

FISCAL YEAR

2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT



CITY OF MIDLAND, TEXAS

Fiscal Year Ended September 30, 2023



City of Midland, Texas

Annual Comprehensive Financial Report

Year Ended September 30, 2023

Prepared by the Finance Department

**Christy Weakland, CPA
Director of Finance**

**Crystal Garcia, MBA
Comptroller**



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City of Midland, Texas

September 30, 2023

Contents

Introductory Section (Unaudited)

Principal Officials	i-ii
Organizational Chart.....	iii
Certificate of Achievement for Excellence in Financial Reporting.....	iv
Letter of Transmittal	v

Financial Section

Independent Auditor’s Report.....	1
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Management’s Discussion and Analysis	4
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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position	14
Statement of Activities.....	15

Fund Financial Statements

Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Funds.....	21
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds.....	23
Statement of Fiduciary Net Position – Fiduciary Fund.....	24
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	25
Notes to Financial Statements.....	26

Required Supplementary Information (Unaudited)

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	88
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	89

City of Midland, Texas
September 30, 2023

Schedule of Changes in the City’s Total OPEB Liability and Related Ratios

Texas Municipal Retirement System – Supplemental Death Benefits Fund	90
Other Postemployment Benefit Plan – Retiree Health.....	91

Schedule of Employer Contributions

Texas Municipal Retirement System	92
Midland’s Firemen’s Relief and Retirement Fund	93

Schedule of Changes in the City’s Net Pension Liability and Related Ratios

Texas Municipal Retirement System	94
Midland’s Firemen’s Relief and Retirement Fund	95

Combining and Individual Fund Financial Statements and Schedules

Major Governmental Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	96
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Nonmajor Governmental Funds

Combining Balance Sheet.....	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	98
Combining Balance Sheet – Nonmajor Special Revenue Funds	101
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	103
Combining Balance Sheet – Nonmajor Capital Projects Funds	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	108

Internal Service Funds

Combining Statement of Net Position – Internal Service Funds	111
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds	113
Combining Statement of Cash Flows – Internal Service Funds	115

City of Midland, Texas

September 30, 2023

Statistical Section (Unaudited)

Financial Trends

Net Position by Component	118
Changes in Net Position	119
Fund Balances of Governmental Funds	121
Changes in Fund Balances of Governmental Funds	122

Revenue Capacity

Tax Revenues by Source – Governmental Funds	123
Assessed Value and Actual Value of Taxable Property	124
Direct and Overlapping Property Tax Rates	125
Principal Property Taxpayers.....	126
Property Tax Levies and Collections	127
Taxable Sales by Category.....	128
Direct and Overlapping Sales Tax Rates	129
Sales Tax Revenue Payers by Industry	130

Debt Capacity

Ratios of Outstanding Debt by Type	131
Ratios of Net General Bonded Debt Outstanding.....	132
Direct and Overlapping Governmental Activities Debt.....	133
Debt Margin Information	134

Demographic and Economic Information

Demographic and Economic Statistics	135
Principal Employers.....	136

Operating Information

Full-Time Equivalent City Government Employees by Function/Program	137
Operating Indicators by Function/Program	138
Capital Asset Statistics by Function/Program.....	139

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Introductory Section (Unaudited)

CITY OF MIDLAND, TEXAS PRINCIPAL OFFICIALS

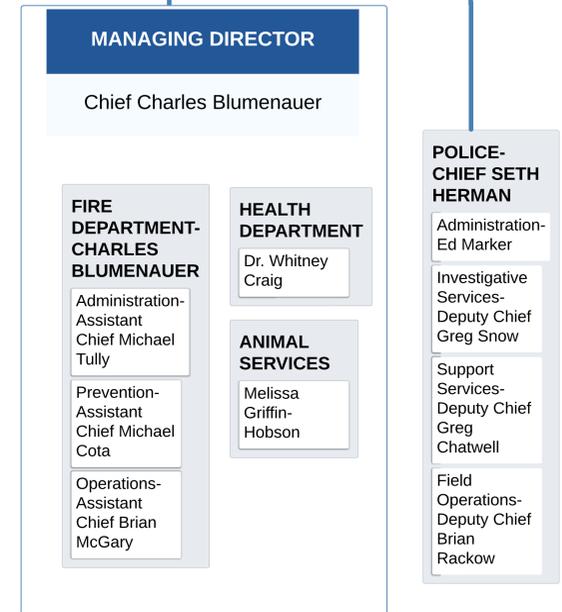
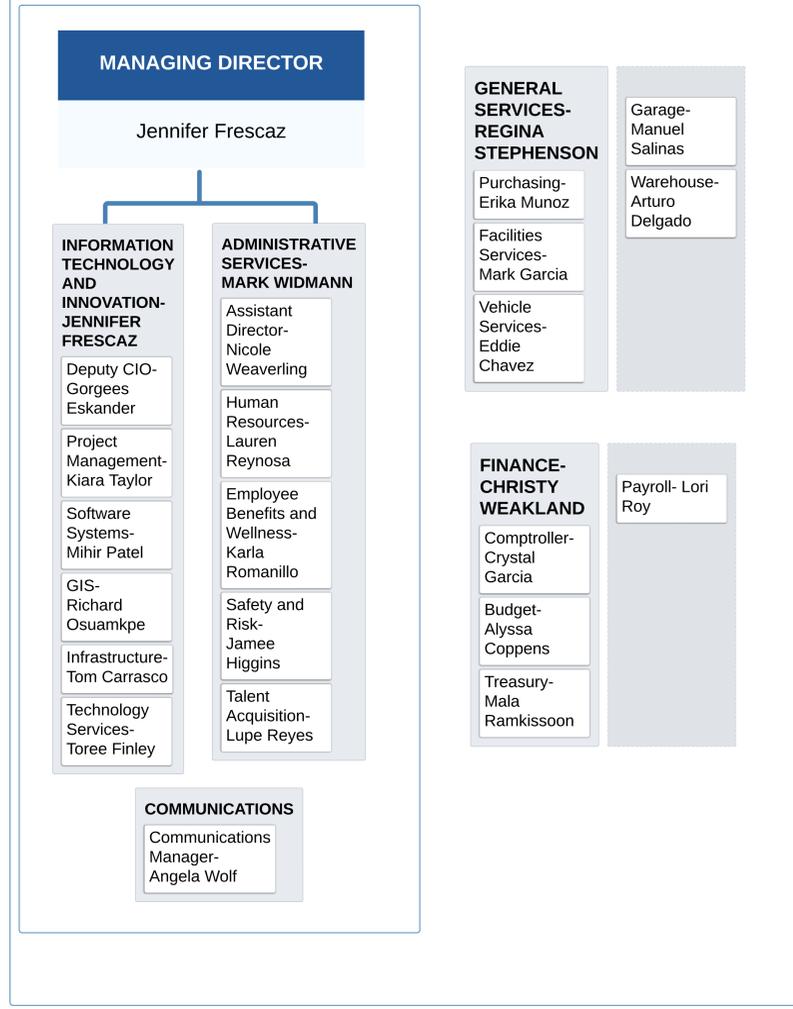
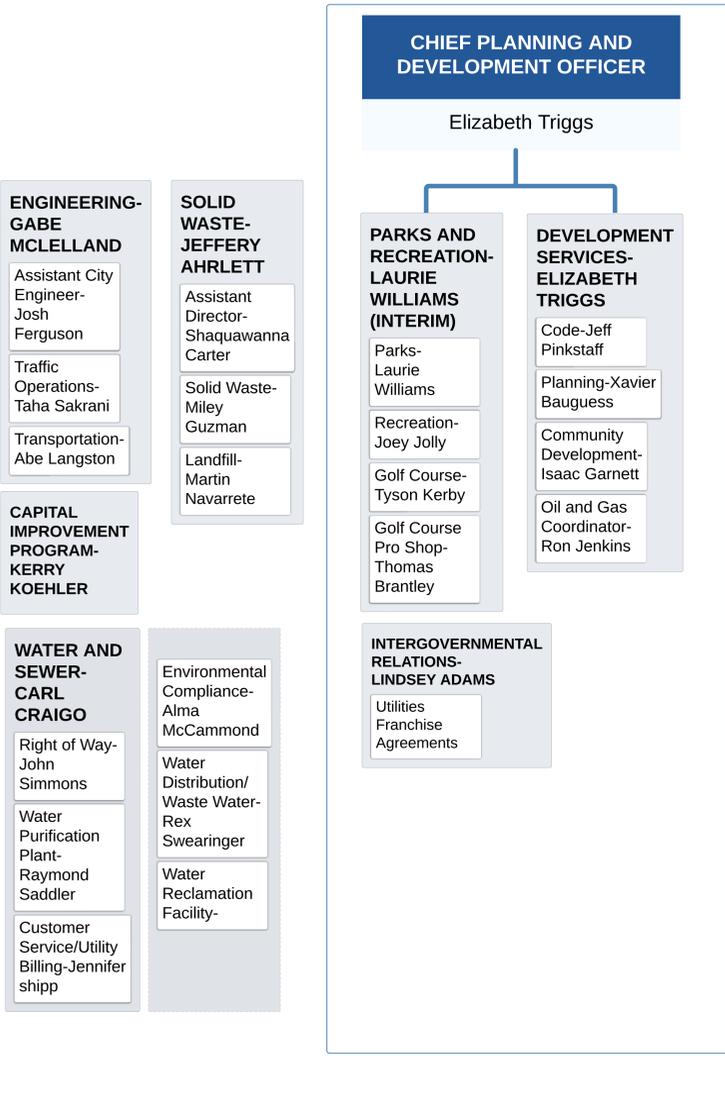
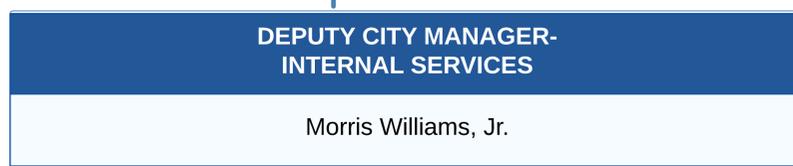
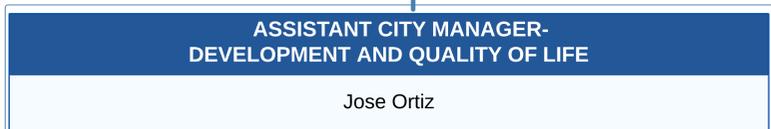
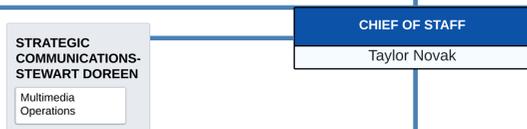
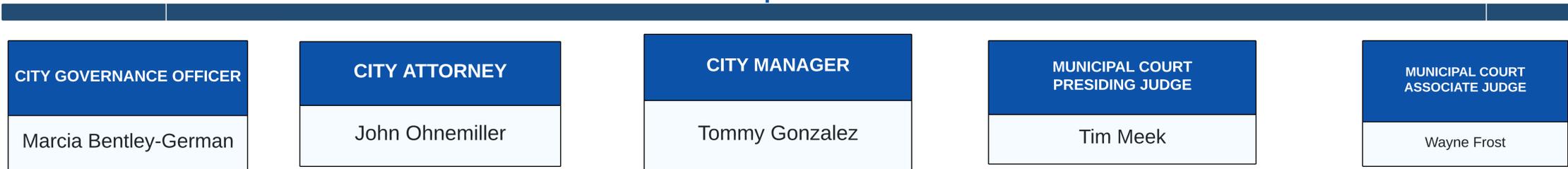
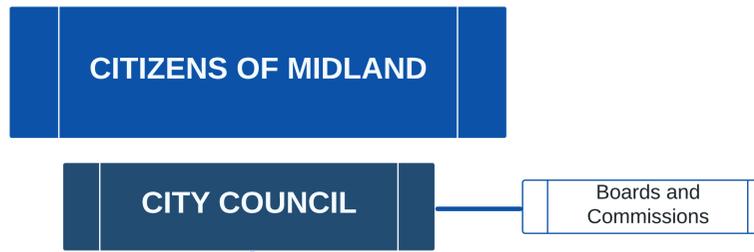
CITY COUNCIL

The Honorable Lori Merritt BlongMayor
In Memory of Dan Corrales..... At Large..... Council Member
Robin Poole At Large Council Member
A. Scott Dufford..... District 1 Council Member
John Norman District 2 Mayor Pro Tem
Jack Ladd District 3 Council Member
Amy Stretcher Burkes District 4 Council Member

OTHER PRINCIPAL OFFICERS

Tommy Gonzalez City Manager
Morris Williams Deputy City Manager
Jose Ortiz Assistant City Manager
Taylor Novak Chief of Staff
John Ohnemiller City Attorney
Marcia Bentley-German City Governance Officer / City Secretary
Elizabeth Triggs Chief Planning and Development Officer
Jennifer Frescaz Managing Director and Chief Information Officer
Charles Blumenauer..... Managing Director and Fire Chief
Seth Herman Chief of Police
Christy Weakland Director of Finance
Mark Widmann Director of Administrative Services
Justine Ruff Director of Airports
Carl Craig Director of Utilities
Jeffery Ahrllett Director of Solid Waste Management
Regina Stephenson Director of General Services

Gabe McClelland Director of Engineering Services
Timothy Meek..... Presiding Judge
Lindsey Adams.....Intergovernmental Relations Officer
Kerry Koehler CIP Director
Laurie Williams.....Interim Parks & Recreation Director





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Midland
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO

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March 15, 2024

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

In accordance with Article IV, Section 29, of the City Charter, we are pleased to present to you the Annual Comprehensive Financial Report (Annual Report) of the City of Midland, Texas (the City), for the fiscal year ended September 30, 2023.

Responsibility for the accuracy of the data completeness and fairness of the presentation, to include disclosures, rests with City management. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the City on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included in the document.

In accordance with the laws of the State of Texas and the City Charter, the City's financial statements have been audited by FORVIS, a firm of licensed certified public accountants. FORVIS has issued unmodified ("clean") opinions on the City of Midland's financial statements for the year ended September 30, 2023. The independent auditor's report is located as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and the two should be read in conjunction with each other.

CITY PROFILE

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 six 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, City Manager, City Attorney, City Secretary, and Municipal Judge. The City Manager is the chief executive 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 City provides over 200 services that includes a wide range of services to the citizens, including police and fire protection, health and social services, animal services, public improvements, streets, traffic control, planning and zoning, water and sewer, solid waste, drainage, airports, parks and recreation facilities and general administrative services.

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 Midland Development Corporation (MDC) and the Midland Firemen's Relief and Retirement Fund (MFRRF) are the only component units of the City.

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) is reported as a discretely presented component unit.

The MFRRF is reported as a fiduciary component unit in the accompanying financial statements as a pension trust fund under the provisions of GASB 84 and GASB 14, as amended.

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 2017-2021 American Community Survey 5-year estimates, bachelor's degrees or higher are held by 30.9% of the population 25 years and older. 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.

According to the Bureau of Labor Statistics, the city of Midland reported an unemployment rate of 2.5% for September 2023. 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 World Population Review estimated the population of Midland to be 140,322 as of July 1, 2023. 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 have 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 has seen the opening of a number of new national chain retail and service businesses.

LONG-TERM FINANCIAL PLANNING

The City's long-term financial plans are focused on creating a premier city in west Texas, upgrading city facilities and infrastructure, maintaining a high performing city team and building a strong economy with more quality jobs. The City has developed a five-year budget forecast and is working on a five-year capital projects plan across several fund categories. These documents will help identify financial strategies to fund future growth, while maintaining financial stability. This document is reviewed by council during the budget process.

RELEVANT FINANCIAL POLICIES

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of Midland City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The accrual basis of accounting is used to report all City financial activity in the government-wide financial statements, Enterprise Funds and Internal Service Funds. 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 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 throughout the year.

MAJOR INITIATIVES

The City of Midland experienced increased sales tax and other revenue in 2022-2023 due to the continued growth in the local economy. The budget for FY 2024 had a total increase of 8% over 2023. Major priorities and initiatives are listed in the FY2024 budget book with the following:

- Create a premier city in west Texas
- Upgrade city facilities and infrastructure
- Maintain a high performing city team
- Build a strong economy with more quality jobs

RECENT EVENTS AND ECONOMIC OUTLOOK

The City of Midland has been on a growth trajectory over the last two years and continues to show positive trends across various economic metrics. Sales taxes for 2023 came in 20% higher than expected. The unemployment rate has decreased from 3.1% in September 2022 to 2.5% as of September 2023. Activity at the airport is at an all-time high, as well as hotel/motel tax revenue. The stability in the oil prices has resulted in a consistent growth and stability for the local businesses, as well as the City's revenue streams.

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 annual comprehensive financial report for the fiscal year ended September 30, 2022. This was the 40th consecutive year the City of Midland has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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 Finance Department, 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 acknowledge and thank the Mayor and Members of the City Council for their steadfast leadership, stewardship, philosophy of becoming a high performing organization, and for their responsible manner of conducting the financial operations of the City.

Respectfully submitted,



Tommy Gonzalez
City Manager



Christy Weakland
Director of Finance

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Financial Section

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forvis.com

Independent Auditor's Report

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our report and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, 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.

We did not audit the financial statements of Midland Firemen's Relief and Retirement Fund (MFRRF), a fiduciary component unit, which represents 28%, 29%, and negative 2%, respectively, of the assets and deferred outflows of resources, net position, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for MFRRF is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison, and pension and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and the other auditors 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.

Supplementary 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS, LLP

**Dallas, Texas
March 15, 2024**

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City of Midland, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2023

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, 2023. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

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 \$841.2 million (net position). Unrestricted net position of \$70.0 million, a decrease of \$5.8 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 2023, the City of Midland governmental activities reported combined net position of \$311.1 million, an increase of \$27.6 million, or 9.7% from the prior year. The increase was primarily driven by the rebound in investment return as well as a 12% increase in sales taxes. Unrestricted net position was a \$69.8 million deficit.
- As of September 30, 2023, unassigned fund balance of the General Fund was \$84.5 million, or 54% of total General Fund expenditures. At the close of the prior fiscal year, unassigned fund balance for the General Fund was \$118.3 million or 80% of that year's expenditures. During 2023, the City had committed balances of approximately \$50.4 million for various capital projects, an increase from prior year committed balances of approximately \$10.8 million.
- The City's business-type activities total net position increased from \$495.9 million in fiscal year 2022 to \$530.1 million in the current year, an increase of 7%. This increase was due mainly to the rebound in investment return as well a final distribution received from a water system acquired in fiscal year 2022.

Overview of the Financial Statements

Management's 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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).

City of Midland, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2023

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, drainage, and sanitation operations.

The government-wide financial statements include not only the City of Midland itself (known as the primary government), but also a legally separate corporation for economic development for which the City is financially accountable or can impose its will. Financial information for this component unit 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

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 23 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, Debt Service Fund, and Park Donation and Special Purposes, which are considered to be major funds. Data for the other 20 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.

City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

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, and drainage 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 garage, technology equipment and support, and two self-insurance funds. The internal service funds predominantly benefit governmental rather than business-type functions and have been primarily included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport Fund, the Water and Sewer Fund and the Sanitation Fund, each of which is considered to be a major fund of the City of Midland. Data for the only nonmajor enterprise fund, the Drainage Fund, is presented separately as well.

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.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. The Pension trust fund is used to report resources held in trust for retirees and beneficiaries covered by the Midland Firemen's Relief & Retirement Fund.

Notes to 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, nonmajor enterprise funds, and internal service funds are presented immediately following the required supplementary information on pensions and OPEB.

City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Government-wide Overall 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 \$841.2 million at September 30, 2023.

By far the largest portion of the City's net position, \$687.1 million, or 81.7%, reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Midland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of the City's net position, \$84.2 million, or 10.0%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, referred to as unrestricted, is \$70.0 million, or 8.3%, and may be used to meet the government's ongoing obligations to citizens and creditors.

City of Midland's Net Position

	Governmental Activities		Business-type Activities		Totals	
	FY2023	FY2022*	FY2023	FY2022*	FY2023	FY2022*
Current and other assets	\$ 379,254,440	\$309,637,957	\$ 250,631,743	\$236,719,027	\$ 629,886,183	\$ 546,356,984
Capital, lease, and subscription assets, net	436,168,433	418,694,171	689,496,582	667,592,516	1,125,665,015	1,086,286,687
Total assets	815,422,873	728,332,128	940,128,325	904,311,543	1,755,551,198	1,632,643,671
Deferred outflows of resources	101,222,757	104,874,559	17,332,086	13,715,051	118,554,843	118,589,610
Other liabilities	32,417,802	31,385,646	26,211,257	24,947,237	58,629,059	56,332,883
Long-term liabilities	490,114,942	484,217,070	392,828,665	383,664,743	882,943,607	867,881,813
Total liabilities	522,532,744	515,602,716	419,039,922	408,611,980	941,572,666	924,214,696
Deferred inflows of resources	82,993,321	34,124,160	8,311,121	13,563,903	91,304,442	47,688,063
Net investment in capital assets	315,961,224	299,126,720	371,112,093	344,935,827	687,073,317	644,062,547
Restricted	64,957,835	44,647,499	19,243,761	14,821,024	84,201,596	59,468,523
Unrestricted	(69,799,494)	(60,294,408)	139,753,514	136,093,860	69,954,020	75,799,452
Total net position	\$ 311,119,565	\$ 283,479,811	\$ 530,109,368	\$ 495,850,711	\$ 841,228,933	\$ 779,330,522

**Balances have not been restated for the adoption of GASB 96*

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.

