9	9	9	9	9	10	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)	861	668	771	782	714	823	835	843	845	854
Fire hydrants	3,301	3,297	3,425	3,418	3,412	3,678	3,716	3,885	4,074	3,988
System capacity (million gallons)	51	51	51	51	55	55		55	55	55
Sanitary sewers (miles)	600	527	585	591	555	625	636	636	663	668
Storm sewers (miles)	47	43	43	44	44	46	64	64	61	64
Sanitation										
Refuse trucks	42	43	46	37	38	43	45	46	47	35
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

Notes: N/A - Data not available

Source: City departments

(Unaudited - See Accompanying Independent Auditor's Report.)

SUPPLEMENTAL SECTION (Unaudited)

CITY OF MIDLAND, TEXAS

Table 1 - Valuation, Exemptions, and General Obligation Debt

2018 Market Valuation Established By Midland Central Appraisal District (excluding totally exempt property)		\$ 13,940,017,130
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	315,674,409	
Disabled Veterans	5,520,960	
Open-Space and Land Use Restrictions and Tax Increment Value	<u>54,881,626</u>	<u>376,076,995</u>
2018 Taxable Assessed Valuation		\$ 13,563,940,135
City Funded Debt Payable From Ad Valorem Taxes (as of 9-30-18)		
General Obligation Bonds and Certificates of Obligation (1)	<u>140,255,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 140,255,000
Less: Self Supporting Debt (2)		
Hotel/Motel General Obligation Debt	26,595,000	
Water and Sewer General Obligation Debt	<u>12,465,000</u>	<u>39,060,000</u>
General Purpose Funded Debt Payable from Ad Valorem Taxes		\$ 101,195,000
Interest and Sinking Fund (as of 9-30-18) (3)		\$ 509,865
Ratio Funded Debt to Taxable Assessed Valuation		1.03%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		0.75%
2019 Estimated Population	136,090	
Per Capita 2018 Taxable Assessed Valuation	\$ 99,668.90	
Per Capita Total Funded Debt	\$ 1,030.60	
Per Capita General Purpose Funded Debt	<u>\$ 743.59</u>	

(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.

"Hotel/Motel Certificate of Obligation Debt" consists of \$27,245,000 Tax and Limited Pledge Certificates of Obligation, Series 2016.

"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.

(3) Excludes \$\$127,938 to the credit of the Interest and Sinking Fund Water and Sewer General Obligation Debt.

CITY OF MIDLAND, TEXAS

Table 2 - Taxable Assessed Valuations by Category

Category	Taxable Appraised Value for Fiscal Year Ended 9-30					
	2019		2018		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 8,644,397,373	59.74%	\$ 7,897,453,843	60.51%	\$ 7,487,316,710	59.11%
Real, Residential, Multi-Family	934,073,441	6.46%	724,997,277	5.55%	694,918,310	5.49%
Real, Vacant Lots/Tracts	266,302,555	1.84%	275,980,662	2.11%	279,045,700	2.20%
Real, Acreage (Land Only)	159,913,160	1.11%	146,233,030	1.12%	135,869,280	1.07%
Real, Farm and Ranch Improvements	47,152,456	0.33%	43,763,840	0.34%	41,318,770	0.33%
Real, Commercial and Industrial	2,390,156,734	16.52%	2,243,385,627	17.19%	2,337,987,520	18.46%
Real, Oil, Gas and Other Mineral Reserves	413,059,202	2.85%	294,473,212	2.26%	162,024,075	1.28%
Real and Tangible Personal, Utilities	207,483,787	1.43%	192,085,200	1.47%	179,503,280	1.42%
Tangible Personal, Commercial and Industrial	1,333,623,895	9.22%	1,215,381,840	9.31%	1,274,394,830	10.06%
Tangible Personal, Other	17,580,760	0.12%	18,197,800	0.14%	16,693,740	0.13%
Real Property, Inventory (1)	55,186,706	0.38%	-	0.00%	57,924,060	0.46%
Total Appraised Value Before Exemptions	\$ 14,468,930,069	100.00%	\$ 13,051,952,331	100.00%	\$ 12,666,996,275	100.00%
Less: Total Exemptions/Reductions	905,138,954		810,191,451		807,684,666	
Taxable Assessed Value	\$ <u>13,563,791,115</u>		\$ <u>12,241,760,880</u>		\$ <u>11,859,311,609</u>	

