



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

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	<u>6,388,364</u>	<u>3,535,047</u>	<u>647,429</u>	<u>9,275,982</u>	<u>920,924</u>
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	<u>3,992,623</u>	<u>7,450,016</u>	<u>7,356,698</u>	<u>4,085,941</u>	<u>1,597,283</u>
 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	\$ 41,065,011	\$ 41,065,011



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.



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

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 MOUTD as an urban transportation system provider under Chapter 458 of the Texas Transportation Code. The MOUTD 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 MOUTD in the amount of \$500,000. Both cities have budgeted contributions to the MOUTD but do not have an equity interest. As of September 30, 2017, the MOUTD 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:

	<u>Increase (Decrease)</u>
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			99,572,495			
FUND BALANCE, SEPTEMBER 30			\$ 84,781,426			

(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.

(See Independent Auditor's Report.)



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	\$ 27,823,225	\$ 46,531,020	\$ 45,174,955	\$ 25,527,042
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				
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
TOTAL LIABILITIES AND FUND BALANCES	\$ 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
	<hr/>		
Total revenues	15,206,894	617,102	15,823,996
	<hr/>		
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
	<hr/>		
Total expenditures	7,027,476	16,230,445	23,257,921
	<hr/>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,179,418	(15,613,343)	(7,433,925)
	<hr/>		
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
	<hr/>		
Total other financing sources (uses)	(1,816,237)	25,237,973	23,421,736
	<hr/>		
NET CHANGE IN FUND BALANCES	6,363,181	9,624,630	15,987,811
	<hr/>		
FUND BALANCES, OCTOBER 1	19,085,358	34,279,995	53,365,353
	<hr/>		
FUND BALANCES, SEPTEMBER 30	\$ 25,448,539	\$ 43,904,625	\$ 69,353,164
	<hr/>		

(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

	Community Development	Federal Police Special Purposes	State Police Special Purposes	H.I.T.D.A Federal Seizure	Department of Justice Grant
ASSETS					
ASSETS					
Cash and cash equivalents	\$ -	\$ 818,679	\$ 263,154	\$ 7,789	\$ 4,212
Investments	-	-	-	-	-
Receivables					
Accounts	-	-	-	-	-
Interest	-	-	-	-	-
Intergovernmental	607,473	-	-	-	-
TOTAL ASSETS	\$ 607,473	\$ 818,679	\$ 263,154	\$ 7,789	\$ 4,212
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 17,608	\$ -	\$ -	\$ -	\$ -
Retainage payable	21,561	-	-	-	-
Due to other funds	534,165	-	-	-	-
Total liabilities	573,334	-	-	-	-
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	34,139	818,679	263,154	7,789	4,212
TOTAL LIABILITIES AND FUND BALANCES	\$ 607,473	\$ 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
\$ 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
<u>\$ 636,599</u>	<u>\$ 19,543,398</u>	<u>\$ 394,110</u>	<u>\$ 173,337</u>	<u>\$ 3,178,384</u>	<u>\$ 172,150</u>	<u>\$ 102,234</u>	<u>\$ 596,958</u>	<u>\$ 26,498,477</u>
\$ -	\$ 32,781	\$ -	\$ -	\$ 298,269	\$ -	\$ -	\$ 4,218	\$ 352,876
3,933	115,976	-	-	21,427	-	-	-	162,897
-	-	-	-	-	-	-	-	534,165
<u>3,933</u>	<u>148,757</u>	<u>-</u>	<u>-</u>	<u>319,696</u>	<u>-</u>	<u>-</u>	<u>4,218</u>	<u>1,049,938</u>
-	-	-	-	-	-	-	-	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
<u>632,666</u>	<u>19,394,641</u>	<u>394,110</u>	<u>173,337</u>	<u>2,858,688</u>	<u>172,150</u>	<u>102,234</u>	<u>592,740</u>	<u>25,448,539</u>
<u>\$ 636,599</u>	<u>\$ 19,543,398</u>	<u>\$ 394,110</u>	<u>\$ 173,337</u>	<u>\$ 3,178,384</u>	<u>\$ 172,150</u>	<u>\$ 102,234</u>	<u>\$ 596,958</u>	<u>\$ 26,498,477</u>

(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.