Total assets in the Governmental activities increased by \$87.1 million and in the Business-type activities increased by \$35.9 million. Both Governmental and Business-type activities experienced operational growth and benefitted from capital grants and contributions.

The City's long-term liabilities increased by \$15.1 million due to the issuance of bonds for road construction and increase in pension liabilities.

City of Midland, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2023

Overall, the City's net position increased \$61.9 million, during the current fiscal year, with governmental activities reflecting an increase of \$27.6 million and business-type activities an increase of \$34.3 million. While both governmental and business-type funds experienced a decrease in oil and gas revenue, they both benefited from a sharp rebound in investment return from losses in the prior year. Governmental activities also benefited from a 12.8% in sales taxes over 2022. In addition, business-type funds saw a 79% increase in operating grant revenue, due to grants for airports under the American Rescue Plan Act, as well as a final inflow of funds from a large capital financing transaction in utilities that occurred in fiscal year 2022. Expenditures for both governmental and business-type activities showed increases of 7.4% and 4.3%, respectively.

The following table provides a summary of the City's operations for the year ended September 30, 2023, with comparative totals for the year ended September 30, 2022.

City of Midland's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
REVENUES						
<i>Program revenues:</i>						
Charges for services	\$ 16,966,879	\$ 16,396,701	\$ 127,968,779	\$ 130,061,461	\$ 144,935,658	\$ 146,458,162
Operating grants and contributions	2,717,379	3,059,361	10,572,246	5,894,700	13,289,625	8,954,061
Capital grants and contributions	5,691,669	7,648,721	7,977,731	10,179,047	13,669,400	17,827,768
Total program revenues	25,375,927	27,104,783	146,518,756	146,135,208	171,894,683	173,239,991
<i>General revenues:</i>						
Property taxes	67,617,647	62,142,187	-	-	67,617,647	62,142,187
Sales taxes	68,857,224	61,052,772	-	-	68,857,224	61,052,772
Franchise and other taxes	18,790,678	18,837,109	-	-	18,790,678	18,837,109
Hotel-motel taxes	7,275,924	5,671,276	-	-	7,275,924	5,671,276
Grants not restricted to specific programs	4,083,522	6,936,582	-	-	4,083,522	6,936,582
Investment income (loss)	12,803,850	(13,119,425)	6,436,758	(9,938,173)	19,240,608	(23,057,598)
Oil and gas royalties	15,699,482	21,783,344	2,113,738	9,942,263	17,813,220	31,725,607
Gain on sale of assets	625	5,024	33,001	36,020	33,626	41,044
Miscellaneous	2,943,113	4,582,084	16,616,630	5,499,131	19,559,743	10,081,215
Total general revenues	198,072,065	167,890,953	25,200,127	5,539,241	223,272,192	173,430,194
Total revenues	223,447,992	194,995,736	171,718,883	151,674,449	395,166,875	346,670,185
EXPENSES						
General government	21,991,291	18,121,619	-	-	21,991,291	18,121,619
Development services	4,108,029	2,653,301	-	-	4,108,029	2,653,301
Engineering	25,475,424	22,347,858	-	-	25,475,424	22,347,858
Community services	15,734,720	18,308,419	-	-	15,734,720	18,308,419
Police	37,126,195	30,809,955	-	-	37,126,195	30,809,955
Fire	74,821,550	75,106,009	-	-	74,821,550	75,106,009
Golf	3,086,870	2,992,999	-	-	3,086,870	2,992,999
Sports complex	2,877,754	3,233,475	-	-	2,877,754	3,233,475
Housing programs	1,525,055	826,731	-	-	1,525,055	826,731
Economic development	4,024,382	3,405,197	-	-	4,024,382	3,405,197
Other	6,704,435	5,875,672	-	-	6,704,435	5,875,672
Interest and fiscal charges on long-term debt	4,833,302	4,652,710	-	-	4,833,302	4,652,710
Airport	-	-	20,919,858	17,415,536	20,919,858	17,415,536
Water and sewer	-	-	86,318,024	87,890,959	86,318,024	87,890,959
Sanitation	-	-	23,103,022	19,740,658	23,103,022	19,740,658
Drainage	-	-	618,553	523,701	618,553	523,701
Total expenses	202,309,007	188,333,945	130,959,457	125,570,854	333,268,464	313,904,799
Increase in net position before transfers	21,138,985	6,661,791	40,759,426	26,103,595	61,898,411	32,765,386
Transfers	6,500,769	50,705,757	(6,500,769)	(50,705,757)	-	-
Change in net position	27,639,754	57,367,548	34,258,657	(24,602,162)	61,898,411	32,765,386
Net Position, beginning	283,479,811	226,112,263	495,850,711	520,452,873	779,330,522	746,565,136
Net Position, ending	\$ 311,119,565	\$ 283,479,811	\$ 530,109,368	\$ 495,850,711	\$ 841,228,933	\$ 779,330,522

City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Governmental Activities

Governmental activities net position increased by \$27.6 million or 9.8%. Total revenues for governmental activities increased from the previous year by \$28.5 million. General revenue had a net increase of \$30.2 million or 18.0%. Sales taxes increased \$7.8 million or 12.8% due to the continued growth in the economy and job markets. Investment income increased by \$25.9 million or 198% due to a calming of the sharp interest rate increases of the prior year and reversing some of the unrealized loss from 2022. Oil and gas royalties' revenues decreased by \$6.1 million or 27.9% due to the leveling off of the oil prices. Hotel-motel tax was increased by \$1.6 million or 28.3%, emphasizing the growth of the city's tourism and business growth.

Program revenues had a net decrease of \$1.7 million or 6.4% due mostly to the leveling off of service revenues coupled with a decrease in contributions by developers.

Total expenses for governmental activities increased \$14.0 million or 7.4%, due to increases in personnel and supplies. Personnel increases were caused by cost of living and step increases as well as an increase in pension expense.

Business-type Activities

Net position from business-type activities increased by \$34.2 million or 7% from \$495.9 million to \$530.1 million.

Program revenues for business-type activities increased by \$383 thousand, or 2%. Total revenue increased \$20.1 million, due mainly to the rebound in investment return as well as a final distribution from acquiring assets of a water system.

Total business-type expenses increased by \$5.4 million. Airport increased \$3.5 million, and Sanitation increased \$3.4 million, while Water and Sewer decreased \$1.6 million from prior year. All funds had increases in personnel costs related to employee raises and an increase in pension expense and in contractual services related to increased services and inflation. Water and Sewer had a \$7.6 million decrease in interest expense from prior year as a result of a debt refunding late in fiscal year 2022.

Financial Analysis of the City's Funds

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$303.4 million. Within this total \$910 thousand is nonspendable for prepaid items and inventories, \$135.2 million is restricted for specific purposes such as debt service, streets, buildings, public safety, or other purposes; \$70.4 million has been committed to specific types of expenditures, primarily capital related; and \$12.4 million has been assigned for the sports complex. The remaining \$84.5 is unassigned fund balance in the General Fund and can be used for any lawful purposes.

City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned General Fund fund balance was \$84.5 million, while total fund balance was \$148.4 million. This is an increase over last year of \$2.7 million, or 1.9%. Unassigned fund balance represents 53.6% of total general fund expenditures.

Debt Service Fund. The Debt Service Fund fund balance increased in 2023 by \$262 thousand.

Park Donation and Special Purposes Fund. The Park Donation Fund fund balance increased by \$34.3 million. This increase comes from the oil and gas revenue influx due to the higher oil prices and accompanying economic growth.

Nonmajor Governmental Funds. This consists of all the governmental funds that were not presented as major funds. Total fund balance increased by \$21.9 million primarily due to new bond issuance of \$23.9 million that will be expended on upcoming capital projects.

Proprietary Funds

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

Airport Fund. The Airport Fund ended the year with a net position of \$154.9 million, which was an increase of \$4.9 million or 3.3% compared to the previous year. The unrestricted net position of the Airport Fund was \$37.2 million. Operating expenses exceeded operating revenues by \$8.1 million. The operating loss was offset by non-operating revenues of \$19.0 million, which includes federal government contributions of \$10.6 million and oil and gas royalties of \$1.8 million.

Water and Sewer Fund. Water and Sewer Fund net position amounted to \$315.4 million, which was an increase of \$22.2 million or 7.6% higher than the previous year. There was net operating income of \$10.9 million, capital contributions \$6.5 million and net non-operating expense of \$4.9 million driven primarily by \$13.7 million long term-debt interest.

Sanitation Fund. The City's Sanitation Fund net position increased by \$2.4 million or 8.9% driven by investment return and transfers in. Total operating revenues amounted to \$25.3 million while total operating expenses were \$25.0 million.

Drainage Fund (Nonmajor). Total net position increased by \$1.7 million from operations.

City of Midland, Texas
Management’s Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

General Fund Budgetary Highlights

Actual General Fund revenues collected in FY2023 exceeded management’s budget by \$26.9 million or 15.5%. This positive variance was due to the recognition of grant funds spent from the *America Rescue Plan Act*, as well as an increase in taxes and charges for services due to economic growth. Investment income came in \$5.4 million higher than expected, due to higher interest rates.

Overall, FY2023 expenditures were \$531 thousand over budget. Support Services showed a savings of \$7.7 million while Community Services and Engineering were over budget due to park construction projects and continued work on roads. All departments have experienced an increase in prices of chemicals for maintenance as well as other operational supplies and equipment yet saw savings in personnel vacancies. Transfers out of \$22.4 million were not included in the original or final budget.

Capital, Lease, and Subscription Assets

The City of Midland’s investment in capital, lease, and subscription assets for its governmental and business type activities as of September 30, 2023, amounts to \$1.13 billion (net of accumulated depreciation and amortization), compared to \$1.09 billion (net of accumulated depreciation and amortization) at September 30, 2021. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, intangible and other assets, lease assets, and construction in progress. Capital, lease, and subscription assets detail can also be found in *Note 5* to the financial statements.

Capital, Lease, and Subscription Assets, net of Depreciation and Amortization

	Governmental Activities		Business-type Activities		Totals	
	FY2023	FY2022*	FY2023	FY2022*	FY2023	FY2022*
Land	\$ 21,453,747	\$20,258,570	\$ 23,362,880	\$15,361,331	\$ 44,816,627	\$ 35,619,901
Buildings	91,401,347	94,335,906	27,020,745	28,656,818	118,422,092	122,992,724
Improvements other than buildings	47,902,474	42,096,321	43,257,377	45,798,593	91,159,851	87,894,914
Machinery and equipment	33,068,435	35,616,074	11,133,140	11,606,290	44,201,575	47,222,364
Infrastructure	196,699,298	179,741,184	524,373,545	503,894,133	721,072,843	683,635,317
Lease assets	850,201	454,852	224,941	307,086	1,075,142	761,938
SBITA assets	870,534	-	-	-	870,534	-
Intangible and other	1,183,758	1,809,365	836,700	973,066	2,020,458	2,782,431
Construction in progress	42,738,639	44,381,899	59,287,254	60,995,199	102,025,893	105,377,098
Total	\$ 436,168,433	\$ 418,694,171	\$ 689,496,582	\$ 667,592,516	\$ 1,125,665,015	\$ 1,086,286,687

**Balances have not been restated for the adoption of GASB 96*

Major capital asset activities during fiscal year 2023 included the following:

- Parks – Improvements to ballfields including lighting and turf installation; new playground equipment and other improvements to various city parks.
- Engineering – Construction and improvements on several street projects including Wadley Avenue Idlewilde Drive, Solomon Lane, Illinois Avenue and several unpaved roads throughout the city.
- Airport – Purchase of adjoining land for over \$8 million plus continued renovation in terminal
- Water and Sewer – Work on various rehab projects throughout the system
- Technology – Work on the interoperable radio project
- Facilities – Midland Utilities Service Center for Garage, Utilities, and Sanitation operations

City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Debt Administration

At the end of the current fiscal year, the City of Midland had total bond debt, lease and subscription obligations outstanding of \$509.2 million. Of this amount, \$174.2 million was general government bond debt and lease obligations and \$334.9 million was from business-type activities.

The City of Midland's bond debt increased by \$13.2 million during the current fiscal year. The increase was due to the issuance of General Obligation Bonds, Series 2023 in the amount of \$23.9 million. The City maintains an AAA rating with Fitch Ratings, Inc. and an Aa1 rating with Moody's on tax-supported debt.

Long-Term Debt at Year-end

	Governmental Activities		Business-type Activities		Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
General obligation refunding bonds	\$ 114,810,518	\$ 94,443,966	\$ 283,645,000	\$ 285,750,000	\$ 398,455,518	\$ 380,193,966
Certificates of obligation	58,469,482	61,686,034	51,040,000	52,910,000	109,509,482	114,596,034
Lease and subscription obligations	967,460	456,165	229,117	309,462	1,196,577	765,627
	<u>\$ 174,247,460</u>	<u>\$ 156,586,165</u>	<u>\$ 334,914,117</u>	<u>\$ 338,969,462</u>	<u>\$ 509,161,577</u>	<u>\$ 495,555,627</u>

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 complement 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.

Additional information concerning the City's long-term debt may be found in *Note 10* of the Notes to Financial Statements.

City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Economic Factors and Next Year's Budgets and Rates

The focus of the budgetary process for fiscal year 2024 was on creating a premier city in west Texas, upgrading city facilities and infrastructure, maintaining a high performing city team and building a strong economy with more quality jobs.

The total General Fund Budget is \$167.5 million, an increase of \$18.2 million from the FY 2023 original adopted budget. The combined property tax rate is 35.0662 cents per \$100 valuation, compared with a rate of 35.5039 in fiscal year 2023, a 1.2% decrease. Property tax revenue for General Fund is expected to increase by \$5.3 million or 8.08%, based on increased property value and new property. Sales tax revenue, another major revenue source, is budgeted at \$65.0 million, an increase of \$8.0 million or 14.0% compared to the adopted budget of FY2023.

The City of Midland has been on a growth trajectory over the last two years and continues to show positive trends across various economic metrics. Sales taxes for 2023 came in 20% higher than expected. The unemployment rate has decreased from 3.1% in September 2022 to 2.5% as of September 2023. Activity at the airport is at an all-time high, as well as hotel/motel tax revenue. The stability in the oil prices has resulted in a consistent growth and stability for the local businesses, as well as the City's revenue streams.

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

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City of Midland, Texas
Statement of Net Position
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Midland Development Corporation
ASSETS				
Cash and cash equivalents	\$ 121,014,913	\$ 39,002,659	\$ 160,017,572	\$ 20,649,469
Investments	156,517,260	115,641,473	272,158,733	7,758,523
Receivables (net of allowance where applicable)				
Property taxes	927,015	-	927,015	-
Sales taxes	11,612,082	-	11,612,082	2,903,020
Accounts	9,642,877	13,940,339	23,583,216	-
Interest	1,258,496	830,635	2,089,131	81,110
Assessments	110	-	110	-
Intergovernmental	687,365	2,605,515	3,292,880	-
Leases	548,372	6,242,352	6,790,724	4,174,713
Prepaid items and other assets	770,714	49,192	819,906	133,644
Inventories	1,068,757	-	1,068,757	-
Internal balances	(21,532,029)	21,532,029	-	-
Notes receivable	-	491,157	491,157	2,990,689
Restricted assets				
Cash and cash equivalents	81,228,956	36,230,894	117,459,850	-
Investments	15,509,552	13,636,994	29,146,546	-
Accounts receivable	-	428,504	428,504	-
Capital and lease assets				
Nondepreciable	64,192,386	82,650,134	146,842,520	14,319,125
Depreciable, net of accumulated depreciation/amortization	371,976,047	606,846,448	978,822,495	12,474,424
Total assets	815,422,873	940,128,325	1,755,551,198	65,484,717
DEFERRED OUTFLOWS OF RESOURCES				
Pension items	96,710,641	6,445,734	103,156,375	-
OPEB items	4,512,116	825,608	5,337,724	-
Loss on refunding	-	10,060,744	10,060,744	-
Total deferred outflows of resources	101,222,757	17,332,086	118,554,843	-
LIABILITIES				
Accounts payable	10,536,414	10,391,031	20,927,445	191,556
Accrued payroll	3,757,224	807,031	4,564,255	-
Accrued interest payable	635,179	1,054,516	1,689,695	-
Retainage payable	1,285,676	1,518,781	2,804,457	130,200
Customer deposits	-	4,659,866	4,659,866	-
Unearned revenue	14,000,167	277,395	14,277,562	-
Other accrued liabilities	2,203,142	7,502,637	9,705,779	-
Long-term liabilities				
Due within one year				
Bonds payable	7,360,000	4,160,000	11,520,000	-
Lease obligations payable	303,466	79,642	383,108	68,670
Lease obligations payable - primary government	-	-	-	17,553
Subscription liability	45,877	-	45,877	-
Compensated absences	3,944,053	487,187	4,431,240	23,185
Estimated unpaid claims	2,907,492	-	2,907,492	-
Total OPEB liability	215,937	38,555	254,492	-
Due in more than one year				
Bonds payable	181,333,572	346,972,497	528,306,069	-
Note payable to component unit	-	2,984,109	2,984,109	-
Lease obligations payable	540,751	149,475	690,226	143,649
Lease obligations payable - primary government	-	-	-	506,265
Subscription liability	77,366	-	77,366	-
Compensated absences	1,690,309	208,796	1,899,105	10,416
Estimated unpaid claims	3,230,479	-	3,230,479	-
Landfill closure/postclosure care	-	22,278,782	22,278,782	-
Total OPEB liability	15,467,049	2,894,487	18,361,536	-
Net pension liability	272,998,591	12,575,135	285,573,726	-
Total liabilities	522,532,744	419,039,922	941,572,666	1,091,494
DEFERRED INFLOWS OF RESOURCES				
Pension items	71,340,198	-	71,340,198	-
OPEB items	11,121,507	2,044,752	13,166,259	-
Lease related	531,616	6,266,369	6,797,985	4,130,951
Total deferred inflows of resources	82,993,321	8,311,121	91,304,442	4,130,951
NET POSITION				
Net investment in capital assets	315,961,224	371,112,093	687,073,317	25,861,876
Restricted for				
Debt service	1,044,484	-	1,044,484	-
Public safety	1,058,491	-	1,058,491	-
Court	726,599	-	726,599	-
Buildings and renovations	1,138,798	-	1,138,798	-
Parks and recreation	38,485,939	-	38,485,939	-
Passenger facility improvements	-	15,204,568	15,204,568	-
Customer facility improvements	-	1,738,581	1,738,581	-
Hotel/motel	15,441,712	-	15,441,712	-
Economic development	-	-	-	34,400,396
Other purposes	7,061,812	2,300,612	9,362,424	-
Unrestricted (deficit)	(69,799,494)	139,753,514	69,954,020	-
Total net position	\$ 311,119,565	\$ 530,109,368	\$ 841,228,933	\$ 60,262,272

City of Midland, Texas
Statement of Activities
Year Ended September 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 21,991,291	\$ 1,157,686	\$ -	\$ 10,000
Other	6,704,435	79,088	-	5,369,812
Development services	4,108,029	140,617	-	59,228
Engineering	25,475,424	2,109,484	-	-
Community services	15,734,720	1,207,256	691,897	-
Police	37,126,195	2,765,467	503,025	228,634
Fire	74,821,550	4,271,680	120,938	21,485
Golf	3,086,870	3,753,640	-	-
Sports complex	2,877,754	1,481,961	-	-
Housing programs	1,525,055	-	1,401,519	-
Economic development	4,024,382	-	-	2,510
Interest and fiscal charges on long-term debt	4,833,302	-	-	-
Total governmental activities	202,309,007	16,966,879	2,717,379	5,691,669
Business-Type Activities				
Airport	20,919,858	15,787,221	10,572,246	1,518,345
Water and sewer	86,318,024	84,607,456	-	6,459,386
Sanitation	23,103,022	25,327,858	-	-
Drainage	618,553	2,246,244	-	-
Total business-type activities	130,959,457	127,968,779	10,572,246	7,977,731
TOTAL PRIMARY GOVERNMENT	\$ 333,268,464	\$ 144,935,658	\$ 13,289,625	\$ 13,669,400
COMPONENT UNIT				
Midland Development Corporation	\$ 13,224,355	\$ 976,744	\$ -	\$ -
TOTAL COMPONENT UNIT	\$ 13,224,355	\$ 976,744	\$ -	\$ -