Category	Taxable Appraised Value for Fiscal Year Ended 9-30					
	2016		2015		2014	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 7,182,037,920	49.64%	\$ 6,566,069,700	59.36%	\$ 5,707,614,570	51.60%
Real, Residential, Multi-Family	641,767,780	4.44%	605,596,170	5.48%	543,209,910	4.91%
Real, Vacant Lots/Tracts	285,542,235	1.97%	252,255,175	2.28%	226,359,700	2.05%
Real, Acreage (Land Only)	134,194,790	0.93%	131,933,230	1.19%	133,623,230	1.21%
Real, Farm and Ranch Improvements	41,466,360	0.29%	36,573,560	0.33%	32,233,230	0.29%
Real, Commercial and Industrial	2,237,851,830	15.47%	1,912,483,020	17.29%	1,699,367,430	15.36%
Real, Oil, Gas and Other Mineral Reserves	211,147,575	1.46%	86,534,550	0.78%	67,736,295	0.61%
Real and Tangible Personal, Utilities	161,088,750	1.11%	174,194,090	1.57%	121,906,180	1.10%
Tangible Personal, Commercial and Industrial	1,387,155,670	9.59%	1,233,577,870	11.15%	914,654,730	8.27%
Tangible Personal, Other	14,832,090	0.10%	7,246,580	0.07%	3,977,540	0.04%
Real Property, Inventory (1)	62,153,380	0.43%	54,478,610	0.49%	51,542,520	0.47%
Total Appraised Value Before Exemptions	\$ 12,359,238,380	85.42%	\$ 11,060,942,555	100.00%	\$ 9,502,225,335	85.91%
Less: Total Exemptions/Reductions	830,388,593		817,087,089		664,669,273	
Taxable Assessed Value	\$ <u>11,528,849,787</u>		\$ <u>10,243,855,466</u>		\$ <u>8,837,556,062</u>	

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
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	134,610	12,241,760,880	90,942	45,004,999	0.37%	334
2019 (4)	136,090	13,563,791,115	99,668	66,640,000	0.49%	490

- (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			
2014	137,770,000	3,140,000	59,215,000	17,945,000	-	57,470,000	
2015	129,095,000	1,605,000	56,985,000	15,835,000	-	54,670,000	
2016	119,420,000	-	54,660,000	13,620,000	-	51,140,000	
2017	128,220,000	-	52,845,000	-	27,245,000	48,130,000	
2018	122,549,999	-	50,950,000	-	26,595,000	45,004,999	
2019 (1)	140,255,000	-	47,020,000	-	25,930,000	67,305,000	

- (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
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	99.15%	98.92%
2019	0.380825	0.33603	0.04479	45,272,409	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	2.79%
Viper Energy Partners LLC.	Oil and Gas	118,314,300	0.97%
Callon Petroleum Oper Co.	Oil and Gas	111,927,690	0.91%
Propetro Services (VEH)	Oil and Gas	93,756,290	77.00%
RSP Permian LLC	Oil and Gas	78,076,247	0.64%
Chevron USA	Oil and Gas	68,075,950	0.56%
Oncor Electric FKA:TXU Ele (10)	Electric Utility	59,782,830	0.49%
Endeavor Energy Resources LP	Oil and Gas	52,790,234	0.43%
Occidental Permian Limited	Oil and Gas	51,158,450	0.42%
COG Realty LLC	Oil and Gas	50,345,840	0.42%
		\$ <u>1,026,042,621</u>	<u>8.38%</u>

Table 6 - Tax Adequacy

Maximum Principal and Interest Requirements, All General Obligation Debt.....	\$	11,815,971
\$.0907 Tax Rate at 96% Collection Produces.....	\$	11,815,971
Maximum Principal and Interest Requirements General Purpose General Obligation Debt, 2018.....	\$	6,609,817
\$.0507 Tax Rate at 96% Collection Produces.....	\$	6,609,817

Table 7 - Estimated Overlapping Debt

Taxing Jurisdiction	Taxable Assessed Valuation As Of 9-30-18 (1)	Tax Rate (1)	Total Funded Debt As Of 9/30/2018	Estimated % Applicable to City (1)	City's Overlapping Funded Debt As Of 9/30/2018	Authorized But Unissued Debt As Of 9/30/2018
City of Midland	\$ 12,241,760,880	\$ 0.408389	\$ 100,908,569 (6)	100.00%	\$ 100,908,589	\$ 0
Midland Independent School District	21,477,429,036	1.127550	207,700,966 (2)	57.00%	118,389,551	0
Midland Community College District	22,868,257,853	0.125250	31,491,633 (5)	53.53%	16,857,471	0
Midland County	23,843,201,405	0.153169	15,535,000 (3)	51.34%	7,975,669	0
Midland County Hospital District	24,291,272,897	0.129994	7,028,328 (4)	50.40%	3,542,277	0
Total Direct and Overlapping G.O. Debt					\$ <u>247,673,537</u>	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation					2.02%	
Per Capita Overlapping G.O. Debt					\$ 1,819.92	

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				
2019	4,650,000	7,165,971	11,815,971	7.36%	1,792,650	3,837,877	6,185,444
2020	6,085,000	5,701,475	11,786,475	11.70%	1,794,200	3,837,477	6,154,798
2021	5,910,000	5,485,035	11,395,035	15.91%	1,796,900	3,836,723	5,761,412
2022	6,155,000	5,240,002	11,395,002	20.30%	1,793,275	3,837,325	5,764,402
2023	6,425,000	4,963,933	11,388,933	24.88%	1,793,825	3,833,937	5,761,171
2024	6,725,000	4,677,477	11,402,477	29.67%	1,796,800	3,840,644	5,765,033
2025	7,020,000	4,372,676	11,392,676	34.68%	1,794,800	3,832,384	5,765,492
2026	7,335,000	4,057,342	11,392,342	39.91%	1,792,250	3,838,671	5,761,421
2027	7,670,000	3,730,801	11,400,801	45.38%	1,793,625	3,844,417	5,762,759
2028	7,495,000	3,406,827	10,901,827	50.72%	1,792,550	3,831,818	5,277,459
2029	7,815,000	3,092,845	10,907,845	56.29%	1,794,350	3,834,657	5,278,838
2030	7,420,000	2,780,551	10,200,551	61.58%	1,794,350	3,840,817	4,565,384
2031	7,725,000	2,471,836	10,196,836	67.09%	1,794,950	3,835,411	4,566,475
2032	8,060,000	2,133,635	10,193,635	72.84%	1,794,425	3,835,328	4,563,882
2033	6,265,000	1,831,895	8,096,895	77.31%	1,792,800	2,704,658	3,599,437
2034	6,515,000	1,578,274	8,093,274	81.95%	1,793,300	2,703,636	3,596,338
2035	4,700,000	1,326,834	6,026,834	85.30%	1,795,675	2,705,196	1,525,963
2036	4,935,000	1,090,929	6,025,929	88.82%	1,794,800	2,702,292	1,528,837
2037	5,185,000	842,954	6,027,954	92.52%	1,795,550	2,703,441	1,528,963
2038	2,670,000	649,138	3,319,138	94.42%	1,792,800	0	1,526,338
2039	2,810,000	512,138	3,322,138	96.42%	1,796,300	0	1,525,838
2040	2,945,000	379,594	3,324,594	98.52%	1,795,800	0	1,528,794
2041	3,065,000	257,825	3,322,825	100.71%	1,793,825	0	1,529,000
2042	3,185,000	136,425	3,321,425	102.98%	1,796,550	0	1,524,875
2,043	1,490,000	37,250	1,527,250	104.04%	-	0	1,527,250
Total	\$ 140,255,000	\$ 67,923,662	\$ 208,178,662		\$ 43,066,350	\$ 67,236,709	\$ 97,875,603

(Unaudited - See Accompanying Independent Auditor's 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 9-30-19	\$ 3,837,877	\$ 7,978,094	\$ 11,815,971
Source of Funds, Fiscal Year Ending 9-30-19			
Interest and Sinking Funds, 9-30-18	\$ 127,938	\$ 509,865	\$ 637,803
Budgeted Ad Valorem Tax Receipts, Including Delinquent Tax Collections		6,047,383	6,047,383
Budgeted Transfers:			
From Water and Sewer Fund	2,588,897	2,500	4,591,397
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		1,793,400	1,793,400
Estimated Investment Income	<u>14,100</u>	<u>15,000</u>	<u>29,100</u>
Total Sources of Funds	<u>\$ 4,730,935</u>	<u>\$ 8,368,148</u>	<u>\$ 13,099,083</u>
Estimated Balance, 9-30-19	<u>\$ 893,058</u>	<u>\$ 390,054</u>	<u>\$ 1,283,112</u>