General Revenues
Taxes
Property
Sales
Franchise and other taxes
Hotel-motel
Grants not restricted to specific programs
Investment income
Oil and gas royalties
Gain on sale of capital assets
Miscellaneous
Transfers in (out)

Total

CHANGE IN NET POSITION

NET POSITION, OCTOBER 1

NET POSITION, SEPTEMBER 30

City of Midland, Texas
Statement of Activities (continued)
Year Ended September 30, 2023

Net (Expense) Revenue and Change in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Midland Development Corporation
\$ (20,823,605)	\$ -	\$ (20,823,605)	\$ -
(1,255,535)	-	(1,255,535)	-
(3,908,184)	-	(3,908,184)	-
(23,365,940)	-	(23,365,940)	-
(13,835,567)	-	(13,835,567)	-
(33,629,069)	-	(33,629,069)	-
(70,407,447)	-	(70,407,447)	-
666,770	-	666,770	-
(1,395,793)	-	(1,395,793)	-
(123,536)	-	(123,536)	-
(4,021,872)	-	(4,021,872)	-
(4,833,302)	-	(4,833,302)	-
(176,933,080)	-	(176,933,080)	-
-	6,957,954	6,957,954	-
-	4,748,818	4,748,818	-
-	2,224,836	2,224,836	-
-	1,627,691	1,627,691	-
-	15,559,299	15,559,299	-
(176,933,080)	15,559,299	(161,373,781)	-
-	-	-	(12,247,611)
-	-	-	(12,247,611)
67,617,647	-	67,617,647	-
68,857,224	-	68,857,224	17,214,306
18,790,678	-	18,790,678	-
7,275,924	-	7,275,924	-
4,083,522	-	4,083,522	-
12,803,850	6,436,758	19,240,608	907,536
15,699,482	2,113,738	17,813,220	-
625	33,001	33,626	-
2,943,113	16,616,630	19,559,743	434,284
6,500,769	(6,500,769)	-	-
204,572,834	18,699,358	223,272,192	18,556,126
27,639,754	34,258,657	61,898,411	6,308,515
283,479,811	495,850,711	779,330,522	53,953,757
\$ 311,119,565	\$ 530,109,368	\$ 841,228,933	\$ 60,262,272

City of Midland, Texas
Balance Sheet – Governmental Funds
September 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Park Donation and Special Purposes</u>	<u>Total Nonmajor</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 52,866,462	\$ 935,271	\$ 38,468,762	\$ 81,439,279	\$ 173,709,774
Investments	103,382,441	-	16,979,105	15,039,730	135,401,276
Receivables (net, where applicable, of allowances for uncollectibles)					
Property taxes	824,636	102,379	-	-	927,015
Sales taxes	11,612,082	-	-	-	11,612,082
Assessments	110	-	-	-	110
Accounts	6,192,316	6,972	1,199,880	2,033,643	9,432,811
Interest	774,641	-	120,053	104,837	999,531
Intergovernmental	322,527	-	-	364,838	687,365
Leases	548,372	-	-	-	548,372
Prepaid items and other assets	573,917	-	-	76,930	650,847
Due from other funds	577,140	-	-	-	577,140
Inventories	259,274	-	-	-	259,274
TOTAL ASSETS	\$ 177,933,918	\$ 1,044,622	\$ 56,767,800	\$ 99,059,257	\$ 334,805,597
LIABILITIES					
Accounts payable	\$ 6,415,891	\$ 138	\$ 102,278	\$ 1,105,722	\$ 7,624,029
Accrued payroll	3,621,611	-	-	-	3,621,611
Retainage payable	810,706	-	-	454,955	1,265,661
Due to other funds	-	-	-	208,866	208,866
Unearned revenue	14,000,167	-	-	-	14,000,167
Other liabilities	2,197,575	-	-	3	2,197,578
Total liabilities	27,045,950	138	102,278	1,769,546	28,917,912
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,910,770	82,236	-	-	1,993,006
Lease related	531,616	-	-	-	531,616
Total deferred inflows of resources	2,442,386	82,236	-	-	2,524,622
FUND BALANCES (DEFICIT)					
Nonspendable					
Prepayments and inventories	833,191	-	-	76,930	910,121
Restricted					
Debt service	-	962,248	-	-	962,248
Public safety	19,459	-	-	1,039,032	1,058,491
Court	299,538	-	-	427,061	726,599
Buildings and renovations	-	-	-	1,187,641	1,187,641
Streets and drainage	-	-	-	52,671,535	52,671,535
Parks and recreation	-	-	38,485,939	17,580,966	56,066,905
Hotel/motel	-	-	-	15,441,712	15,441,712
Other purposes	-	-	-	7,061,812	7,061,812
Unrestricted					
Committed					
Buildings and renovations	7,226,539	-	-	1,810,745	9,037,284
Streets and drainage	20,174,479	-	-	4,160	20,178,639
Parks and recreation	4,036,448	-	18,179,583	-	22,216,031
Public safety	232,071	-	-	-	232,071
Technology	16,544,642	-	-	-	16,544,642
Emergency response	2,169,311	-	-	-	2,169,311
Assigned					
Sports complex	12,392,569	-	-	-	12,392,569
Unassigned	84,517,335	-	-	(11,883)	84,505,452
Total fund balances (deficit)	148,445,582	962,248	56,665,522	97,289,711	303,363,063
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	\$ 177,933,918	\$ 1,044,622	\$ 56,767,800	\$ 99,059,257	\$ 334,805,597

City of Midland, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds		\$ 303,363,063
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		402,114,973
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.		1,993,006
Long-term liabilities and related deferred outflows and inflows of resources (deferred outflows of resources – pension, deferred outflows of resources – OPEB, deferred inflows of resources – pension, and deferred inflows of resources – OPEB), including bonds payable, compensated absences, net pension liability and total OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements. Long-term liabilities consist of:		
Compensated absences payable	\$ (5,522,777)	
Bonds payable	(173,279,999)	
Premium on bonds	(15,413,573)	
Leases	(844,217)	
Total other postemployment benefit (OPEB) liability	(15,157,074)	
Net pension liability	(270,656,764)	
Deferred outflows of resources – pension	95,542,936	
Deferred outflows of resources – OPEB	4,364,246	
Deferred inflows of resources – pension	(71,340,198)	
Deferred inflows of resources – OPEB	<u>(10,755,189)</u>	
		(463,062,609)
Accrued interest on long-term liabilities is reported as a liability on the statement of net position.		(631,078)
A portion of the net position of the internal service funds are included in the governmental activities in the statement of net position:		
Cash	28,534,095	
Investments	36,625,536	
Receivables	469,031	
Capital assets net of depreciation	34,053,460	
Internal balances	(21,532,029)	
Other assets	929,350	
Deferred outflows related to pensions	1,167,705	
Deferred outflows related to OPEB	147,870	
Current liabilities	(6,484,326)	
Noncurrent liabilities	(6,202,164)	
Deferred inflows related to OPEB	<u>(366,318)</u>	
		<u>67,342,210</u>
Total net position - governmental activities		\$ <u>311,119,565</u>

City of Midland, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended September 30, 2023

	General	Debt Service	Park Donation and Special Purposes	Total Nonmajor	Total Governmental Funds
REVENUES					
Taxes	\$ 145,759,447	\$ 9,456,370	\$ -	\$ 7,275,924	\$ 162,491,741
Licenses and permits	2,648,692	-	-	79,088	2,727,780
Fines and forfeitures	2,390,237	-	-	96,343	2,486,580
Charges for services	10,195,510	-	-	592,477	10,787,987
Rentals	163,677	-	-	437,943	601,620
Program income	-	-	-	14,055	14,055
Intergovernmental	5,161,075	-	-	1,763,362	6,924,437
Investment earnings (loss)	6,662,830	29,109	979,805	3,269,042	10,940,786
Oil and gas royalties	-	-	15,699,482	-	15,699,482
Contributions and donations	10,277	-	59,228	252,629	322,134
Miscellaneous	1,089,523	-	-	1,975,811	3,065,334
Total revenues	174,081,268	9,485,479	16,738,515	15,756,674	216,061,936
EXPENDITURES					
Current					
General government	15,165,032	-	-	10,763	15,175,795
Development services	4,459,121	-	-	-	4,459,121
Engineering	13,853,455	-	-	-	13,853,455
Community services	15,060,816	-	-	-	15,060,816
Police	35,747,954	-	-	414,231	36,162,185
Fire	40,236,862	-	-	46,543	40,283,405
Housing programs	-	-	-	1,525,055	1,525,055
Economic development	-	-	45,451	3,978,931	4,024,382
Golf	3,074,802	-	-	-	3,074,802
Sports Complex	2,873,633	-	-	-	2,873,633
Other	6,105,871	-	493,752	324,472	6,924,095
Debt Service					
Principal	322,081	6,780,000	-	-	7,102,081
Interest and fiscal changes	25,658	5,977,479	-	-	6,003,137
Issuance costs	-	291,431	-	-	291,431
Capital outlay	20,701,007	-	120,420	10,936,766	31,758,193
Total expenditures	157,626,292	13,048,910	659,623	17,236,761	188,571,586
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,454,976	(3,563,431)	16,078,892	(1,480,087)	27,490,350
OTHER FINANCING SOURCES (USES)					
Transfers in	7,904,854	3,523,367	18,179,583	588,136	30,195,940
Transfers out	(22,346,813)	-	-	(2,225,341)	(24,572,154)
Bonds issued	-	302,120	-	23,627,880	23,930,000
Leases issued	710,133	-	-	-	710,133
Premium on bonds	-	-	-	1,372,120	1,372,120
Proceeds from sale of capital assets	625	-	-	-	625
Total other financing sources (uses)	(13,731,201)	3,825,487	18,179,583	23,362,795	31,636,664
NET CHANGE IN FUND BALANCES	2,723,775	262,056	34,258,475	21,882,708	59,127,014
FUND BALANCES, OCTOBER 1	145,721,807	700,192	22,407,047	75,407,003	244,236,049
FUND BALANCES, SEPTEMBER 30	\$ 148,445,582	\$ 962,248	\$ 56,665,522	\$ 97,289,711	\$ 303,363,063

City of Midland, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Governmental Funds		\$ 59,127,014
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital expenditures (\$31,758,193) exceeded depreciation/amortization expense (\$20,336,044) in the current period.		11,422,149
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) and sports and golf fund close outs is to increase net position.		5,342,259
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		180,108
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Leases issued	\$ (710,133)	
Bond issued including premium	(23,930,000)	
Principal amount of debt paid to bondholders and lessors	7,102,081	
Amortization of bond premium	<u>1,582,482</u>	
		(17,327,690)
Current year change in accrued interest payable does/(does not) require the use of current financial resources; but they (are)/are not reported as expenses in governmental activities.		(121,216)
Current year changes in long-term liabilities for compensated absences does/(does not) require the use of current financial resources; but they (are)/are not reported as expenses in governmental activities.		(123,204)
Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension liability, total OPEB liability, and related deferred outflows/inflows of resources balances.		(39,811,794)
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.		<u>8,952,128</u>
Change in the Net Position of Governmental Activities		<u>\$ 27,639,754</u>

City of Midland, Texas

Statement of Net Position — Proprietary Funds

September 30, 2023

	Business-Type Activities					Governmental
					Total	Internal
	Airport	Water and Sewer	Sanitation	Nonmajor Drainage	Enterprise Funds	Service Funds
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,374,107	\$ 34,887,279	\$ 6,669,663	\$ 731,476	\$ 43,662,525	\$ 28,534,095
Investments	35,220,171	48,457,199	24,264,059	3,040,178	110,981,607	36,625,536
Accounts receivable (net of allowance for uncollectibles)	599,514	10,963,242	2,169,876	207,707	13,940,339	210,066
Interest receivable	249,028	388,549	171,562	21,496	830,635	258,965
Intergovernmental receivable	2,605,515	-	-	-	2,605,515	-
Lease receivable	5,903,067	339,285	-	-	6,242,352	-
Inventories	-	-	-	-	-	809,483
Prepaid items and other assets	28,600	425	20,167	-	49,192	119,867
Restricted assets						
Cash and cash equivalents	9,308,994	26,921,900	-	-	36,230,894	-
Investments	7,141,549	6,495,445	-	-	13,636,994	-
Accounts receivable	428,504	-	-	-	428,504	-
Total current assets	62,859,049	128,453,324	33,295,327	4,000,857	228,608,557	66,558,012
NONCURRENT ASSETS						
Capital, lease, and subscription assets						
Land	9,573,455	13,110,737	221,717	456,971	23,362,880	44,343
Buildings	51,657,939	2,161,308	8,874,446	-	62,693,693	1,233,016
Improvements other than buildings	22,643,294	34,633,176	23,296,400	350,843	80,923,713	1,875,397
Infrastructure	110,227,049	690,955,999	-	2,810,306	803,993,354	-
Machinery and equipment	14,569,608	4,978,514	1,389,663	-	20,937,785	82,205,955
Intangible and other	1,867,836	4,222,627	98,002	-	6,188,465	299,013
Subscription assets	-	-	-	-	-	1,302,418
Construction in progress	19,056,197	30,272,566	8,388,936	1,569,555	59,287,254	4,254,868
Lease assets	9,712	361,164	12,769	-	383,645	-
Less: accumulated depreciation/amortization	(127,760,161)	(221,117,470)	(19,328,284)	(68,292)	(368,274,207)	(57,161,550)
Net capital, lease, and subscription assets	101,844,929	559,578,621	22,953,649	5,119,383	689,496,582	34,053,460
Notes receivable	-	491,157	-	-	491,157	-
Total noncurrent assets	101,844,929	560,069,778	22,953,649	5,119,383	689,987,739	34,053,460
Total assets	164,703,978	688,523,102	56,248,976	9,120,240	918,596,296	100,611,472
DEFERRED OUTFLOWS OF RESOURCES						
Pension items	1,211,078	3,149,468	2,085,188	-	6,445,734	1,167,705
OPEB items	142,481	405,251	277,876	-	825,608	147,870
Loss on refunding	-	10,060,744	-	-	10,060,744	-
Total deferred outflows of resources	1,353,559	13,615,463	2,363,064	-	17,332,086	1,315,575
CURRENT LIABILITIES						
Accounts payable	1,011,725	8,501,123	165,648	261,968	9,940,464	2,912,385
Accrued payroll	260,332	277,209	261,081	8,409	807,031	135,613
Accrued interest	-	-	-	-	-	4,101
Retainage payable	274,404	906,834	281,020	56,523	1,518,781	20,015
Customer deposits	-	4,659,866	-	-	4,659,866	-
Bonds payable from unrestricted assets	-	4,160,000	-	-	4,160,000	-
Lease liability	2,855	73,292	3,495	-	79,642	-
Subscription liability	-	-	-	-	-	45,877
Compensated absences	152,181	167,259	167,747	-	487,187	78,109
Total OPEB liability	6,591	18,934	13,030	-	38,555	6,896
Estimated unpaid claims	-	-	-	-	-	2,907,492
Unearned revenue	-	-	277,395	-	277,395	-
Due to other funds	-	-	-	-	-	368,274
Other liabilities	94,468	7,405,172	1,455	1,542	7,502,637	5,564
Current liabilities payable from restricted assets						
Accounts payable	33,719	416,848	-	-	450,567	-
Accrued interest payable	3	1,054,510	3	-	1,054,516	-
Total current liabilities	1,836,278	27,641,047	1,170,874	328,442	30,976,641	6,484,326
NONCURRENT LIABILITIES						
Estimated unpaid claims	-	-	-	-	-	3,230,479
Bonds payable	-	346,972,497	-	-	346,972,497	-
Note payable to component unit	-	2,984,109	-	-	2,984,109	-
Subscription liability	-	-	-	-	-	77,366
Net pension liability	2,439,479	6,133,570	4,002,086	-	12,575,135	2,341,827
Compensated absences	65,222	71,683	71,891	-	208,796	33,476
Total OPEB liability	503,737	1,420,147	970,603	-	2,894,487	519,016
Lease liability	1,195	145,937	2,343	-	149,475	-
Landfill closure/postclosure care	-	-	22,278,782	-	22,278,782	-
Total noncurrent liabilities	3,009,633	357,727,943	27,325,705	-	388,063,281	6,202,164
Total liabilities	4,845,911	385,368,990	28,496,579	328,442	419,039,922	12,686,490
DEFERRED INFLOWS OF RESOURCES						
Pension items	-	-	-	-	-	-
OPEB items	353,515	1,003,576	687,661	-	2,044,752	366,318
Lease related	5,929,333	337,036	-	-	6,266,369	-
Total deferred inflows of resources	6,282,848	1,340,612	687,661	-	8,311,121	366,318
NET POSITION						
Net investment in capital assets	100,774,940	239,688,751	22,666,791	4,997,502	368,127,984	33,910,202
Restricted for passenger facility improvements	15,204,568	-	-	-	15,204,568	-
Restricted for customer facility improvements	1,738,581	-	-	-	1,738,581	-
Restricted for impact fees	-	2,300,612	-	-	2,300,612	-
Unrestricted	37,210,689	73,439,600	6,761,009	3,794,296	121,205,594	54,964,037
TOTAL NET POSITION	\$ 154,928,778	\$ 315,428,963	\$ 29,427,800	\$ 8,791,798	\$ 508,577,339	\$ 88,874,239

Reconciliation to government-wide statement of net position:

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds

21,532,029

NET POSITION OF BUSINESS-TYPE ACTIVITIES

\$ 530,109,368

See Notes to Financial Statements

City of Midland, Texas
Statement of Revenues, Expenses, and Changes in Net Position — Proprietary
Funds
Year Ended September 30, 2023

	Business-Type Activities				Total Enterprise Funds	Governmental Activities
	Airport	Water and Sewer	Sanitation	Nonmajor Drainage		Internal Service Funds
OPERATING REVENUES						
International airport parking revenues	\$ 7,217,610	\$ -	\$ -	\$ -	\$ 7,217,610	\$ -
Airport building and ground area rentals	5,188,872	-	-	-	5,188,872	-
Landing fees	660,594	-	-	-	660,594	-
Water sales	-	64,956,020	-	-	64,956,020	-
Sewer charges	-	17,207,426	-	-	17,207,426	-
Tap installations and service charges	-	404,511	-	2,246,244	2,650,755	-
Impact Fees	-	1,471,253	-	-	1,471,253	-
Garbage collection fees	-	-	25,327,858	-	25,327,858	-
Billings to other funds	-	-	-	-	-	46,349,355
Employee payments	-	-	-	-	-	2,300,957
Miscellaneous	106,687	34,961	-	-	141,648	-
Total operating revenues	13,173,763	84,074,171	25,327,858	2,246,244	124,822,036	48,650,312
OPERATING EXPENSES						
Cost of goods sold	-	-	-	-	-	2,063,840
Salaries and fringe benefits	7,242,455	8,315,012	7,438,530	234,336	23,230,333	3,897,880
Contractual services	6,722,639	33,548,789	10,893,459	333,291	51,498,178	9,197,826
Maintenance of structure	229,680	2,599,795	20,753	767	2,850,995	22,080
Maintenance of equipment	57,540	2,362,918	18,400	-	2,438,858	3,975,742
Payment of claims	-	-	-	-	-	10,464,457
Franchise fees	-	6,485,599	1,832,471	177,971	8,496,041	-
Closure and postclosure care	-	-	2,771,596	-	2,771,596	-
Supplies	171,240	4,101,673	912,988	96	5,185,997	4,697,682
Other expenses	355,836	169,712	100,558	-	626,106	2,251
Depreciation and amortization	6,526,537	15,619,369	1,021,938	26,995	23,194,839	5,339,283
Total operating expenses	21,305,927	73,202,867	25,010,693	773,456	120,292,943	39,661,041
OPERATING INCOME (LOSS)	(8,132,164)	10,871,304	317,165	1,472,788	4,529,093	8,989,271
NON-OPERATING REVENUES (EXPENSES)						
Investment income (loss)	1,929,116	3,338,450	1,030,424	138,768	6,436,758	1,863,064
Interest expense	(34)	(13,734,640)	(47)	-	(13,734,721)	(5,273)
Rentals	-	115,876	-	-	115,876	-
Right of way or airway sales	-	533,285	-	-	533,285	-
Intergovernmental	10,572,246	-	-	-	10,572,246	-
Oil and gas royalties	1,863,469	250,269	-	-	2,113,738	-
Gain/(loss) on sale of capital assets	-	-	33,001	-	33,001	184,215
Passenger facility charge revenues	2,613,458	-	-	-	2,613,458	-
Other, net	2,039,544	14,368,710	18,251	74,249	16,500,754	112,075
Total non-operating revenues (expenses)	19,017,799	4,871,950	1,081,629	213,017	25,184,395	2,154,081
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	10,885,635	15,743,254	1,398,794	1,685,805	29,713,488	11,143,352
TRANSFERS						
Transfers in	-	-	1,000,000	-	1,000,000	936,983
Transfers out	(7,473,459)	(27,310)	-	-	(7,500,769)	(60,000)
Total transfers	(7,473,459)	(27,310)	1,000,000	-	(6,500,769)	876,983
CONTRIBUTION OF CAPITAL ASSETS TO GOVERNMENTAL ACTIVITIES	-	-	-	-	-	-
CAPITAL CONTRIBUTIONS	1,518,345	6,459,386	-	-	7,977,731	-
CHANGE IN NET POSITION	4,930,521	22,175,330	2,398,794	1,685,805	31,190,450	12,020,335
NET POSITION, OCTOBER 1	149,998,257	293,253,633	27,029,006	7,105,993	477,386,889	76,853,904
NET POSITION, SEPTEMBER 30	\$ 154,928,778	\$ 315,428,963	\$ 29,427,800	\$ 8,791,798	\$ 508,577,339	\$ 88,874,239
Reconciliation to government- wide statement of net position:						
Change in net position enterprise funds					\$ 31,190,450	
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					3,068,207	
CHANGE IN NET POSITION OF BUSINESS TYPE ACTIVITIES					\$ 34,258,657	