Table 10 - Computation of Self-Supporting Debt

Net Revenues, Fiscal Year Ended 9-30-18	\$ <u>Water & Sewer</u> 32,039,175
Balance Available	
Bond Requirements	\$ 32,039,175
Balance Available for Other Purposes	\$ 32,039,175
Less: System General Obligation Debt Requirements, Fiscal Year 2018-2019	<u>4,588,897</u>
Balance	<u>\$ 27,450,278</u>
Percentage of System General Obligation Debt Self-Supporting	100.00%

(Unaudited - See Accompanying Independent Auditor's 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,				
	2018	2017	2016	2015	2014
Revenues					
Taxes	\$ 113,951,964	100,085,072	87,306,417	\$ 92,733,411	\$ 92,001,619
Licenses and permits	2,963,061	2,328,984	1,993,818	3,569,903	3,091,399
Fines and forfeitures	4,710,743	4,975,409	3,802,748	3,349,255	3,783,005
Charges for current services	4,845,556	3,530,556	3,076,000	3,182,358	2,640,062
Rentals	223,989	206,353	125,246	14,144	14,244
Intergovernmental grants	815,181	815,299	940,671	1,071,450	859,928
Investment income	1,041,647	522,220	544,327	1,819,941	1,327,357
Miscellaneous	1,640,874	8,490,331	5,725,036	1,024,344	1,006,249
Total revenues	\$ <u>130,193,015</u>	<u>120,954,224</u>	<u>103,514,263</u>	\$ <u>106,764,806</u>	\$ <u>104,723,863</u>
Expenditures					
Administration	\$ 1,446,093	1,316,284	1,518,144	\$ 1,744,680	\$ 1,681,529
Support services	14,938,860	14,395,202	25,588,452	16,392,321	13,752,715
Fiscal management	2,098,600	2,144,030	2,116,459	2,079,315	2,260,620
Development services	3,505,250	3,315,831	3,267,907	3,555,322	3,350,847
Engineering	15,519,206	13,576,698	15,178,993	17,431,031	13,905,183
Community services	11,010,270	11,054,390	11,984,591	12,346,085	10,261,957
Police	27,772,640	27,743,755	26,469,372	25,308,241	25,416,580
Fire	28,203,934	26,021,410	25,949,421	26,254,173	24,516,468
Other	3,305,082	3,976,334	4,627,938	3,977,125	3,475,988
Other	11,872,633	14,837,595			
Total expenditures	\$ <u>119,672,568</u>	<u>118,381,529</u>	<u>116,701,277</u>	\$ <u>109,088,293</u>	\$ <u>98,621,887</u>
Excess of revenues over (under) expenditures	\$ <u>10,520,447</u>	<u>2,572,695</u>	<u>(13,187,014)</u>	\$ <u>(2,323,487)</u>	\$ <u>6,101,976</u>
Other financing sources (uses):					
Sale of capital assets	\$ 191,405	279,973	-	\$ -	\$ -
Transfers in	6,463,236	40,020,913	6,054,080	4,566,344	5,270,262
Transfers out	(31,966,157)	(6,292,654)	(1,008,329)	(751,830)	(590,937)
Total Other Financing Sources (Uses)	\$ <u>(25,311,516)</u>	<u>34,008,232</u>	<u>5,045,751</u>	\$ <u>3,814,514</u>	\$ <u>4,679,325</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ (14,791,069)	36,580,927	(8,141,263)	\$ 1,491,027	\$ 10,781,301
Fund balance at the beginning of the year, as previously reported	\$ <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>
Fund balance at the end of the year	\$ <u>84,781,426</u>	<u>99,572,495</u>	<u>62,991,568</u>	\$ <u>71,132,831</u>	\$ <u>69,641,804</u>

(Unaudited - See Accompanying Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

Table 14 - Municipal Sales Tax History

Fiscal Year Ended 9-30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (1)
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
2018	53,412,670	106.84%	0.4363	396.80

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

Table 15 - Current Investments

As of September 30, 2018, 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	20.70%	72,458,290
Cash and Local Government Pools	<u>79.30%</u>	<u>277,630,610</u>
Totals	<u>100.00%</u>	\$ <u>350,088,900</u>

As of such date, 75.5% 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 1.9973%. Average maturity of the portfolio was 6.99 years.