City of Midland, Texas
Statement of Cash Flows — Proprietary Funds
Year Ended September 30, 2023

	Business-Type Activities				Total	Governmental
	Airport	Water and Sewer	Sanitation	Nonmajor Drainage	Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 13,379,599	\$ 89,144,956	\$ 25,981,092	\$ 2,378,268	\$ 130,883,915	\$ -
Receipts from interfund service transactions	-	-	-	-	-	46,349,355
Receipts from miscellaneous revenues	3,903,013	15,268,140	18,251	74,249	19,263,653	15,940
Receipts from employees and retirees	-	-	-	-	-	2,427,432
Payments to suppliers and service providers	(6,326,192)	(38,829,379)	(11,190,443)	(152,430)	(56,498,444)	(27,273,396)
Payments to employees for salaries and benefits	(6,943,555)	(7,572,855)	(6,921,802)	(233,692)	(21,671,904)	(3,609,270)
Payments for interfund service transactions	(1,024,229)	(8,199,491)	(2,621,301)	(209,414)	(12,054,435)	(691,865)
Net cash from operating activities	2,988,636	49,811,371	5,265,797	1,856,981	59,922,785	17,218,196
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	1,000,000	-	1,000,000	936,983
Transfers out	(7,473,459)	(27,310)	-	-	(7,500,769)	(60,000)
Operating grants	10,051,470	-	-	-	10,051,470	-
Net cash used in noncapital financing activities	2,578,011	(27,310)	1,000,000	-	3,550,701	876,983
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants and contributions	1,518,345	-	-	-	1,518,345	-
Acquisition and construction of capital assets	(14,802,970)	(17,334,327)	(6,107,901)	(1,982,482)	(40,227,680)	(4,771,575)
Proceeds from capital debt	-	2,984,109	-	-	2,984,109	-
Principal paid on capital debt, notes payable, and leases	(2,837)	(3,975,000)	(3,473)	-	(3,981,310)	(1,179,175)
Interest and fees paid on capital debt, notes payable, and leases	(35)	(14,878,103)	(49)	-	(14,878,187)	(1,172)
Proceeds from the sale of capital assets	-	-	33,001	-	33,001	227,141
Passenger facility charge revenue	2,437,587	-	-	-	2,437,587	-
Net cash used in capital and related financing activities	(10,849,910)	(33,203,321)	(6,078,422)	(1,982,482)	(52,114,135)	(5,724,781)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(6,586,384)	(7,980,290)	(3,300,996)	(404,104)	(18,271,774)	(4,741,610)
Interest on investments	1,818,905	3,145,289	946,074	128,239	6,038,507	1,736,758
Net cash used in investing activities	(4,767,479)	(4,835,001)	(2,354,922)	(275,865)	(12,233,267)	(3,004,852)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,050,742)	11,745,739	(2,167,547)	(401,366)	(873,916)	9,365,546
CASH AND CASH EQUIVALENTS, OCTOBER 1	20,733,843	50,063,440	8,837,210	1,132,842	80,767,335	19,168,549
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$ 10,683,101	\$ 61,809,179	\$ 6,669,663	\$ 731,476	\$ 79,893,419	\$ 28,534,095
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ (8,132,164)	\$ 10,871,304	\$ 317,165	\$ 1,472,788	4,529,093	\$ 8,989,271
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities						
Depreciation and amortization	6,526,537	15,619,369	1,021,938	26,995	23,194,839	5,339,283
Other income	3,903,013	15,268,140	18,251	74,249	19,263,653	112,075
(Increase) decrease in						
Receivables	2,212,520	4,624,508	607,904	132,024	7,576,956	80,138
Inventories	-	-	-	-	-	(123,676)
Prepaid items and other assets	28,600	42,692	-	-	71,292	2,301
Pension deferred outflow of resources	20,387	53,017	35,102	-	108,506	19,658
OPEB deferred outflow of resources	13,922	37,332	25,027	-	76,281	13,758
Increase (decrease) in						
Accounts payable and accrued liabilities	157,914	2,196,924	(30,271)	150,281	2,474,848	1,470,405
Accrued payroll	3,224	16,923	21,107	644	41,898	20,075
Customer deposits	-	307,244	-	-	307,244	-
Estimated unpaid claims	-	-	-	-	-	1,059,789
Unearned revenue	-	-	42,486	-	42,486	-
Pension deferred inflow of resources	(1,607,058)	(4,179,235)	(2,766,972)	-	(8,553,265)	(1,549,506)
OPEB deferred inflow of resources	142,021	398,801	272,160	-	812,982	145,857
Lease deferred inflow of resources	(2,006,684)	139,033	-	-	(1,867,651)	-
Compensated absences	22,673	8,105	18,852	-	49,630	3,145
Net pension liability	1,835,080	4,772,219	3,159,572	-	9,766,871	1,769,361
Total other postemployment benefit liability	(131,349)	(365,005)	(248,120)	-	(744,474)	(133,738)
Closure/postclosure cost liabilities	-	-	2,771,596	-	2,771,596	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES	\$ 2,988,636	\$ 49,811,371	\$ 5,265,797	\$ 1,856,981	\$ 59,922,785	\$ 17,218,196
NONCASH TRANSACTIONS						
Purchase of capital assets with accounts payable	\$ 1,065,939	\$ 1,335,629	\$ 281,020	\$ -	\$ 2,682,588	\$ 20,015
Contributions of capital assets	-	6,459,386	-	-	6,459,386	-

City of Midland, Texas
Statement of Fiduciary Net Position – Fiduciary Fund
December 31, 2022

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 13,657,931
Receivables	
Accrued interest and declared dividends	73,944
Investments, at fair market value	
Domestic equities	13,839,877
Foreign bonds	130,236
Corporate bonds	9,378,271
Mutual funds	1,595,463
Real estate	11,437,392
Hedge funds and venture capital	18,378,531
International equities	13,912,022
Total assets	82,403,667
LIABILITIES	
Accounts payable	96,229
DROP payable	1,019,468
QDRO payable	308,532
Total liabilities	1,424,229
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 80,979,438

City of Midland, Texas
Statement of Changes in Fiduciary Net Position – Fiduciary Fund
Year Ended December 31, 2022

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer contributions	\$ 5,201,025
Member contributions	<u>3,326,782</u>
Total contributions	8,527,807
Investment income (loss)	
Net depreciation in fair value of investments	(11,248,985)
Interest	54,568
Dividends	903,936
Partnership	662,239
Rental income	72,022
Investment expenses	<u>(500,264)</u>
Net investment income (loss)	(10,056,484)
Other cash receipts	<u>389</u>
Total additions	(1,528,288)
DEDUCTIONS	
Benefits paid including refunds of plan member contributions	10,875,344
Wages expense, benefits, and taxes	165,496
Administrative expenses	<u>223,281</u>
Total deductions	<u>11,264,121</u>
Changes in pension plan net position	(12,792,409)
NET POSITION RESTRICTED FOR PENSION BENEFITS, BEGINNING	<u>93,771,847</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS, ENDING	<u><u>\$ 80,979,438</u></u>

Notes to Financial Statements

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City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 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.

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 Nos. 14, 39, 61, 80, and 84, establish 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.

The Midland Development Corporation (MDC) and the Midland Firemen's Relief and Retirement Fund (MFRRF) are the only component units of the City. MDC is discretely presented and MFRRF is a fiduciary component unit.

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.

City of Midland, Texas

Notes to Financial Statements

September 30, 2023

MFRRF is established under the authority of the Texas Local Firefighters' Retirement Act passed in 1937 by the Texas State Legislature. The City's firefighters participate in MFRRF. MFRRF is governed by seven trustees composed of the Mayor or his designee, the Director of Finance of the City, or his designee, three firefighters elected by majority vote of firefighters, and two citizens who are not officers or employees of the City and who must be elected by the majority vote of the board of trustees. MFRRF is reported as a fiduciary component unit in the accompanying financial statements as a pension trust fund, under the provisions of GASB 84 and GASB 14, as amended. The financial information included in these statements is as of MFRRF's year end, December 31, 2022.

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

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 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. 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.

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 nonfiduciary activities of the City and its component unit. All fiduciary activities are reported only in the fund financial statements.

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, 80 and 84. 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.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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, 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 are reported with governmental activities at the entity-wide level.

Separate fund level financial statements are presented for governmental funds, proprietary funds, and fiduciary 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 governmental or enterprise fund meeting certain specific asset, liability, revenue, or expenditure/expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined. GASB Statement No. 65 states that assets should be combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources for purposes of determining which elements meet the criteria for major fund determination in accordance with GASB Statement No. 34. Additionally, any fund deemed particularly important by the City may be reported as a major fund.

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers grant revenues to be available if they are collected within 1 year of the end of the current fiscal period and all other revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources. Property taxes, sales taxes, franchise taxes, occupancy taxes, ambulance fees, assessments and federal and state grant proceeds, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 1 year of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, and Drainage are charges of this type. Operating expenses include the costs of administration, sales, services, and depreciation.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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, garage, technology, and self-insurance services for medical/dental and general liability.

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

The following funds are used by the City:

Governmental Funds - Major Funds

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.

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.

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.

Governmental Funds - Nonmajor Funds

Other Governmental Funds - This is a summarization of all of the nonmajor governmental funds. Included are the following funds:

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.

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.

Enterprise Funds – Major Funds

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.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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.

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.

Enterprise Funds – Nonmajor Funds

The drainage fund is the only nonmajor enterprise fund.

Other Fund Types

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

Pension Trust fund – accounts for the activities of the Midland Firemen’s Relief and Retirement Fund, which accumulates resources held in trust for pension benefit payments to qualified beneficiaries.

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and debt service fund. The capital projects funds are appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year’s budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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, Texas Class, 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.

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.

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.

Capital, Lease, and Subscription Assets

Capital, lease, and subscription assets include the purchase, other acquisition, or construction, of equipment, facilities, or other similar assets at a cost in excess of \$5,000 (\$15,000 for lease and subscription assets) and for which a useful life of over one year is expected. These assets include property, plant, equipment, infrastructure, lease, and all other tangible and intangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost or estimated historical cost. Infrastructure assets, which include streets and associated drainage, sidewalks, bridges, drainage systems, water and sewer systems, runways and taxiways, lighting systems, and other similar type assets, have been recorded at historical cost for all assets acquired after April 1986. Infrastructure assets acquired prior to April 1986 and after June 1980 were capitalized based upon estimated historical cost obtained from bond documents used to obtain financing for construction of infrastructure assets. Donated capital assets are recorded at acquisition value at the date of donation. Intangible assets are reported in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital, lease, and subscription assets are depreciated/amortized using the straight-line method over the following estimated useful lives, or the lease/subscription term, whichever is shorter:

Assets

Buildings	10 to 40 years
Infrastructure	20 to 50 years
Improvements other than buildings	2 to 50 years
Machinery and equipment	4 to 30 years
Intangible and other	3 to 15 years

Lease Receivable

The City is a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease Liability

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The City recognizes lease liability with an initial, individual value of \$15,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Subscription Liability

The City recognizes a subscription liability and an intangible right-to-use IT asset (subscription asset) in the financial statements. The City recognizes subscription liability with an initial, individual value of \$15,000 or more. Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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 using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. This liability has been accrued in the government-wide and proprietary fund statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Federal and State Grants

Community Development Block Grants, Federal and State of Texas Equitable Property Sharing proceeds and certain other public safety grants are accounted for within special revenue funds. Other grants and entitlements received for purposes normally financed through the general government are accounted for within the General Fund. Grant revenues are recognized when the expenditures are incurred, and other related requirements are met.

Airport Improvement Program (AIP) grants are accounted for within the Airport Fund, which is an enterprise fund. Grant revenues are recognized on an accrual basis.

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.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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.

Defined Benefit Pension 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 and administrative employees who work in the fire department.

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.

Defined Benefit Other Postemployment Benefit Plans

The City has two separate defined benefit other postemployment (OPEB) plans. The TMRS Supplemental Death Benefits Fund is a group-life insurance plan for eligible TMRS retirees. The City of Midland Postemployment Healthcare Benefit Plan provides benefits to substantially all employees.

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.

Indirect and Centralized Expenses

The City charges the hotel motel fund, garage fund, and all enterprise funds for “centralized” expenses, which include an administrative overhead initially paid by the General Fund. These costs are determined on an annual basis through a full cost allocation study. During the fiscal year ended September 30, 2023, the City’s General Fund was reimbursed \$5,578,694 for these services. Allocations are treated as reimbursements rather than as interfund services provided and used because they do not involve a programmatic service of the provider fund.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability or total OPEB liability) until then. The City has the following items that qualify for reporting in this category:

- Pension contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year end.
- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in assumption changes – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- OPEB contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year end.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue/increase of net pension liability or total OPEB liability) until that time. The City has the following items that qualify for reporting in this category:

- Difference in assumption changes – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in expected and actual experience – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

- Difference in expected and actual experience – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.
- Leases – This is reported under both the full accrual and modified accrual basis of accounting. This is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The City will recognize an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease.
- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position of the City is classified in three components on its statement of net position.

- Net investment in capital assets consists of capital, lease, and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the City, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Expenditures are to be made from the most restrictive net position classification first when more than one classification is available.

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.

Use of Estimates

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

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96)

In 2023, the City adopted GASB 96. The Statement provides guidance on the account and financial reporting for subscription-based information technology arrangements for governments and users. The City. The adoption of GASB 96 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. The adoption of GASB 96 had no impact on the primary government's beginning net position.

Future Changes in Accounting Principle

GASB Statement No. 100, Accounting Changes and Error Corrections (GASB 100)

GASB 100 improves the clarify and requirements for accounting changes and error corrections. The City expects to first apply GASB 100 during the year ending September 30, 2024. The impact of applying the Statement has not been determined.

GASB Statement No. 101, Compensated Absences (GASB 101)

GASB 101 updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized for leave for which employees may receive one or more: cash payments when the leave is used for time off; other cash payments, such as payment for unused leave upon termination of employment which includes voluntary resignation or retirement; or noncash settlements, such as conversion to defined benefit postemployment benefits. GASB 101 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The City expects to first apply GASB 101 during the year ending September 30, 2025. The impact of applying the Statement has not been determined.

GASB Statement No. 102, Certain Risk Disclosures (GASB 102)

GASB 102 requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The City expects to first apply GASB 102 during the year ending September 30, 2025. The impact of applying the Statement has not been determined.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 2: Deposits and Investments

Deposits and investments held by MFRRF are discussed in *Note 6*, below, and are excluded from the discussion in this section.

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, 2023. At September 30, 2023, the carrying amount of cash for the City and MDC was \$6,019,803 and \$5,942,717, respectively. Of the total bank balance of \$13,526,518, \$644,579 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance was collateralized by securities, with a fair value of \$24,412,054 at September 30, 2023, 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 \$304,403,936, which includes the MDC balances of \$7,758,523.

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:

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.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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.

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.

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.

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.

Other Securities or Obligations Approved by the City Council

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

Investments of the City, other than for amortized cost pools, are valued based upon quotes obtained from Interactive Data Pricing and Reference Data (IDC). Investments in these pools are valued based upon the value of pool shares. No investments are reported at amortized cost, except for the City's investments in the Texas Local Government Investment Pool. The City invests in three pools; TexStar, Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) and the Texas Local Government Investment Pool (TexPool), which were created under the Interlocal Cooperation Act, Texas Government Code Ann. Ch. 791, and the Texas Government Code Ann. Ch. 2256. TexStar and Texas CLASS are 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.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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. Texas CLASS is supervised by a Board of Trustees (the Board) who are elected by the Participants and shall be an odd number of three or more. Additionally, Texas CLASS 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, 2023, the City invested in no reverse repurchase agreements.

Credit Risk

In compliance with the City's investment policy, as of September 30, 2023, 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 46% of the portfolio) are rated AAAM by Standard and Poor's. The Federal National Mortgage Association, Federal Home Loan Bank notes and Federal Home Loan Mortgage Corporation obligations were all rated AAA by Standard and Poor's.

Interest Rate Risk

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

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The City's investments carried at fair value as of September 30, 2023, are:

Investments	Fair Value		Total	Weighted-Average Maturity (in Years)	Credit Risk
	Primary Government	Component Unit			
FHLB	\$ 179,703,397	\$ 4,699,998	\$ 184,403,395	5.15	AAA
FNMA	11,794,292	308,470	12,102,762	5.68	AAA
FHLMC	59,062,989	1,544,745	60,607,734	4.50	AAA
FFCB	38,226,482	999,783	39,226,265	7.21	AAA
Municipal bonds	7,858,254	205,526	8,063,780	4.60	AAA
TexPool	53,348,415	6,894,139	60,242,554	0.28	AAA _m
TexStar	26,455,851	4,990,039	31,445,890	0.11	AAA _m
Texas CLASS	196,313,218	2,822,575	199,135,793	0.22	AAA _m
Total	\$ 572,762,898	\$ 22,465,275	\$ 595,228,173	2.81	

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, 2023, more than 5% of the City's investments are in the following investments:

Investment	Amount
FHLB	\$ 184,403,395
FHLMC	60,607,734
FFCB	39,226,265
TexPool	60,242,554
TexStar	31,445,890
Texas CLASS	199,135,793

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than those in Level 1; and

Level 3: Unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices. The City has no Level 3 investments at September 30, 2023.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
U.S. agency securities	\$ 296,340,156	\$ 15,521,558	\$ 280,818,598	\$ -
Municipal bonds	8,063,780	-	8,063,780	-
Total investments by fair value level	<u>304,403,936</u>	<u>\$ 15,521,558</u>	<u>\$ 288,882,378</u>	<u>\$ -</u>
Investments measured at net asset value				
TexStar	31,445,890			
TexClass	<u>199,135,793</u>			
Total investments at net asset value	<u>230,581,683</u>			
Investments measured at amortized cost				
TexPool	<u>60,242,554</u>			
Total investments at amortized cost	<u>60,242,554</u>			
Total investments	<u>\$ 595,228,173</u>			

Note 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 is 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 2022 tax roll or Fiscal Year 2022-2023 was \$0.355039 per \$100.00 assessed valuation, resulting in a tax levy in the amount of \$60,242,558 on an assessed valuation of \$19,290,424,215. The levy is composed of a maintenance and operations levy of \$0.304844 and an interest and sinking fund (debt service) levy of \$0.050195 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
September 30, 2023

Note 4: Receivables

Receivables, excluding those related to leases, as of September 30, 2023, 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	Park Donation and Special Purposes	Airport	Water and Sewer	Sanitation	Nonmajor and Other Funds	Total
Receivables								
Property taxes	\$ 1,708,136	\$ 247,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,956,016
Sales taxes	11,612,082	-	-	-	-	-	-	11,612,082
Accounts	9,143,256	6,972	1,199,880	614,020	19,508,160	3,532,835	2,531,587	36,536,710
Interest	774,641	-	120,053	249,028	388,549	171,562	385,298	2,089,131
Assessments	491,736	-	-	-	-	-	-	491,736
Intergovernmental	322,527	-	-	3,034,019	-	-	364,838	3,721,384
Gross Receivables	24,052,378	254,852	1,319,933	3,897,067	19,896,709	3,704,397	3,281,723	56,407,059
Less allowance for uncollectibles	(4,326,066)	(145,501)	-	(14,506)	(8,544,918)	(1,362,959)	(80,171)	(14,474,121)
Net total receivables	<u>\$ 19,726,312</u>	<u>\$ 109,351</u>	<u>\$ 1,319,933</u>	<u>\$ 3,882,561</u>	<u>\$ 11,351,791</u>	<u>\$ 2,341,438</u>	<u>\$ 3,201,552</u>	<u>\$ 41,932,938</u>

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, 2023, the composition of these revenues was as follows:

	Deferred Inflows – Unavailable Revenue	Governmental Unearned Revenue
Delinquent property taxes receivable - General Fund	\$ 724,133	\$ -
Ambulance receivable – General Fund	758,300	-
Municipal court fines – General Fund	428,337	-
Delinquent property taxes receivable Debt Service Fund	82,236	-
Grant drawdowns/receipts prior to meeting all eligibility requirements	-	14,000,167
Total deferred/unearned revenue for governmental funds	<u>\$ 1,993,006</u>	<u>\$ 14,000,167</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 5: Capital, Lease, and SBITA Assets

Capital, lease, and SBITA asset activity for the year ended September 30, 2023, was as follows:

	<i>Restated Balance Beginning of Year</i>	<i>Additions</i>	<i>Sales/ Disposals</i>	<i>Transfers</i>	<i>Balance End of Year</i>
Governmental activities					
Capital assets not being depreciated					
Land	\$ 20,258,570	\$ 795,177	\$ -	\$ 400,000	\$ 21,453,747
Construction in progress	44,381,899	23,635,329	-	(25,278,589)	42,738,639
Total capital assets not being depreciated	<u>64,640,469</u>	<u>24,430,506</u>	<u>-</u>	<u>(24,878,589)</u>	<u>64,192,386</u>
Capital and lease assets being depreciated/amortized					
Buildings	123,922,066	196,790	-	-	124,118,856
Improvements other than buildings	100,950,773	201,776	-	8,991,837	110,144,386
Machinery and equipment	109,708,178	3,721,625	(2,063,037)	173,251	111,540,017
Infrastructure	302,713,787	12,616,920	-	15,713,501	331,044,208
Other	8,489,812	12,347	-	-	8,502,159
Lease assets	552,410	710,133	-	-	1,262,543
SBITA assets	803,319	499,099	-	-	1,302,418
Total capital, lease, and SBITA assets being depreciated	<u>647,140,345</u>	<u>17,958,690</u>	<u>(2,063,037)</u>	<u>24,878,589</u>	<u>687,914,587</u>
Less accumulated depreciation/amortization for					
Buildings	(29,586,160)	(3,131,349)	-	-	(32,717,509)
Improvements other than buildings	(58,854,452)	(3,387,460)	-	-	(62,241,912)
Machinery and equipment	(74,092,104)	(6,399,589)	2,020,111	-	(78,471,582)
Infrastructure	(122,972,603)	(11,372,307)	-	-	(134,344,910)
Other	(6,680,447)	(637,954)	-	-	(7,318,401)
Lease assets	(97,558)	(314,784)	-	-	(412,342)
SBITA assets	-	(431,884)	-	-	(431,884)
Total accumulated depreciation/amortization	<u>(292,283,324)</u>	<u>(25,675,327)</u>	<u>2,020,111</u>	<u>-</u>	<u>(315,938,540)</u>
Total capital, lease, and SBITA assets being depreciated/amortized, net	<u>354,857,021</u>	<u>(7,716,637)</u>	<u>(42,926)</u>	<u>24,878,589</u>	<u>371,976,047</u>
Governmental activities capital, lease, and SBITA assets, net	<u>\$ 419,497,490</u>	<u>\$ 16,713,869</u>	<u>\$ (42,926)</u>	<u>\$ -</u>	<u>\$ 436,168,433</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 15,361,331	\$ 8,001,549	\$ -	\$ -	\$ 23,362,880
Construction in progress	60,995,199	29,227,854	-	(30,935,799)	59,287,254
Total capital assets not being depreciated	<u>76,356,530</u>	<u>37,229,403</u>	<u>-</u>	<u>-</u>	<u>82,650,134</u>
Capital and lease assets being depreciated/amortized					
Water rights	717,058	-	-	-	717,058
Buildings	62,681,943	11,750	-	-	62,693,693
Improvements other than building	80,444,131	429,897	-	49,685	80,923,713
Machinery and equipment	20,404,145	493,690	-	39,950	20,937,785
Infrastructure	766,319,182	6,828,008	-	30,846,164	803,993,354
Other	5,365,250	106,157	-	-	5,471,407
Lease assets	383,645	-	-	-	383,645
Total capital and lease assets being depreciated	<u>936,315,354</u>	<u>7,869,502</u>	<u>-</u>	<u>30,935,799</u>	<u>975,120,655</u>
Less accumulated depreciation for					
Water rights	(717,058)	-	-	-	(717,058)
Buildings	(34,025,125)	(1,647,823)	-	-	(35,672,948)
Improvements other than building	(34,645,538)	(3,020,798)	-	-	(37,666,336)
Machinery and equipment	(8,797,855)	(1,006,790)	-	-	(9,804,645)
Infrastructure	(262,425,049)	(17,194,760)	-	-	(279,619,809)
Other	(4,392,185)	(242,522)	-	-	(4,634,707)
Lease assets	(76,558)	(82,146)	-	-	(158,704)
Total accumulated depreciation/amortization	<u>(345,079,368)</u>	<u>(23,194,839)</u>	<u>-</u>	<u>-</u>	<u>(368,274,207)</u>
Total capital and lease assets being depreciated/amortized, net	<u>591,235,986</u>	<u>(15,325,337)</u>	<u>-</u>	<u>30,935,799</u>	<u>606,846,448</u>
Business-type activities capital and lease assets, net	<u>\$ 667,592,516</u>	<u>\$ 21,904,066</u>	<u>\$ -</u>	<u>\$ 30,935,799</u>	<u>\$ 689,496,582</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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

Depreciation expense was charged as a direct expense to programs of the primary government as follow:

Governmental Activities

General government	\$	6,172,172
Engineering		11,546,481
Community services		1,876,335
Police		175,250
Fire		565,806
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets		5,339,283
Total depreciation and amortization expense – governmental activities	\$	25,675,327

Business-type Activities

Airport	\$	6,526,537
Water and sewer		15,619,369
Sanitation		1,021,938
Drainage		26,995
Total depreciation and amortization expense – business-type activities	\$	23,194,839

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Discretely Presented Component Unit

Capital and lease asset activity for the MDC for the year ended September 30, 2023 was as follows:

	Balance Beginning of Year	Additions	Decreases/ Adjustments	Balance End of Year
Capital assets not being depreciated				
Land	\$ 9,760,769	\$ 3,478,565	\$ -	\$ 13,239,334
Construction in progress	2,276,698	-	(1,196,907)	1,079,791
Total capital assets not being depreciated	<u>12,037,467</u>	<u>3,478,565</u>	<u>(1,196,907)</u>	<u>14,319,125</u>
Capital and lease assets being depreciated/amortized				
Buildings	13,881,338	308,167	(4,178,459)	10,011,046
Improvements other than buildings	2,600,034	100,000	46,680	2,746,714
Machinery and equipment	162,581	-	-	162,581
Lease asset	998,210	-	(95,625)	902,585
Infrastructure	1,362,237	-	-	1,362,237
Total capital and lease assets being depreciated/amortized	<u>19,004,400</u>	<u>408,167</u>	<u>(4,227,404)</u>	<u>15,185,163</u>
Less accumulated depreciation/amortization for				
Buildings	(1,789,318)	(293,534)	337,247	(1,745,605)
Improvements other than buildings	(260,432)	(65,152)	50,661	(274,923)
Machinery and equipment	(88,685)	(19,372)	-	(108,057)
Lease asset	(160,787)	(112,974)	95,625	(178,136)
Infrastructure	(350,442)	(53,576)	-	(404,018)
Total accumulated depreciation/amortization	<u>(2,649,664)</u>	<u>(544,608)</u>	<u>483,533</u>	<u>(2,710,739)</u>
Total capital and lease assets being depreciated, net	<u>16,354,736</u>	<u>(136,441)</u>	<u>(3,743,871)</u>	<u>12,474,424</u>
Midland Development Corporation capital and lease assets, net	<u>\$ 28,392,203</u>	<u>\$ 3,342,124</u>	<u>\$ (4,940,778)</u>	<u>\$ 26,793,549</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 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 will follow in this note.

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
Governmental Activities				
Texas Municipal Retirement System (TMRS)	\$ 52,865,168	\$ 26,917,277	\$ -	\$ 12,545,313
Midland Firemen's Relief and Retirement Fund	220,133,423	69,793,364	71,340,198	39,007,601
Total governmental activities	<u>272,998,591</u>	<u>96,710,641</u>	<u>71,340,198</u>	<u>51,552,914</u>
Business-Type Activities*				
Texas Municipal Retirement System (TMRS)	12,575,135	6,445,734	-	3,004,158
Total business-type activities	<u>12,575,135</u>	<u>6,445,734</u>	<u>-</u>	<u>3,004,158</u>
Total primary government	<u>\$ 285,573,726</u>	<u>\$ 103,156,375</u>	<u>\$ 71,340,198</u>	<u>\$ 54,557,072</u>

*Same amounts for proprietary funds' financial statements.

Texas Municipal Retirement System (TMRS)

The City participates as one of over 900 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (annual report) that can be obtained at www.tmrs.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.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	693
Inactive employees entitled to but not yet receiving benefits	725
Active employees	763
	2,181

Contributions

Member contribution rates 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 City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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 14.24% and 14.41% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023 was \$8,706,243 and were equal to the required contributions.

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study performed in 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
	<u>100.00%</u>	

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.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Changes in Net Pension Liability

	<i>Increase (Decrease)</i>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2022	\$ 376,391,163	\$ 361,504,022	\$ 14,887,141
Changes for the period:			
Service cost	8,499,465	-	8,499,465
Interest	25,008,346	-	25,008,346
Difference between expected and actual experience	2,737,448	-	2,737,448
Changes of assumptions	-	-	-
Employer contributions	-	8,037,557	(8,037,557)
Employee contributions	-	3,934,937	(3,934,937)
Net investment income (loss)	-	(26,324,536)	26,324,536
Benefit payments, including refunds of employee contributions	(20,293,750)	(20,293,750)	-
Administrative expense	-	(228,350)	228,350
Other changes	-	272,489	(272,489)
Net Changes	<u>15,951,509</u>	<u>(34,601,653)</u>	<u>50,553,162</u>
Balance at December 31, 2022	<u>\$ 392,342,672</u>	<u>\$ 326,902,369</u>	<u>\$ 65,440,303</u>

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)	\$ 118,942,709	\$ 65,440,303	\$ 21,663,797

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, 2023, the City recognized pension expense of \$15,549,471.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

At September 30, 2023, 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 in expected and actual experience	\$ 4,099,089	\$ -
Net difference between projected and actual earnings on pension plan investments	22,542,195	-
Contributions made after the measurement date	6,721,727	-
Total	\$ 33,363,011	\$ -

\$6,721,727 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 3,874,422
2025	6,525,656
2026	6,095,993
2027	10,145,213
	\$ 26,641,284

Allocation of Pension Items

The City allocates pension items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the net pension liability is liquidated by the general fund, general liability fund, and garage fund. For the business type activities, the net pension liability is liquidated by the airport fund, water and sewer fund, and sanitation fund.

Midland Firemen’s Relief and Retirement Fund (MFRRF)

Plan Administration

The Midland Firemen’s Relief and Retirement Fund (MFRRF) is established under the authority of the Texas Local Firefighters’ Retirement Act (TLFFRA). The Board of Trustees of the MFRRF is the administrator of a single-employer defined benefit pension plan. The MFRRF is a separate legal entity with a board of trustees consisting of the mayor or designee of the municipality, the Chief Financial Officer or designee of the municipality, three elected members of the plan and two persons who reside in Texas who are not officers or employees of the municipality or other political subdivision who are elected by majority vote of the board of trustees.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The MFRRF issues separately available audited financial statements. Additionally, the MFRRF has its own actuarial valuations performed as of December 31 in odd numbered years. The latest actuarial report available is for the year ended December 31, 2021. All assumptions for this valuation are contained in the MFRRF's Actuarial Valuation Report and Review as of December 31, 2021. Both the audited financial statements and actuarial valuation report 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.

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 MFRRF when approved by the Board of Trustees unless the employee elects to be covered by TMRS.

Benefits Provided

The MFRRF 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 MFRRF 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.

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 of 24 times the monthly benefit.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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 14.20% of their pay to the MFRRF.

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.

There is no provision for automatic postretirement benefit increases. The MFRRF has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases. Retirees and beneficiaries who have received benefits for five full plan years or more will receive a 2% cost-of-living adjustment on August 1 provided the MFRRF's investment performance over the five plan years ending the previous December 31 averages 8.25% per year or more. DROP participation does not constitute time credited to the five-year requirement. The \$500 supplemental benefit will not be increased by the 2% cost-of-living adjustments.

Plan Membership

At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	193
Terminated employees entitled to but not yet receiving benefits	7
Active employees	230
	430

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 10110 that adopted the Fiscal Year 2022 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 MFRRF is required by statute to conduct actuarial studies every odd year and conducted the last study December 31, 2021 for the plan in effect at that time.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The funding policy of the MFRRF requires contributions equal to 14.20% of pay by the firefighters. The contribution rates for the City were 22.20% for both calendar years 2022 and 2023. The City’s contributions for the year ended September 30, 2023 were \$5,275,731 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 MFRRF. The actuary certifies that the contribution commitments by the firefighters and the City provide an adequate financing arrangement.

Cash and Investments

Investment Policy: The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board or Trustees by a majority vote of its members. Substantially all of the Plan's investments are held by its trustee/custodians. The Plan's Board of Trustees authorizes various portfolio managers to manage investments within certain policies as set forth by the Board. These policies mandate a diversified portfolio, which includes investments, either directly or in commingled accounts, in real estate, cash, money market funds, bonds, hedge funds, venture capital and equity securities. The Board’s adopted asset allocation policy as of December 31, 2021 was 1-10% in cash or cash equivalents, 10-30% in fixed income, 30-50% in equities, and 20-35% in alternative investments.

Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* - an amendment to GASB Statement No. 3 (GASB 40), addresses common deposit and investment risks including custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Required disclosures related to these risks are presented below:

Custodial Credit Risk – Deposits: Deposits with financial institutions are fully secured by federal deposit insurance coverage at December 31, 2022.

The Plan's investment policies are governed by state statutes and by Board adoption. Cash funds are deposited in Federal Deposit Insurance Corporation insured banks. The Plan is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and government agencies, commercial paper, and certain repurchase agreements.

As required by GASB 40, investments included in assets whose use is limited and long-term investments are categorized by investment type. As of December 31, 2022, the Plan had the following debt securities and their related maturities:

Investment Type	Fair Value	2022 Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Foreign bonds	\$ 130,236	\$ 37,021	\$ -	\$ 1,953	\$ 91,262
Total fair value	<u>\$ 130,236</u>	<u>\$ 37,021</u>	<u>\$ -</u>	<u>\$ 1,953</u>	<u>\$ 91,262</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the Plan would not be able to recover the value of its investments. The Plan does not have a formal policy for custodial credit risk. As of December 31, 2022, all investments are registered in the name of the Midland Firemen's Relief and Retirement Fund or in the name of the Plan's custodian, established through a master trust custodial agreement, with the exception of investments in real estate and commingled funds, which are recorded as hedge funds and venture capital in the accompanying statement of fiduciary net position.

Interest Rate Risk: In compliance with the Plan's investment policy, the Plan minimizes the interest rate risk related to the decline in fair value of securities due to rising interest rates in the portfolio by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity and monitoring credit ratings of portfolio positions.

The Plan's investments in U.S. and foreign government agency obligations are subject to credit risk. Under the Texas Local Firefighters' Retirement Act, the Board's general investment policy is to apply the following prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income and preserve capital. In terms of diversification, the Plan should not invest more than 5% of the total assets in the stock or bonds of one company.

Credit Risk: Under the Texas Local Firefighters' Retirement Act, the Board's general investment policy is to apply the prudent-person rule. As a matter of course, the Board expects to be notified promptly of the following:

1. A significant change in investment strategy and portfolio structure;
2. A material change in the ownership, personnel, financial condition, or investment approach of the organization;
3. Any changes in the regulatory environment that would affect the Plan or organization's role in its management; and
4. Any litigation or violation of securities regulation in which the investment manager is involved.

The Plan's rated debt investments as of December 31, 2022, using the Moody's, S&P, or Fitch rating scale are presented below:

December 31, 2022			
Investment Type	Moody's Ratings	Fair Value	Total
Foreign bonds	Ca	\$ 93,215	\$ -
	NR	37,021	130,236
Total		\$ 130,236	\$ 130,236

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in accordance with the allocation range stated below and within the limitations so noted. The Asset Mix Policy established by the Board of Trustees represents a long-term view (a full market cycle). As such, rapid and sudden market movements may cause the Fund's actual asset mix to fall outside the stated policy range. Any such divergence, however, should be short-term in nature and must be ratified by the Board of Trustees at the first regularly scheduled Board meeting following this occurrence.

Concentrations: GASB Statement No. 67 *Financial Reporting for Pension Plans* (GASB 67), requires the disclosure of concentrations of investments in any one organization that represent 5% or more of the pension plan's fiduciary net position. There were no concentrations that needed to be disclosed in 2022.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchanged rates will adversely affect the fair value of an investment or deposit. All 2022 assets were priced in U.S. dollars.

Rate of return: For the years ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -10.88%. The money-weighted rate of return expresses investment performance, net of plan investment expense, adjusted for the changing amounts actually invested.

The following tables summarize the Plan's financial instruments measured at fair value as of December 31, 2022, based on the three-tier hierarchy:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Investments by fair value level</i>				
Domestic equities	\$ 4,807,872	\$ 4,807,872	\$ -	\$ -
Foreign bonds	130,236	-	130,236	-
Corporate bonds	740,546	740,546	-	-
Mutual funds	1,595,463	1,595,463	-	-
Real estate	7,133,440	-	-	7,133,440
Venture capital funds	4,125,405	4,125,405	-	-
International equities	7,340,839	7,340,839	-	-
Total investments by fair value level	<u>25,873,801</u>	<u>\$ 18,610,125</u>	<u>\$ 130,236</u>	<u>\$ 7,133,440</u>
<i>Investments measured at net asset value</i>				
Domestic equities	9,032,005			
International equities	6,571,183			
Corporate bonds	8,637,725			
Real estate	4,303,952			
Venture capital funds	<u>14,253,126</u>			
Total investments at net asset value	<u>42,797,991</u>			
Total investments	<u>\$ 68,671,792</u>			

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

Domestic and international equities/corporate bonds and venture capital (level 1): Valued at the closing price reported on the active market on which the individual securities are traded.

Foreign bonds (level 2): Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds (level 1): Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Government and agency obligations (level 2): Valued using pricing models maximizing the use of observable inputs for similar securities.

Real estate (level 3): Investments are comprised of equity interests in partially and wholly owned real estate entities and are reflected at their estimated fair values.