CITY OF MIDLAND, TEXAS

Table 16A - Airport Statement of Operations

	For Fiscal Year Ending September 30,					
	2018	2017	2016	2015	2014	2013
<u>Operating Revenues</u>						
<u>Terminal (1)</u>						
Airport Parking	\$ 4,301,281	\$ 3,533,079	\$ 3,391,476	\$ 3,923,015	\$ 2,987,635	\$ 2,417,005
Airport Building Rental	5,214,775	4,704,832	4,614,015	4,312,874	4,090,892	3,411,902
Airport Aviation Rental	260,438	260,392	130,796	431,819	359,438	235,853
Airport Landing Fees	497,198	423,375	494,015	527,521	487,659	464,970
Airport Commercial Rentals	0	0	(172)	150,066	168,248	188,032
Airport Fuel and Oil Commissions	117,262	107,506	109,374	88,955	104,480	96,250
Miscellaneous	7,225,423	1,722,520	115,036	538,283	504,421	94,199
	<u>\$ 17,616,377</u>	<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>Air Park (2)</u>						
Airpark Rentals	\$ 139,871	\$ 124,853	\$ 12,099	\$ 136,204	\$ 135,924	\$ 138,837
Airpark Fuel and Oil Commissions	23,504	4,530	4,162	21,832	22,614	20,602
	<u>\$ 163,375</u>	<u>\$ 129,383</u>	<u>\$ 16,261</u>	<u>\$ 158,036</u>	<u>\$ 158,538</u>	<u>\$ 159,439</u>
Total Operating Revenues	<u>\$ 17,779,752</u>	<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>Nonoperating Revenues</u>						
Passenger Facility Charges	\$ 2,259,621	\$ 1,952,350	\$ 1,957,035	\$ 1,999,243	\$ 1,594,738	\$ 2,028,866
Other Nonoperating	738,672	513,190	158,732	533,078	2,152,211	225,079
Total Nonoperating Revenues	<u>\$ 2,998,293</u>	<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>
GROSS REVENUES	<u>\$ 20,778,045</u>	<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>OPERATING AND MAINTENANCE EXPENSES (3)</u>						
Salaries and Fringe Benefits	\$ 2,406,309	\$ 2,490,903	\$ 2,320,708	\$ 2,168,268	\$ 2,308,505	\$ 2,147,271
Contractual Services	3,021,706	5,074,994	2,157,535	2,104,835	1,812,983	1,976,765
Maintenance of Structures	89,032	201,980	189,704	210,415	66,786	113,984
Maintenance of Equipment	366,450	52,536	51,021	90,981	57,603	25,890
Foreign Trade Zone	142,696	143,853	149,495	174,989	149,552	155,011
General Fund Services	2,014,148	1,934,680	1,758,800	1,600,000	1,500,000	1,368,159
Supplies	139,518	82,917	122,020	200,480	121,702	71,977
Other Expenses	-	-	-	-	-	-
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 8,179,859</u>	<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>
NET REVENUES	<u>\$ 12,598,186</u>	<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>

(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,				
	2018	2017	2016	2015	2014
Water Sales (1)	\$ 60,413,572	51,066,659	46,239,322	\$ 42,865,547	\$ 40,020,844
Sewer Charges (1)	15,562,786	14,849,607	13,850,463	13,012,975	11,394,356
Other Operating Revenue	54,053	47,235	51,729	1,001,856	1,146,497
Total Operating Revenue	\$ 76,030,411	60,141,514	\$ 56,880,378	\$ 52,561,697	\$ 45,544,168
Non-Operating Income (2)	4,593,829	2,847,545	2,229,917	2,046,584	2,125,809
Total Revenue	\$ 80,624,240	62,371,431	\$ 58,926,962	\$ 54,687,506	\$ 45,651,992
OPERATING EXPENSE (3)					
Salaries and Fringe Benefits	\$ 6,902,055	7,101,354	6,958,527	\$ 5,912,909	\$ 5,751,727
Contractual Services (4)	25,732,371	23,733,048	24,423,834	24,248,801	26,616,536
Maintenance of Structure	3,389,521	1,218,574	3,385,840	1,124,146	558,523
Maintenance of Equipment	2,143,435	1,069,120	970,145	564,050	518,957
Franchise Fees	4,323,055	3,957,289	3,582,351	3,527,560	3,114,314
General Fund Services	1,662,169	1,575,626	1,588,293	1,103,177	1,300,289
Supplies	4,103,351	3,727,856	2,823,433	2,554,046	1,631,981
Other Expenses	329,108	67,314	39,524	114,237	5,182
Total Operating Expenses	\$ 48,585,065	42,450,181	\$ 43,771,947	\$ 39,148,926	\$ 39,497,509
Net Revenues	\$ 32,039,175	19,921,250	\$ 15,155,015	\$ 15,538,580	\$ 6,154,483
Water Customers	43,228	42,375	41,076	40,367	39,679
Sewer Customers (Est.)	43,228	42,375	41,076	40,367	39,679