Additional information related to investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2022, is presented on the following tables:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Common stock				
Westwood U. S. large cap	\$ 3,490,996	\$ -	A Not limited	Up to 30 days notice
Westwood U. S. small mid cap	3,251,525	-	B Not limited	Up to 30 days notice
Alkeon	2,289,484	-	D Quarterly	Last business day of month before 12 months holding
Corporate bonds				
Loomis NHIT: multisector	8,637,725	-	C Daily	4:00 p.m. prior to trade date
International Equities				
Lazard international	6,571,183	-	H Daily	3 business days
Real estate				
CDK – various partnerships	2,773,638	-	E n/ a	n/ a
Davis investment ventures	283,895	207,498	F n/ a	n/ a
Blackstone	1,246,419	-	I Monthly	Repurchases at discretion of partner
Bloomfield Capital	2,787,440	1,217,778	J n/ a	n/ a
Hedge funds and venture capital				
Greenspring alternative invest	8,139,487	501,970	G n/ a	n/ a
Glendower alternative invest	3,326,199	1,434,188	G Not limited	See Note G below
Reported at net asset value	<u>\$ 42,797,991</u>	<u>\$ 3,361,434</u>		

The Funds seek to provide long-term growth through capital appreciation and income by investing in securities issued by high quality, financially sound domestic companies with market capitalizations greater than \$5 billion. The fair values of the investments in this type have been determined using the NAV per share of the investments.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

- A. The Fund seeks to provide a high total return, through the compounding of income and preservation of principal. Capital appreciation is a secondary objective. The Fund invests primarily in a variety of income-producing securities, including high-yield corporate bonds, convertible bonds, preferred stock, foreign debt securities and private placements. The fair values of the investments in this type have been determined using the NAV per share of the investments.
- B. The Fund seeks to provide long-term growth through capital appreciation by investing in foreign and domestic common stocks or similar equity securities of high quality, financially secure companies listed on principal exchanges that typically fall within the market capitalization range of the Russell 2500 Index. The fair values of the investments in this type have been determined using the NAV per share of the investments.
- C. The Trust's investment objective is total return from Bonds and Notes and to outperform the Bloomberg Barclays Capital U.S. Government/Credit Index (the "Index"). The fair values of the investments in this type have been determined using the NAV per share of the investments.
- D. The Master Fund's investment objective is to achieve maximum capital appreciation. The Master Fund pursues this objective by investing its assets primarily in equity securities of U.S. and foreign companies that the Investment Manager believes are well positioned to benefit from demand for their products or services, including companies that can innovate or grow rapidly relative to their peers in their markets. The Master Fund also pursues its objective through securities sold, not yet purchased (short sales) when the Investment Manager believes that the market price of a security is above its estimated intrinsic or fundamental value. The fair values of the investments in this type have been determined using the NAV per share of the investments.
- E. This type includes investments in 11 real estate funds that develop, own, and operate multiple property types as well as multifamily projects, all located in the U.S. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. There is no set redemption schedule for the funds. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital.
- F. The real estate fund's investment objective is to acquire and originate debt and equity investments in real estate and real estate-related assets, primarily in the northeast U.S. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. This investment can never be redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. Because it is not probable that any individual investment will be sold, the fair value of the investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital.
- G. This type includes investments in 2 hedge funds that invest both long and short primarily in U.S. private equity, with the goal of investment returns from capital appreciation. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments in the Greenspring investments in this type can never be redeemed. It is expected the fund will be liquidated in December 13, 2025. Investments in the Glendower investment can be redeemed with 30 days' notice, but only to another limited partner.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

- H. This type’s investment objective is to achieve long-term capital appreciation by investing, using a relative value approach, primarily in equity and equity-related securities of issuers that are located in, or do significant business in countries other than the United States, including emerging market countries.
- I. The Real Estate Income Trust (REIT) invests primarily in stabilized income-generating commercial real estate in the United States. To a lesser extent, the REIT may invest outside the U.S. and in real estate debt.
- J. This type’s investment targets middle market real estate opportunities, investing in both debt and equity investments. The investment strategy has a primary focus on private credit and specialty finance assets with short to intermediate-term durations and often contractual cash flows. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Net Pension Liability

The MFRRF’s net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Municipal bond rate	3.72%
Discount rate	4.11%

There is no provision for automatic postretirement benefit increases. The MFRRF has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases. Pensioners who have received benefits for five full plan years or more will receive a 2% cost-of living adjustment on August 1 provided the MFRRF’s investment performance over the five plan years ending the previous December 31 averages 8.25% per year or more. DROP participation does not constitute time credited to the five-year requirement. The \$500 supplemental benefit will not be increased by the 2% cost-of-living adjustments.

Salary increases were based on a service-related table, setting back each salary increase rate in the table used for the 2022 valuation by one year of service. Mortality rates were based on the PubS-2010 (public safety) total dataset tables for employees and for retirees (sex distinct), projected generationally using the projection scale MP-2019. Actuarial assumptions used in the December 31, 2022 valuation were based on results of actuarial experience studies. The experience study periods covered were different depending on how much prior data was available.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) 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 4.35%) and by adding expected inflation (2.75%). In addition, the final 7% assumption was selected by rounding down. The target allocation and expected arithmetic net 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-fixed income	10%	0.00%
Fixed income	15%	1.05%
Equities		
Large-cap domestic	17%	5.25%
Small/mid-cap domestic	3%	5.75%
International developed	15%	5.75%
International developing	5%	7.25%
Alternatives		
Real estate	17%	4.25%
Private equity	18%	7.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.11%. The projection of cash flows used to determine the discount rate, assumed that employee contributions will be made at the current 14.2% contribution rate and that city contributions will be made at the current 22.2% 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 2042. Therefore, the discount rate of 4.11% 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 2042 discounted at the long-term expected rate of return of 7% and (b) the present value of benefits after 2042 discounted at the 3.72% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity at/near December 31, 2022.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Changes in Net Pension Liability

	<i>Increase (Decrease)</i>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at January 1, 2022	\$ 363,602,944	\$ 93,771,847	\$ 269,831,097
Changes for the period:			
Service cost	18,447,677	-	18,447,677
Interest	9,980,243	-	9,980,243
Difference between expected and actual experience	-	-	-
Employer contributions	-	5,201,025	(5,201,025)
Employee contributions	-	3,326,782	(3,326,782)
Net investment income (loss)	-	(10,056,095)	10,056,095
Benefit payments and refunds	(10,875,344)	(10,875,344)	-
Administrative expense	-	(388,777)	388,777
Assumption changes	(80,042,659)	-	(80,042,659)
Net Changes	(62,490,083)	(12,792,409)	(49,697,674)
Balance at December 31, 2022	\$ 301,112,861	\$ 80,979,438	\$ 220,133,423

Changes in Actuarial Assumptions

The changes in assumptions relate to a change in the discount rate from 2.89% in prior year to 4.11% in current year. In addition, there were changes in assumed compensation increases for promotion, step, and longevity increases to better reflect the recent pattern by years of service.

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 4.11% 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 (3.11%) or 1 percentage point higher (5.11%) than the current rate:

	1% Decrease (3.11%)	Current Discount Rate (4.11%)	1% Increase (5.11%)
Net pension liability	\$ 268,050,148	\$ 220,133,423	\$ 182,269,127

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.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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

For the year ended September 30, 2023, the City recognized pension expense of \$39,007,601. At September 30, 2023, 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 in expected and actual experience	\$ 1,512,584	\$ 2,163,998
Changes of assumptions	54,597,666	69,176,200
Net difference between projected and actual earnings on pension plan investments	9,667,787	-
Contributions made after the measurement date	4,015,327	-
Total	\$ 69,793,364	\$ 71,340,198

\$4,015,327 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2024	\$ 7,357,258
2025	8,974,986
2026	322,869
2027	(5,468,876)
2028	(11,511,963)
Thereafter	(5,236,435)
	\$ (5,562,161)

Allocation of Pension Items

The City allocates pension items to the governmental activities on the basis of employee payroll funding. The net pension liability has typically been liquidated by the general fund.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Deferred Compensation Plans

The City offers all of its employees a defined contribution, deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). There are three plan options administered by Hartford Life Insurance Company, Nationwide Retirement Solutions, and Variable Annuity Life Insurance Company. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, it is not reported in the financial statements of the City.

The plans, available to all full-time City employees, 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. Benefit provisions are contained in the plan document and were established and can be amended by the action of City Council. The City does not contribute to any of the plans.

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. The City does not contribute to the plan.

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 the HRA.

Note 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 will follow in this note.

	<u>Total OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
Governmental Activities				
Retiree Health Care Plan	\$ 13,503,336	\$ 4,184,460	\$ 10,153,304	\$ 991,956
Supplemental Death Benefits Plan	<u>2,179,650</u>	<u>327,656</u>	<u>968,203</u>	<u>47,465</u>
Total Governmental Activities	15,682,986	4,512,116	11,121,507	1,039,421
Business-type Activities *				
Retiree Health Care Plan	2,411,025	747,138	1,812,876	193,601
Supplemental Death Benefits Plan	<u>522,017</u>	<u>78,470</u>	<u>231,876</u>	<u>12,420</u>
Total Business-type Activities	2,933,042	825,608	2,044,752	206,021
Total Primary Government	<u>\$ 18,616,028</u>	<u>\$ 5,337,724</u>	<u>\$ 13,166,259</u>	<u>\$ 1,245,442</u>

*Same amounts for proprietary funds’ financial statements.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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.

Benefits Provided

The City allows retired employees to enroll in the City’s health insurance plan. Medical benefits are payable through a self-insured plan for eligible retirees and spouses until age 65. Medicare supplement plans are available for eligible retirees and spouses who are age 65 and older. Eligible retirees and spouses who are age 65 and over may participate in the Medicare Supplement Plan. The City pays \$30 per month per eligible member for the plan. Retirees with a retirement date prior to 2009 are entitled to a \$30/month insurance premium credit and retirees with a retirement date after 2008 are entitled to an RRA account \$30/month contribution.

City contributions for these postemployment retirement benefits are strictly discretionary and are financed on a pay-as-you-go basis. Participating retirees must make monthly contributions. The contribution rates are set by the City, and generally change on each January 1. The retiree’s contribution rate depends on the dependents covered. The retiree’s contribution rate may also vary based on the number of years of service at retirement, depending on the date of retirement. The Medicare Supplement policies are funded by both city and retiree contributions.

Plan Membership

At the December 31, 2022 measurement date, the following employees were covered by the benefit terms:

Active primary members	997
Self-insured plan regular members (<65)	106
Medicare supplement plan members (>65)	198
	1,301

Total OPEB Liability for Retiree Health Care Plan

The Plan’s total OPEB liability was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Actuarial Assumptions

The Plan's total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions; applied to all periods included in the measurement, unless otherwise specified.

Inflation	3.00% per year
Discount rate	4.31% (2.05% in prior year)
Health-care cost trend rates	7.5% for 2023, decreasing annually, to an ultimate rate of 4.5% for 2029 and later years
Assumed utilization	70% of eligible retirees will elect plan benefits

The discount rate used to measure the Plan's total OPEB liability was 4.31% at year end and was based on the bond buyer 20-bond GO index. The prior year discount rate was 2.05%.

Mortality rates were based on the RP-2014 Mortality Table with adjustments for mortality improvements based on scale MP-2021. Prior year mortality rates were based on the RP-2014 Mortality Table with adjustments for mortality improvements based on scale MP-2018.

Changes in the Plan's Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2022	<u>\$ 19,245,423</u>
Changes for the period	
Service cost	1,613,131
Interest on total OPEB liability	389,271
Difference between expected and actual experience	222,831
Change of assumptions	(5,404,030)
Benefit payments	<u>(152,265)</u>
Net changes	<u>(3,331,062)</u>
Balance at December 31, 2022	<u><u>\$ 15,914,361</u></u>

Rate Sensitivity

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the City calculated using the discount rate of 4.31%, 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 (3.31%) or 1 percentage point higher (4.31%) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total OPEB liability	\$ 18,076,365	\$ 15,914,361	\$ 14,063,766

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The table below presents the total OPEB liability of the City calculated using the healthcare rate of 7.5%, decreasing to 4.50% by 2025, 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	\$ 14,081,828	\$ 15,914,361	\$ 18,158,428

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$1,185,557. At September 30, 2023, 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
Difference in expected and actual experience	\$ 1,839,762	\$ 5,623,512
Difference in assumption changes	2,354,500	6,342,668
Contributions made subsequent to measurement date	737,336	-
Total	\$ 4,931,598	\$ 11,966,180

The \$737,336 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, 2024. The amount reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending September 30,

2024	\$ (816,845)
2025	(816,845)
2026	(816,845)
2027	(816,845)
2028	(816,845)
Thereafter	(3,687,693)
	\$ (7,771,918)

Allocation of OPEB Items

The City allocates OPEB items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund, general liability fund, and garage fund. For the business type activities, the total OPEB liability is liquidated by the airport fund, water and sewer fund, and sanitation fund.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Texas Municipal Retirement System Supplemental Death Benefits Fund

Plan Description

TMRS administers a single employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (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, 2022 measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	506
Inactive employees entitled to but not yet receiving benefits	137
Active employees	<u>763</u>
 Total	 <u><u>1,406</u></u>

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.

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 0.18% and 0.19% in calendar years 2022 and 2023, respectively. The City’s contributions to the SDBF for the year ended September 30, 2023 were \$101,184 and were equal to the required contributions.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Total OPEB Liability for Supplemental Death Benefits

The City’s total OPEB liability was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50% to 11.50%, including inflation
Discount rate	4.05% (1.84% in prior year)
Retirees’ share of benefit-related costs	\$0

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females.

Actuarial assumptions used in the December 31, 2022 valuation were developed primarily from an actuarial experience study of the four-year period December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The current year discount rate used to measure the total OPEB liability was 4.05% and was based upon the Fidelity Index’s “20-year Municipal GO AA Index” rate as of December 31, 2022. The prior year discount rate used to measure the total OPEB liability was 1.84% and was based upon the Fidelity Index’s “20-year Municipal GO AA Index” rate as of December 31, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2022	<u>\$ 3,942,892</u>
Changes for the period	
Service cost	146,155
Interest on total OPEB liability	72,963
Differences between expected and actual experience	(80,580)
Changes in assumptions or other inputs	(1,278,580)
Benefit payments	<u>(101,184)</u>
Net changes	<u>(1,241,226)</u>
Balance at December 31, 2022	<u>\$ 2,701,666</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Rate Sensitivity

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, 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 (3.05%) or 1 percentage point higher (5.05%) than the current rate:

	1% Decrease (3.05%)	Current Discount Rate (4.05%)	1% Increase (5.05%)
Total OPEB liability	\$ 3,192,519	\$ 2,701,666	\$ 2,316,763

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$59,885. At September 30, 2023, 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	\$ 2,256	\$ 195,450
Changes in assumptions and other inputs	317,578	1,004,629
Contributions made subsequent to measurement date	86,292	-
Total	\$ 406,126	\$ 1,200,079

The \$86,292 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, 2024. The other amount reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Year Ending September 30,		
2024	\$	(171,305)
2025		(235,848)
2026		(288,155)
2027		(184,937)
	\$	(880,245)

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Allocation of OPEB Items

The City allocates OPEB items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund, general liability fund, and garage fund. For the business type activities, the total OPEB liability is liquidated by the airport fund, water and sewer fund, and sanitation fund.

Note 8: Leases

Leases Liability

The City’s general fund has agreements for equipment and buildings, the terms of which expire in various years through 2027. During the fiscal year ended September 30, 2023, the City did not recognize any rental expense for variable payments not previously included in the measurement of the lease liability.

The City’s proprietary funds have agreements for equipment and buildings, the terms of which expire in various years through 2027. During the fiscal year ended September 30, 2023, the City did not recognize any rental expense for variable payments not previously included in the measurement of the lease liability.

The MDC has agreements for buildings, a hanger, and land, the terms of which expire in various years through 2049. During the fiscal year ended September 30, 2023, the MDC did not recognize any rental expense for variable payments not previously included in the measurement of the lease liability. Two of the lease agreements for the hangar and land are with the City and have an ending lease liability balance of \$523,818 at September 30, 2023.

The following is a schedule by year of payments under the leases as of September 30, 2023:

Governmental Activities

Year Ending September 30,	Principal	Interest	Total
2024	\$ 303,466	\$ 18,623	\$ 322,089
2025	233,865	11,038	244,903
2026	157,193	5,491	162,684
2027	149,693	431	150,124
	<u>\$ 844,217</u>	<u>\$ 35,583</u>	<u>\$ 879,800</u>

Business-type Activities

Year Ending September 30,	Principal	Interest	Total
2024	\$ 79,642	\$ 4,168	\$ 83,810
2025	73,711	2,575	76,286
2026	69,870	996	70,866
2027	5,894	11	5,905
	<u>\$ 229,117</u>	<u>\$ 7,750</u>	<u>\$ 236,867</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

MDC

Year Ending September 30,	Principal	Interest	Total
2024	\$ 86,222	\$ 7,582	\$ 93,804
2025	88,542	6,924	95,466
2026	90,877	6,251	97,128
2027	18,223	5,777	24,000
2028	18,542	5,548	24,090
2029-2033	95,799	24,201	120,000
2034-2038	101,974	18,026	120,000
2039-2043	108,547	11,453	120,000
2044-2048	115,544	4,456	120,000
2049	11,867	44	11,911
	<u>\$ 736,137</u>	<u>\$ 90,262</u>	<u>\$ 826,399</u>

Leases Receivable

The City's general fund leases building space to third parties, the terms of which expire between 2023 and 2037. The City recognized approximately \$315,000 in lease revenue and interest revenue during the current fiscal year related to the lease. As of September 30, 2023, the City's general fund receivable for lease payments was \$548,372 and the balance of the deferred inflow of resources was \$531,616.

The City's proprietary funds lease buildings, land and equipment to third parties, the terms of which expire between 2023 and 2032. The City recognized approximately \$2,400,000 in lease revenue and interest revenue during the current fiscal year related to the leases. Certain leases include a monthly percentage fee of gross revenues earned from sales of items or gross revenues derived from operations at City property. The gross revenue percentage payments are not included in the measurement of the lease receivable because they are not fixed in substance. As of September 30, 2023, the City's proprietary funds receivable for lease payments was \$6,242,352 and the balance of the deferred inflow of resources was \$6,266,369. The City recognized lease revenue of approximately \$611,000 for the year ended September 30, 2023, for variable payments not previously included in the measurement of the lease receivable.

The MDC leases a building to a third party, the terms of which expire in 2035. The MDC and tenant have an economic incentive agreement whereby monthly rent was forgiven through December 31, 2022. MDC and the tenant are currently in the process of renegotiating the economic incentive agreement and lease payments have been suspended until new terms are in place. Therefore, no rent revenue was recorded in fiscal year 2023. As of September 30, 2023, the MDC's receivable under the existing terms was \$4,174,713 and the balance of deferred inflow of resources related to this lease was \$4,130,951.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Regulated Leases

Governmental Activities and Business-type Activities

In accordance with GASB 87, the City does not recognize a lease receivable and a deferred inflow of resources for regulated leases in which the City is the lessor. Regulated leases are certain leases that are subject to external laws, regulation, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. The City has regulated leases related to the City’s regional airport. These leases are for use of the land and structures owned by the City. The tenant constructs or improves, owns, and maintains all the improvements on the land. These leases allow access to the land for aeronautical use. At the end of the ground lease, the improvements revert to City ownership. The City had 18 leases during the year that had terms exceeding one year. The revenue recognized by the governmental activities and business-type activities for the leases during the fiscal year ended September 30, 2023 was approximately \$24,000 and \$553,000, respectively.

One of the City’s regulated leases is with the MDC. The amount of future lease receipts for the regulated leases for the governmental activities at September 30, 2023 is \$612,000.

The future lease receipts for the City’s regulated leases as of September 30, 2023 were as follows:

Governmental Activities

Year Ending September 30,	Future Regulated Lease Receipts
2024	\$ 24,000
2025	24,000
2026	24,000
2027	24,000
2028	24,000
2029-2033	120,000
2034-2038	120,000
2039-2043	120,000
2043-2048	120,000
2049	12,000
	\$ 612,000

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Business-type Activities

Year Ending September 30,	Future Regulated Lease Receipts
2024	\$ 536,837
2025	536,837
2026	484,169
2027	434,357
2028	441,740
2029-2033	2,127,234
2034-2038	1,296,320
2039-2043	697,508
2044-2048	652,320
2049-2053	551,340
2054-2058	159,724
2059	30,187
	<u>\$ 7,948,573</u>

MDC

The MDC has a regulated lease related to a sublease at the City of Midland’s regional airport. The lease is for use of the land leased by MDC and subsequently subleased to the tenant. The tenant constructs or improves, owns, and maintains all the improvements on the land. These leases allow access to the land for aeronautical use. At the end of the ground lease, the improvements revert to City ownership. The MDC had 1 lease during the year that had a term exceeding one year. The revenue recognized for the leases during the fiscal year ended September 30, 2023 was approximately \$976,644.

The future lease receipts for MDC’s regulated lease are as follows:

MDC

Year Ending September 30,	Future Regulated Lease Receipts
2024	\$ 976,644
2025	976,644
2026	976,644
2027	976,644
2028	976,644
2029-2033	4,883,220
2034	81,387
	<u>\$ 9,847,827</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 9: Subscription Liability

The City’s internal service fund has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2027. During the fiscal year ended September 30, 2023, the City did not recognize any rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the subscriptions as of September 30, 2023:

Governmental Activities

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 45,877	\$ 2,837	\$ 48,714
2025	47,340	1,243	48,583
2026	14,763	558	15,321
2027	<u>15,263</u>	<u>43</u>	<u>15,306</u>
	<u>\$ 123,243</u>	<u>\$ 4,681</u>	<u>\$ 127,924</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 10: Long-Term Debt

Changes in the government's long-term liabilities for the year ended September 30, 2023, are as follows:

Governmental Activities	Restated Balance Beginning of Year	Borrowings/ Additions	Repayments/ Reductions	Adjustments/ Transfers	Balance End of Year	Due within One Year
General obligation and refunding bonds	\$ 94,443,966	\$ 23,930,000	\$ 3,563,448	\$ -	\$ 114,810,518	\$ 5,163,966
Certificates of obligation	61,686,034	-	3,216,552	-	58,469,482	2,196,034
Bond Premiums	15,623,935	1,372,120	1,582,483	-	15,413,572	-
Total bonds payable	<u>171,753,935</u>	<u>25,302,120</u>	<u>8,362,483</u>	<u>-</u>	<u>188,693,572</u>	<u>7,360,000</u>
Lease obligations	456,165	710,133	322,081	-	844,217	303,466
SBITA obligations	803,319	499,099	1,179,175	-	123,243	45,877
Compensated absences	5,508,013	7,021,470	6,895,121	-	5,634,362	3,944,053
Self-insurance liability	<u>5,078,182</u>	<u>10,464,457</u>	<u>9,404,668</u>	<u>-</u>	<u>6,137,971</u>	<u>2,907,492</u>
Total Governmental Activities	<u>\$ 183,599,614</u>	<u>\$ 43,997,279</u>	<u>\$ 26,163,528</u>	<u>\$ -</u>	<u>\$ 201,433,365</u>	<u>\$ 14,560,888</u>

The retirement of the compensated absences liability is normally paid from the General Fund, General Liability Fund, and Garage Fund.

Business-type Activities	Balance Beginning of Year	Borrowings/ Additions	Repayments/ Reductions	Adjustments/ Transfers	Balance End of Year	Due within One Year
Water and Sewer						
Certificates of obligation	\$ 52,910,000	\$ -	\$ 1,870,000	\$ -	\$ 51,040,000	\$ 1,960,000
General obligation refunding bonds	285,750,000	-	2,105,000	-	283,645,000	2,200,000
Plus issuance premiums	<u>18,055,962</u>	<u>-</u>	<u>1,608,465</u>	<u>-</u>	<u>16,447,497</u>	<u>-</u>
Total bonds and premium payable	<u>356,715,962</u>	<u>-</u>	<u>5,583,465</u>	<u>-</u>	<u>351,132,497</u>	<u>4,160,000</u>
Water and Sewer						
Compensated absences	230,837	705,996	697,891	-	238,942	167,259
Lease obligations	293,264	-	74,035	-	219,229	73,292
Sanitation Fund						
Closure/postclosure care	19,507,186	2,771,596	-	-	22,278,782	-
Compensated absences liability	220,786	398,940	380,088	-	239,638	167,747
Lease obligations	9,311	-	3,473	-	5,838	3,495
Airport Fund						
Compensated absences liability	194,730	239,145	216,472	-	217,403	152,181
Lease obligations	<u>6,887</u>	<u>-</u>	<u>2,837</u>	<u>-</u>	<u>4,050</u>	<u>2,855</u>
Total business-type activities	<u>\$ 377,178,963</u>	<u>\$ 4,115,677</u>	<u>\$ 6,958,261</u>	<u>\$ -</u>	<u>\$ 374,336,379</u>	<u>\$ 4,726,829</u>

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 25 years.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Long-term debt at September 30, 2023 consists of the following issues:

	Original Issue	Interest Rates to Maturity	Final Maturity Date	Principal Outstanding at September 30, 2023	Call Provisions
Governmental Activities:					
<i>General Obligation Bonds</i>					
General Obligation Refunding Bonds, Series 2018A	\$ 25,615,000	3.25% - 5.00%	2043	\$ 21,700,000	2
General Obligation Refunding Bonds, Series 2019	28,530,000	3.00% - 5.00%	2042	24,950,000	3
General Obligation Bonds, Series 2020	21,560,000	2.00% - 5.00%	2045	20,385,000	4
General Obligation Refunding Bonds, Series 2020	18,774,310	0.36% - 1.86%	2034	17,475,518	5
General Obligation Refunding Bonds, Series 2021	7,475,000	2.00% - 5.00%	2032	6,370,000	5
General Obligation Bonds, Series 2023	23,930,000	4.00% - 5.00%	2040	23,930,000	7
<i>Certificates of Obligation</i>					
Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	27,245,000	2.00% - 5.00%	2042	23,070,000	1
Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	7,765,000	4.00% - 5.00%	2040	7,010,000	3
General Obligation Refunding Bonds, Series 2020	1,390,690	0.36% - 1.86%	2034	1,294,482	5
Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020	7,195,000	4.00% - 5.00%	2040	6,630,000	4
Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021	21,795,000	3.00% - 5.00%	2041	<u>20,465,000</u>	5
				<u>\$ 173,280,000</u>	
Business-type Activities:					
<i>General Obligation Bonds</i>					
General Obligation Refunding Bonds, Series 2018A	\$ 25,940,000	3.25% - 5.00%	2043	\$ 21,860,000	2
General Obligation Refunding Bonds, Taxable Series 2018B	8,865,000	3.25% - 4.08%	2037	6,555,000	2
General Obligation Refunding Bonds, Series, 2021	8,725,000	2.00% - 5.00%	2032	7,440,000	5
General Obligation Refunding Bonds, Series 2022A	167,620,000	3.48% - 4.20%	2050	167,620,000	6
General Obligation Refunding Bonds, Series 2022B	80,170,000	4.00% - 5.00%	2050	80,170,000	6
<i>Certificates of Obligation</i>					
Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	15,075,000	4.00% - 5.00%	2040	13,620,000	3
Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020	13,960,000	4.00% - 5.00%	2040	12,860,000	4
Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021	26,160,000	3.00% - 5.00%	2041	<u>24,560,000</u>	5
				<u>\$ 334,685,000</u>	

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

1. 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.
2. 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.
3. Callable as a whole or in part, bonds maturing 2029 through 2042, on March 1, 2028, or on any interest payment date thereafter at par plus accrued interest.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

4. Callable as a whole or in part, bonds maturing 2030 through 2045, on March 1, 2029, or on any interest payment date thereafter at par plus accrued interest.
5. Callable as a whole or in part, bonds maturing 2031 through 2041, on March 1, 2030, or on any interest payment date thereafter at par plus accrued interest.
6. Callable as a whole or in part, bonds maturing 2033 through 2050, on March 1, 2032, or on any interest payment date thereafter at par plus accrued interest.
7. Callable as a whole or in part, bonds maturing 2034 through 2040, on March 1, 2033, or on any interest payment date thereafter at par plus accrued interest.

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.

The debt service requirements for the City's bonds are as follows:

Fiscal Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 7,360,000	\$ 6,978,764	\$ 4,160,000	\$ 14,797,806	\$ 33,296,570
2025	7,860,000	6,469,342	4,365,000	14,593,472	33,287,814
2026	8,155,000	6,183,451	4,580,000	14,378,468	33,296,919
2027	8,480,000	5,854,286	4,815,000	14,152,179	33,301,465
2028	8,345,000	5,508,372	5,030,000	13,920,656	32,804,028
2029-2033	43,365,000	22,410,373	44,455,000	64,706,640	174,937,013
2034-2038	39,960,000	14,278,875	59,005,000	53,753,911	166,997,786
2039-2043	38,385,000	5,802,606	73,080,000	39,680,191	156,947,797
2044-2048	11,370,000	880,000	92,035,000	20,720,641	125,005,641
2049-2053	-	-	43,160,000	1,943,273	45,103,273
	<u>\$ 173,280,000</u>	<u>\$ 74,366,069</u>	<u>\$ 334,685,000</u>	<u>\$ 252,647,237</u>	<u>\$ 834,978,306</u>

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 \$0.050195 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 limit of \$1,543,233,937.

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, 2023.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Changes in Financing

In fiscal year 2023, the City issued \$23,930,000 of general obligation bonds, series 2023 dated May 15, 2023, with a premium of \$1,342,120, bearing interest rates ranging from 4.0% to 5.0%. The Bonds will be used for designing, acquiring, constructing, maintaining, renovating, improving, repairing, extending, expanding, and enhancing streets, thoroughfares, alleys, sidewalks, bridges, intersections, screening walls, and other public ways, including participation in joint projects with federal, state and local public entities and agencies, computerized signalization and monitoring equipment and other traffic controls, grade separations, street lighting, necessary or incidental utility relocation, and drainage improvements in connection with the foregoing and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; for designing, constructing, improving, and extending, the City's waterworks and sewer system, and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; and to pay the costs associated with the issuance of the Bonds.

Note 11: Restricted Assets

Certain resources of the City are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or City ordinance, resulting in enabling legislation. Customer deposits, passenger facility charges, customer facility charges, capital projects, debt service and impact fees are, by law, to be considered restricted assets. These activities are spread across the City's various enterprise funds. The City recorded the following restricted assets at September 30, 2023:

	Business-Type Activities		
	Airport	Water and Sewer	Total Enterprise Funds
Restricted Assets			
Passenger facility charge			
Cash and cash equivalents	\$ 7,668,234	\$ -	\$ 7,668,234
Investments	7,141,549	-	7,141,549
Accounts receivable	428,504	-	428,504
Customer facility charge			
Cash and cash equivalents	1,640,760	-	1,640,760
Customer deposits			
Investments	-	4,659,866	4,659,866
Bond construction fund			
Cash and cash equivalents	-	26,052,998	26,052,998
Impact fees			
Cash and cash equivalents	-	868,902	868,902
Investments	-	1,835,579	1,835,579
	<u>\$ 16,879,047</u>	<u>\$ 33,417,345</u>	<u>\$ 50,296,392</u>
Total restricted assets			

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 12: Interfund Transactions

Due to/from Other Funds

The composition of interfund balances for the year ended September 30, 2023 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development	\$ 208,866
General Fund	Garage Fund	<u>368,274</u>
Totals		<u>\$ 577,140</u>

The outstanding balance between the funds is related to working capital loans in which the general fund expects to collect in the subsequent year.

Transfers

Legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Interfund transfers during the year ended September 30, 2023 were as follows:

<u>Transfer from Fund / Purpose</u>	<u>Transfer to Fund</u>	<u>Amount</u>
Major Governmental Funds:		
<u>General Fund:</u>		
Capital projects	Technology	\$ 849,673
Capital projects	Park Donation and Special Purpose	18,179,583
Capital projects	Sanitation	1,000,000
Debt service payments	Debt Service	1,729,421
Capital projects	Golf Course Capital Improvement	588,136
Nonmajor Governmental Funds:		
<u>Hotel Motel</u>		
Hotel tax supported debt service	Debt Service	1,793,825
<u>Street Repair Improvement, New Street and Sidewalk Installation</u>		
Capital projects	General Fund	431,395
<u>2014 General Purpose Certificates of Obligation</u>		
Close out fund	Debt Service	121
Proprietary Funds:		
<u>Airport</u>		
Overhead allocation	General	7,473,459
<u>Water and Sewer</u>		
Capital projects	Technology	27,310
Internal Service Funds		
<u>Garage</u>		
Capital projects	Technology	<u>60,000</u>
Totals		<u>\$ 32,132,923</u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 13: Contingent Liabilities

Federal Grant Programs

The City participates in various 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.

Texas Natural Resource Conservation Commission

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.

Note 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 \$433,252,941 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 \$3,000,000 aggregate limit

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

- 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 \$6,721,813 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 \$12,204,649 and specific excess and aggregate excess workers' compensation coverage meets the statutory limit requirement for claims
- Cyber liability and data breach response coverage of a \$2,000,000 aggregate limit
- Supplemental sewage backup coverage with a \$500 per occurrence deductible, \$25,000 per structure limit, and \$50,000 per occurrence limit

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

The City charges interfund premiums based primarily upon the insured funds' claims experience and exposure, which are reported as insurance expenditure/expense in the funds charged and operating revenue in the self-insurance funds, which are accounted for as internal service funds. The City accrues all losses and claims if information available before the financial statements are issued indicates that it is probable that an asset has been impaired, or a liability incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Claims incurred but not reported (IBNR) are also accrued if it is probable that a claim will be asserted, and the loss can be reasonably estimated. The accrued liabilities for IBNR in the General Liability Fund 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 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 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
September 30, 2023

Changes in the claim's liability amounts for each of the self-insurance funds in the fiscal years ended September 30, 2022 and 2023 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2021 to 2022				
Workers Compensation	\$ 2,728,648	\$ -	\$ 2,728,648	\$ -
Medical/Dental	864,935	7,405,816	7,211,357	1,059,394
General Liability	1,491,641	3,806,529	1,279,382	4,018,788
	<u>\$ 5,085,224</u>	<u>\$ 11,212,345</u>	<u>\$ 11,219,387</u>	<u>\$ 5,078,182</u>
2022 to 2023				
Medical/Dental	\$ 1,059,394	\$ 9,155,646	\$ 8,299,670	\$ 1,915,370
General Liability	4,018,788	1,308,811	1,104,998	4,222,601
	<u>\$ 5,078,182</u>	<u>\$ 10,464,457</u>	<u>\$ 9,404,668</u>	<u>\$ 6,137,971</u>

Note 15: Commitments

Contracts

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 \$726,909 in fiscal year 2023.

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

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

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

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

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

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. 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 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.

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 \$1,611,497 to CRMWD in 2023, 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.

Construction Commitments

The City has active construction projects as of September 30, 2023. Approved budgets for the larger ongoing capital projects are as follows:

Streets and Drainage	\$ 40,738,290
General Facilities	4,178,143
Parks	12,162,149
Technology	16,950,144
Airport	23,222,791
Utilities	<u>44,789,380</u>
 Total	 <u><u>\$ 142,040,897</u></u>

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Customer Water Credit Liability

The City entered into an agreement with Pioneer Water Management LLC (Pioneer), whereby Pioneer undertook a construction project to improve a Water Pollution Control Plant owned by the City. During 2021, construction was completed, and the City recorded a capital contribution in the Water and Sewer Fund for approximately \$120 million. Pioneer received a credit from the City for \$8,919,362 to be used over seven years towards the amount owed to the City for reclaimed water. If Pioneer is unable to use the credit amount in any calendar year, such unused portion and any prior unused portion shall be carried over and added to the next calendar year's approved amortized amount. The seven-year term described above shall be extended as needed for additional calendar years for Pioneer to fully use the total credit amount. At September 30, 2023, the Water and Sewer Fund Reports a liability of \$7,091,412 for the remaining credit amount. See estimated amortization of the credit amount below:

<u>Year Ending September 30,</u>		
2024	\$	1,772,853
2025		1,772,853
2026		1,772,853
2027		<u>1,772,853</u>
	<u>\$</u>	<u>7,091,412</u>

Note 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.

Note 17: Closure and Post-closure 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 post-closure care costs will be only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. Total current cost has been adjusted for a recent study performed by an engineering firm and 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.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

The \$22,278,782 reported as a landfill closure and post-closure care liability at September 30, 2023, represents the cumulative amount reported to date based on the use of 65.68% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$11,639,096 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended September 30, 2023. The City expects to close the landfill around the year 2065. 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, post-closure 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, post-closure, or corrective action required by Environmental Protection Agency Subtitle D regulations for landfills operated by a local government requires the following disclosures be made.

The specific facility covered is the City of Midland Municipal Solid Waste Facility, Texas Natural Resource Conservation Commission Permit #1605.

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

Closure costs	\$ 21,119,608
Postclosure costs	<u>12,798,270</u>
	<u><u>\$ 33,917,878</u></u>

The anticipated year of closure is 2065 with closure costs having been fully incurred at that time. It is anticipated that post-closure costs will be incurred evenly across the 30-year post-closure monitoring period.

City of Midland, Texas
Notes to Financial Statements
September 30, 2023

Note 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, 2023, the City contributed money to the MOUTD in the amount of \$600,000. Both cities have budgeted contributions to the MOUTD but do not have an equity interest at dissolution. Audited financial statements are available by contacting the Midland-Odessa Urban Transit District at PO Box 60808, Midland, Texas, 79711.

Note 19: Discretely Presented Component Unit

Significant Accounting Policies

The MDC is accounted for using the economic resources measurement focus and is presented as a discretely presented component unit on the accrual basis of accounting.

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.

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, 2023 consist primarily of accounts payable and a capital lease in which the City is the lessor.

Required Supplementary Information (Unaudited)

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City of Midland, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Adjustments – Budgetary Basis</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance</u>
REVENUES						
Taxes	\$ 130,474,798	\$ 130,474,798	\$ 145,759,447	\$ -	\$ 145,759,447	\$ 15,284,649
Licenses and permits	2,931,950	2,582,400	2,648,692	-	2,648,692	66,292
Fines and penalties	2,148,276	2,194,276	2,390,237	-	2,390,237	195,961
Services, rentals, and other charges	11,045,938	10,275,315	10,359,187	-	10,359,187	83,872
Intergovernmental	377,000	377,000	5,161,075	-	5,161,075	4,784,075
Investment income	2,350,000	1,231,500	6,662,830	-	6,662,830	5,431,330
Contributions and donations	-	-	10,277	-	10,277	10,277
Miscellaneous	-	-	1,089,523	-	1,089,523	1,089,523
Total revenues	149,327,962	147,135,289	174,081,268	-	174,081,268	26,945,979
EXPENDITURES						
Current						
General government						
Administration	1,124,955	1,124,955	1,354,025	-	1,354,025	(229,070)
Support services	19,716,547	19,716,547	11,742,630	314,067	12,056,697	7,659,850
Fiscal management	2,189,007	2,189,007	2,068,377	-	2,068,377	120,630
Development services	4,655,793	4,787,448	4,459,121	-	4,459,121	328,327
Engineering	21,422,597	21,422,597	13,853,455	9,893,831	23,747,286	(2,324,689)
Community services	14,839,855	14,839,855	15,060,816	7,518,021	22,578,837	(7,738,982)
Police	38,963,132	38,974,564	35,747,954	983,553	36,731,507	2,243,057
Fire	38,309,472	38,309,472	40,236,862	-	40,236,862	(1,927,390)
Economic development	-	-	-	-	-	-
Golf	3,037,329	2,916,649	3,074,802	-	3,074,802	(158,153)
Sports Complex	3,318,786	3,492,492	2,873,633	-	2,873,633	618,859
Other	7,329,184	7,329,184	6,105,871	-	6,105,871	1,223,313
Debt Service						
Principal	-	-	322,081	-	322,081	(322,081)
Interest and fiscal changes	-	-	25,658	-	25,658	(25,658)
Capital outlay	-	-	20,701,007	(20,701,007)	-	-
Total expenditures	154,906,657	155,102,770	157,626,292	(1,991,535)	155,634,757	(531,987)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,578,695)	(7,967,481)	16,454,976	1,991,535	18,446,511	26,413,992
OTHER FINANCING SOURCES (USES)						
Transfers in	6,013,291	6,013,291	7,904,854	-	7,904,854	1,891,563
Transfers out	-	-	(22,346,813)	-	(22,346,813)	(22,346,813)
Leases issued	-	-	710,133	(812,202)	(102,069)	(102,069)
Proceeds from sale of capital assets	-	-	625	-	625	625
Total other financing sources (uses)	6,013,291	6,013,291	(13,731,201)	(812,202)	(14,543,403)	(20,556,694)
NET CHANGE IN FUND BALANCE	\$ 434,596	\$ (1,954,190)	\$ 2,723,775	\$ 1,179,333	\$ 3,903,108	\$ 5,857,298
FUND BALANCES, OCTOBER 1			<u>145,721,807</u>			
FUND BALANCE, SEPTEMBER 30			<u>\$ 148,445,582</u>			

City of Midland, Texas
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
Year Ended September 30, 2023

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 2023, there were minimal appropriation increases, including transfers out, for the General Fund.
6. At the close of each fiscal year, unexpended budgetary appropriations lapse or revert to the undesignated fund balance. The unexpended appropriation balances in capital projects do not lapse at year end.