(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, 2018, 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
2018	20.31	14.77	7,412	20.31	7,414
Average Number of Accounts, 10/17 - 9/18 (est.).....			42,802		
Average Monthly Water Bill, 10/17 - 9/18 (est.).....			\$147.22		
Average Monthly Consumption per Account.....			12.92		

(Unaudited - See Accompanying Independent Auditor's Report.)

CITY OF MIDLAND, TEXAS

Table 1 - Passenger Emplanements on Scheduled Airline Flights

Calendar Year	Southwest Airlines (1)	United Airlines (2)	American Eagle (3)	Other Airlines	Total
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
2018	303,894	26,020	138,704	123,918	592,536

- (1) Southwest commenced service in May 1977
- (2) Continental commenced service in January 1993
- (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, 2019.

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 2019.

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

	2018	2017	2016	2015	2014
Operating Revenues					
Terminal (1)					
Airport Parking	\$ 4,301,281	\$ 3,533,079	\$ 3,391,476	\$ 3,923,015	\$ 2,987,635
Airport Building Rental	5,214,775	4,704,832	4,614,015	4,312,874	4,090,892
Airport Aviation Rental	260,438	260,392	130,796	431,819	359,438
Airport Landing Fees	497,198	423,375	494,015	527,521	487,659
Airport Commercial Rentals	-	-	(172)	150,066	168,248
Airport Fuel and Oil Commissions	117,262	107,506	109,374	88,955	104,480
Miscellaneous	7,225,423	1,722,520	115,036	538,283	504,421
Total terminal	17,616,377	10,751,704	8,854,540	9,972,533	8,702,773
Air Park (2)					
Airpark Rentals	139,871	124,853	12,099	136,204	135,924
Airpark Fuel and Oil Commissions	23,504	4,530	4,162	21,832	22,614
Total air park	163,375	129,383	16,261	158,036	158,538
Total operating revenues	17,779,752	10,881,087	8,870,801	10,130,569	8,861,311
Non-Operating Revenues					
Passenger Facility Cahrges	2,259,621	1,952,350	1,957,035	1,999,243	1,594,738
Other Non-operating	738,673	513,190	158,732	533,078	2,152,211
Total Non-Operating Revenues	2,998,294	2,465,540	2,115,767	2,532,321	3,746,949
Gross Revenues	20,778,046	13,346,627	10,986,568	12,662,890	12,608,260
Operating and Maintenance Expenses					
Salaries and Fringe Benefits	2,406,309	2,490,903	2,320,708	2,168,268	2,308,505
Contractual Services	3,021,706	5,074,994	2,157,535	2,104,835	1,812,983
Maintenance of Structures	89,032	201,980	189,704	210,415	66,786
Maintenance of Equipment	366,450	52,536	51,021	90,981	57,603
Foreign Trade Zone	142,696	143,853	149,495	174,989	149,552
General Fund Services	2,014,148	1,934,680	1,758,800	1,600,000	1,500,000
Supplies	139,518	82,917	122,020	200,480	121,702
Total Operating and Maintenance Expenses	8,179,859	9,981,863	6,749,283	6,549,968	6,017,131
NET REVENUES	\$ 12,598,187	\$ 3,364,764	\$ 4,237,285	\$ 6,112,922	\$ 6,591,129

(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.

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Table 7 - Coverage

The City does not have outstanding Airport Revenue Bonds at September 30, 2018.

Table 8 - Current Investments

As of September 30, 2018, 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	20.70%	72,458,290
Cash and Local Government Pools	<u>79.30%</u>	<u>277,630,610</u>
Totals	<u>100.00%</u>	<u>\$ 350,088,900</u>

As of such date, 75.5% 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 1.9973%. Average maturity of the portfolio was 6.99 years.