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

City of Midland, Texas
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Texas Municipal Retirement System
Supplemental Death Benefits Fund

Measurement Date December 31,	2017	2018	2019	2020	2021	2022
TOTAL OPEB LIABILITY						
Service cost	\$ 73,857	\$ 92,146	\$ 82,858	\$ 113,882	\$ 154,467	\$ 146,155
Interest	91,101	91,369	108,018	89,681	76,007	72,963
Benefit payments	(32,312)	(29,099)	(36,250)	(37,961)	(102,978)	(101,184)
Differences between expected and actual experience	-	190,456	(328,253)	(103,111)	(77,209)	(80,580)
Changes in assumptions	<u>206,935</u>	<u>(185,515)</u>	<u>508,567</u>	<u>488,915</u>	<u>118,018</u>	<u>(1,278,580)</u>
Net change in total OPEB liability	339,581	159,357	334,940	551,406	168,305	(1,241,226)
Total OPEB liability – beginning	<u>2,389,303</u>	<u>2,728,884</u>	<u>2,888,241</u>	<u>3,223,181</u>	<u>3,774,587</u>	<u>3,942,892</u>
TOTAL OPEB LIABILITY - ENDING	<u><u>\$ 2,728,884</u></u>	<u><u>\$ 2,888,241</u></u>	<u><u>\$ 3,223,181</u></u>	<u><u>\$ 3,774,587</u></u>	<u><u>\$ 3,942,892</u></u>	<u><u>\$ 2,701,666</u></u>
Covered-employee payroll	\$ 46,160,369	\$ 48,498,044	\$ 51,786,368	\$ 54,229,577	\$ 57,210,115	\$ 56,213,391
Employer's total OPEB liability as a percentage of covered-employee payroll	5.91%	5.96%	6.22%	6.96%	6.89%	4.81%

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:

December 31, 2016 – 3.78%

December 31, 2017 – 3.31%

December 31, 2018 – 3.71%

December 31, 2019 – 2.75%

December 31, 2020 – 2.00%

December 31, 2021 – 1.84%

December 31, 2022 – 4.05%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

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 Total OPEB Liability and Related Ratios
Other Postemployment Benefit Plan
Retiree Health

Measurement Date December 31,	2017	2018	2019	2020	2021	2022
TOTAL OPEB LIABILITY						
Service cost	\$ 1,481,407	\$ 1,638,363	\$ 893,162	\$ 1,037,092	\$ 1,165,404	\$ 1,613,131
Interest	618,336	629,421	567,354	374,640	341,617	389,271
Difference between expected and actual experience	108,933	(6,561,175)	(1,944,463)	(255,599)	1,834,952	222,831
Change of assumptions	831,742	(2,144,151)	990,072	1,050,491	425,778	(5,404,030)
Benefit payments	<u>(740,576)</u>	<u>(778,169)</u>	<u>(715,398)</u>	<u>(356,896)</u>	<u>(254,314)</u>	<u>(152,265)</u>
Net change in total OPEB liability	2,299,842	(7,215,711)	(209,273)	1,849,728	3,513,437	(3,331,062)
Total OPEB liability – beginning	<u>19,007,400</u>	<u>21,307,242</u>	<u>14,091,531</u>	<u>13,882,258</u>	<u>15,731,986</u>	<u>19,245,423</u>
TOTAL OPEB LIABILITY - ENDING	<u>\$ 21,307,242</u>	<u>\$ 14,091,531</u>	<u>\$ 13,882,258</u>	<u>\$ 15,731,986</u>	<u>\$ 19,245,423</u>	<u>\$ 15,914,361</u>
Covered-employee payroll	\$ 62,175,066	\$ 66,066,278	\$ 71,190,080	\$ 74,426,311	\$ 79,314,016	\$ 79,641,432
Employer's total OPEB liability as a percentage of covered-employee payroll	34.27%	21.33%	19.50%	21.14%	24.26%	19.98%

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:

- December 31, 2016 – 3.78%
- December 31, 2017 – 3.00%
- December 31, 2018 – 4.10%
- December 31, 2019 – 2.74%
- December 31, 2020 – 2.21%
- December 31, 2021 – 2.05%
- December 31, 2022 – 4.31%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

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
Texas Municipal Retirement System

Fiscal Year Ended September 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 6,682,872	\$ 6,927,806	\$ 6,614,908	\$ 7,063,858	\$ 7,184,163	\$ 7,673,542	\$ 8,272,675	\$ 8,286,526	\$ 8,706,243
Contributions in relation to the actuarially determined contribution	6,682,872	6,927,806	6,614,908	7,063,858	7,184,163	7,673,542	8,272,675	8,286,526	8,706,243
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 43,561,193	\$ 45,487,794	\$ 43,854,427	\$ 48,149,842	\$ 50,365,108	\$ 53,438,852	\$ 57,059,458	\$ 57,878,038	\$ 59,123,353
Contributions as a percentage of covered payroll	15.34%	15.23%	15.08%	14.67%	14.26%	14.36%	14.50%	14.32%	14.73%

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 23 years; the asset valuation method was at ten-year smoothed market value, with 12.00% 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 11.0% compounded annually, and postretirement benefit increases of 2.50% compounded annually.

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

Fiscal Year Ended September 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
Required contributions	\$ 3,672,302	\$ 3,560,801	\$ 3,405,259	\$ 3,555,264	\$ 4,213,911	\$ 4,393,733	\$ 4,665,419	\$ 5,336,820	\$ 5,275,731
Contributions in relation to the required contributions	<u>\$3,672,302</u>	<u>3,560,801</u>	<u>3,405,259</u>	<u>3,555,264</u>	<u>4,213,911</u>	<u>4,393,733</u>	<u>4,665,419</u>	<u>5,336,820</u>	<u>5,275,731</u>
CONTRIBUTION DEFICIENCY (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 16,926,073	\$ 16,130,469	\$ 15,339,005	\$ 16,014,703	\$ 18,981,581	\$ 19,791,590	\$ 21,015,401	\$ 24,039,730	\$ 23,764,554
Contributions as a percentage of covered payroll	21.70%	22.07%	22.20%	22.20%	22.20%	22.20%	22.20%	22.20%	22.20%

Notes to Required Supplementary Information

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.. 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 7.0% annually, projected salary increases assumption of 3.0%, plus promotion, step and longevity increases that vary by service, and inflation increases of 2.75% 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

Measurement Date December 31,	2014	2015	2016	2017	2018	2019	2020	2021	2022
TOTAL PENSION LIABILITY									
Service cost	\$ 5,708,477	\$ 6,819,607	\$ 7,218,730	\$ 7,173,321	\$ 7,560,845	\$ 8,083,852	\$ 8,270,010	\$ 8,673,053	\$ 8,499,465
Interest	18,903,934	19,670,175	19,807,241	20,425,225	21,065,557	21,672,779	22,698,880	23,688,821	25,008,346
Differences between expected and actual experience	2,321,980	(1,598,670)	(1,502,270)	(1,024,053)	(1,585,052)	2,885,110	2,327,207	6,663,319	2,737,448
Changes of assumptions	-	3,644,493	-	-	-	1,495,283	-	-	-
Benefit payments, including refunds of member contributions	(16,355,215)	(16,732,102)	(15,862,016)	(16,829,343)	(17,734,365)	(18,879,579)	(19,177,639)	(18,486,006)	(20,293,750)
Net change in total pension liability	10,579,176	11,803,503	9,661,685	9,745,150	9,306,985	15,257,445	14,118,458	20,539,187	15,951,509
Total pension liability – beginning	275,379,574	285,958,750	297,762,253	307,423,938	317,169,088	326,476,073	341,733,518	355,851,976	376,391,163
TOTAL PENSION LIABILITY – ENDING	\$ 285,958,750	\$ 297,762,253	\$ 307,423,938	\$ 317,169,088	\$ 326,476,073	\$ 341,733,518	\$ 355,851,976	\$ 376,391,163	\$ 392,342,672
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 6,525,057	\$ 6,612,574	\$ 6,896,363	\$ 6,862,664	\$ 6,972,364	\$ 7,358,089	\$ 7,814,479	\$ 8,336,855	\$ 8,037,557
Contributions – member	2,927,933	3,077,837	3,214,447	3,232,126	3,394,863	3,625,046	3,796,070	4,016,325	3,934,937
Net investment income (loss)	14,348,994	380,860	16,971,040	36,325,527	(8,727,324)	42,509,375	23,470,380	42,351,528	(26,324,536)
Benefit payments, including refunds of member contributions	(16,355,215)	(16,732,102)	(15,862,016)	(16,829,343)	(17,734,365)	(18,879,579)	(19,177,639)	(18,486,006)	(20,293,750)
Administrative expense	(149,823)	(232,003)	(191,753)	(188,365)	(168,839)	(240,549)	(152,133)	(196,327)	(228,350)
Other	(12,318)	(11,458)	(10,331)	(9,546)	(8,821)	(7,227)	(5,935)	1,345	272,490
Net change in plan fiduciary net position	7,284,628	(6,904,292)	11,017,750	29,393,063	(16,272,122)	34,365,155	15,745,222	36,023,720	(34,601,652)
Plan fiduciary net position – beginning	250,850,897	258,135,525	251,231,233	262,248,983	291,642,046	275,369,924	309,735,079	325,480,301	361,504,021
PLAN FIDUCIARY NET POSITION – ENDING	\$ 258,135,525	\$ 251,231,233	\$ 262,248,983	\$ 291,642,046	\$ 275,369,924	\$ 309,735,079	\$ 325,480,301	\$ 361,504,021	\$ 326,902,369
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%	84.30%	90.60%	91.50%	96.00%	83.30%
Covered payroll	\$ 41,827,614	\$ 43,969,099	\$ 45,920,672	\$ 46,160,369	\$ 48,498,044	\$ 51,786,368	\$ 54,229,577	\$ 57,210,115	\$ 56,213,391
Employer's net pension liability as a percentage of covered payroll	66.50%	105.80%	98.40%	55.30%	105.40%	61.80%	56.00%	26.00%	116.40%

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

Midland's Firemen's Relief and Retirement Fund

Measurement Date December 31,	2014	2015	2016	2017	2018	2019	2020	2021	2022
TOTAL PENSION LIABILITY									
Service cost	\$ 3,843,870	\$ 4,197,602	\$ 4,336,753	\$ 4,531,907	\$ 7,379,188	\$ 7,068,081	\$ 12,589,269	\$ 15,104,164	\$ 18,447,677
Interest	9,442,123	10,022,772	10,654,714	11,265,786	10,263,125	11,146,672	10,542,067	10,181,819	9,980,243
Differences between expected and actual experience	-	(800,260)	-	(5,933,150)	-	4,109,296	-	(3,100,310)	-
Changes of assumptions	-	1,104,367	-	66,944,828	(9,374,280)	75,415,005	27,206,943	17,709,555	(80,042,659)
Benefit payments, including refunds of member contributions	(6,301,043)	(6,684,894)	(6,843,836)	(8,252,601)	(8,609,277)	(9,976,378)	(10,356,445)	(12,669,033)	(10,875,344)
Net change in total pension liability	6,984,950	7,839,587	8,147,631	68,556,770	(341,244)	87,762,676	39,981,834	27,226,195	(62,490,083)
Total pension liability – beginning	117,444,545	124,429,495	132,269,082	140,416,713	208,973,483	208,632,239	296,394,915	336,376,749	363,602,944
TOTAL PENSION LIABILITY - ENDING	\$ 124,429,495	\$ 132,269,082	\$ 140,416,713	\$ 208,973,483	\$ 208,632,239	\$ 296,394,915	\$ 336,376,749	\$ 363,602,944	\$ 301,112,861
PLAN FIDUCIARY NET POSITION									
Contributions - employer	\$ 3,318,107	\$ 3,729,857	\$ 3,582,056	\$ 3,555,264	\$ 3,900,148	\$ 4,307,624	\$ 4,483,675	\$ 4,907,065	\$ 5,201,025
Contributions - member	2,055,503	2,258,218	2,129,871	2,113,940	2,339,699	2,755,199	2,867,985	3,138,754	3,326,782
Net investment income (loss)	2,747,881	(708,892)	3,106,027	9,952,749	(7,141,143)	8,139,508	4,831,173	12,456,242	(10,056,095)
Benefit payments, including refunds of member contributions	(6,301,043)	(6,684,894)	(6,843,836)	(8,252,601)	(8,609,277)	(9,976,378)	(10,356,445)	(12,669,033)	(10,875,344)
Administrative expense	(222,705)	(211,442)	(251,621)	(279,569)	(230,738)	(390,407)	(330,045)	(406,490)	(388,777)
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	(9,741,311)	4,835,546	1,496,343	7,426,538	(12,792,409)
Plan fiduciary net position – beginning	80,950,814	82,552,420	80,942,385	82,664,948	89,754,731	80,013,420	84,848,966	86,345,309	93,771,847
PLAN FIDUCIARY NET POSITION – ENDING	82,552,420	80,942,385	82,664,948	89,754,731	80,013,420	84,848,966	86,345,309	93,771,847	80,979,438
EMPLOYER'S NET PENSION LIABILITY	\$ 41,877,075	\$ 51,326,697	\$ 57,751,765	\$ 119,218,752	\$ 128,618,819	\$ 211,545,949	\$ 250,031,440	\$ 269,831,097	\$ 220,133,423
Plan fiduciary net position as a percentage of the total pension liability	66.30%	61.20%	58.90%	43.00%	38.40%	28.60%	25.70%	25.80%	26.90%
Covered payroll	\$ 15,559,705	\$ 17,089,837	\$ 16,135,387	\$ 16,014,697	\$ 17,568,234	\$ 19,403,712	\$ 20,196,734	\$ 22,103,901	\$ 23,428,041
Employer's net pension liability as a percentage of covered payroll	269.10%	300.30%	357.90%	744.40%	732.10%	1090.20%	1238.00%	1220.70%	939.60%
The total pension liability was determined using a change in assumptions related to:									
Change in the investment rate of return									
2016: 8.00%									
2017: 7.75%									
2019: 7.50%									
2020: 7.50%									
2021: 7.00%									
2022: 7.00%									
Change in the discount rate									
2016: 8.00%									
2017: 4.84%									
2018: 5.29%									
2019: 3.47%									
2020: 2.95%									
2021: 2.65%									
2022: 4.11%									

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.

Combining and Individual Fund Financial Statements and Schedules (Unaudited)

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Major Governmental Fund

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City of Midland, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Debt Service Fund
Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property taxes	\$ 8,782,630	\$ 8,782,630	\$ 9,456,370	\$ 673,740
Investment earnings	3,999	3,999	29,109	25,110
Total revenues	<u>8,786,629</u>	<u>8,786,629</u>	<u>9,485,479</u>	<u>698,850</u>
EXPENDITURES				
Debt service				
Principal	5,538,448	5,538,448	6,780,000	(1,241,552)
Interest and fiscal changes	6,042,006	7,771,427	5,977,479	1,793,948
Total expenditures	<u>11,580,454</u>	<u>13,309,875</u>	<u>13,048,910</u>	<u>260,965</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,793,825)</u>	<u>(4,523,246)</u>	<u>(3,563,431)</u>	<u>959,815</u>
OTHER FINANCING SOURCES				
Transfers in	-	1,729,421	3,523,367	1,793,946
Total other financing sources	<u>-</u>	<u>1,729,421</u>	<u>3,825,487</u>	<u>2,096,066</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,793,825)</u>	<u>\$ (2,793,825)</u>	262,056	<u>\$ 3,055,881</u>
FUND BALANCE, OCTOBER 1			<u>700,192</u>	
FUND BALANCE, SEPTEMBER 30			<u>\$ 962,248</u>	

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Nonmajor Governmental Fund

City of Midland, Texas
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2023

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental</u>
ASSETS			
Cash and cash equivalents	\$ 9,341,106	\$ 72,098,173	\$ 81,439,279
Investments	13,652,118	1,387,612	15,039,730
Receivables			
Accounts	2,033,643	-	2,033,643
Interest	96,529	8,308	104,837
Intergovernmental	364,838	-	364,838
Prepaid items and other assets	76,930	-	76,930
	<u>25,565,164</u>	<u>73,494,093</u>	<u>99,059,257</u>
Total assets	<u>\$ 25,565,164</u>	<u>\$ 73,494,093</u>	<u>\$ 99,059,257</u>
LIABILITIES			
Accounts payable	\$ 161,873	\$ 943,849	\$ 1,105,722
Retainage payable	16,800	438,155	454,955
Other accrued expenses	3	-	3
Due to other funds	208,866	-	208,866
	<u>387,542</u>	<u>1,382,004</u>	<u>1,769,546</u>
Total liabilities	<u>387,542</u>	<u>1,382,004</u>	<u>1,769,546</u>
FUND BALANCES (DEFICIT)			
Nonspendable	76,930	-	76,930
Restricted			
Public safety	1,039,032	-	1,039,032
Court	427,061	-	427,061
Buildings and renovations	1,138,798	48,843	1,187,641
Streets and drainage	-	52,671,535	52,671,535
Parks and recreation	-	17,580,966	17,580,966
Hotel/Motel	15,441,712	-	15,441,712
Other purposes	7,061,812	-	7,061,812
Unrestricted			
Committed			
Buildings and renovations	-	1,810,745	1,810,745
Streets and drainage	4,160	-	4,160
Unassigned	(11,883)	-	(11,883)
	<u>25,177,622</u>	<u>72,112,089</u>	<u>97,289,711</u>
Total fund balances (deficit)	<u>25,177,622</u>	<u>72,112,089</u>	<u>97,289,711</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 25,565,164</u>	<u>\$ 73,494,093</u>	<u>\$ 99,059,257</u>

City of Midland, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
– Nonmajor Governmental Funds
Year Ended September 30, 2023

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental</u>
REVENUES			
Hotel-motel tax revenues	\$ 7,275,924	\$ -	\$ 7,275,924
Pet licenses	-	79,088	79,088
Fines and forfeitures	96,343	-	96,343
Charges for services	-	592,477	592,477
Rentals	437,943	-	437,943
Intergovernmental	1,763,362	-	1,763,362
Investment earnings	650,845	2,618,197	3,269,042
Program income	14,055	-	14,055
Contributions and donations	252,629	-	252,629
Miscellaneous	1,975,811	-	1,975,811
	<u>12,466,912</u>	<u>3,289,762</u>	<u>15,756,674</u>
EXPENDITURES			
Current			
General government	10,763	-	10,763
Police	414,231	-	414,231
Fire	46,543	-	46,543
Housing programs	1,525,055	-	1,525,055
Economic development	3,978,931	-	3,978,931
Other	324,472	-	324,472
Capital outlay	415,820	10,520,946	10,936,766
	<u>6,715,815</u>	<u>10,520,946</u>	<u>17,236,761</u>
	<u>5,751,097</u>	<u>(7,231,184)</u>	<u>(1,480,087)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
OTHER FINANCING SOURCES (USES)			
Transfers in	-	588,136	588,136
Transfers out	(2,225,220)	(121)	(2,225,341)
Bonds issued	-	23,627,880	23,627,880
Premium on bonds	-	1,372,120	1,372,120
	<u>(2,225,220)</u>	<u>25,588,015</u>	<u>23,362,795</u>
	<u>3,525,877</u>	<u>18,356,831</u>	<u>21,882,708</u>
NET CHANGE IN FUND BALANCES			
FUND BALANCES, OCTOBER 1	<u>21,651,745</u>	<u>53,755,258</u>	<u>75,407,003</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 25,177,622</u>	<u>\$ 72,112,089</u>	<u>\$ 97,289,711</u>

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 awarded through various Community Development Block Grants.

Federal Police Special Purposes Fund – to account for funds awarded 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.

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.

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.

Impact Fee Fund – to account for impact fees that are used to provide new roads and drainage structures.

City of Midland, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds
September 30, 2023

	Community Development	Federal Police Special Purposes	State Police Special Purposes	Department of Justice Grant	Tax Increment Reinvestment Zone
ASSETS					
Cash and cash equivalents	\$ -	\$ 424,880	\$ 38,790	\$ 222,577	\$ 416,364
Investments	-	-	-	-	-
Receivables					
Accounts	-	-	-	-	-
Interest	-	-	-	-	-
Intergovernmental	364,782	-	-	56	-
Prepaid items and other assets	-	-	76,930	-	-
	<u>364,782</u>	<u>424,880</u>	<u>115,720</u>	<u>222,633</u>	<u>416,364</u>
Total assets	<u>\$ 364,782</u>	<u>\$ 424,880</u>	<u>\$ 115,720</u>	<u>\$ 222,633</u>	<u>\$ 416,364</u>
LIABILITIES					
Accounts payable	\$ 150,996	\$ -	\$ (5,606)	\$ -	\$ -
Retainage payable	16,800	-	-	-	-
Other accrued expenses	3	-	-	-	-
Due to other funds	208,866	-	-	-	-
	<u>376,665</u>	<u>-</u>	<u>(5,606)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>376,665</u>	<u>-</u>	<u>(5,606)</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)					
Nonspendable			76,930		
Restricted					
Public safety	-	424,880	44,396	-	-
Court	-	-	-	-	-
Buildings and renovations	-	-	-	-	-
Hotel/Motel	-	-	-	-	-
Other purposes	-	-	-	222,633	416,364
Committed					
Streets and drainage	-	-	-	-	-
Unassigned	(11,883)	-	-	-	-
	<u>(11,883)</u>	<u>424,880</u>	<u>121,326</u>	<u>222,633</u>	<u>416,364</u>
Total fund balances (deficit)	<u>(11,883)</u>	<u>424,880</u>	<u>121,326</u>	<u>222,633</u>	<u>416,364</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 364,782</u>	<u>\$ 424,880</u>	<u>\$ 115,720</u>	<u>\$ 222,633</u>	<u>\$ 416,364</u>

City of Midland, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds (continued)
September 30, 2023

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	Impact Fee	Total
\$ 4,757,131	\$ 8,298	\$ 15,391	\$ 4,160	\$ 162,787	\$ 420,610	\$ 2,870,118	\$ 9,341,106
9,722,832	143,405	258,128	-	-	-	3,527,753	13,652,118
2,033,643	-	-	-	-	-	-	2,033,643
68,746	1,014	1,825	-	-	-	24,944	96,529
-	-	-	-	-	-	-	364,838
-	-	-	-	-	-	-	76,930
\$ 16,582,352	\$ 152,717	\$ 275,344	\$ 4,160	\$ 162,787	\$ 420,610	\$ 6,422,815	\$ 25,565,164
\$ 1,842	\$ -	\$ 1,000	\$ -	\$ 13,641	\$ -	\$ -	\$ 161,873
-	-	-	-	-	-	-	16,800
-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	208,866
1,842	-	1,000	-	13,641	-	-	387,542
-	-	-	-	149,146	420,610	-	1,039,032
-	152,717	274,344	-	-	-	-	427,061
1,138,798	-	-	-	-	-	-	1,138,798
15,441,712	-	-	-	-	-	-	15,441,712
-	-	-	-	-	-	6,422,815	7,061,812
-	-	-	4,160	-	-	-	4,160
-	-	-	-	-	-	-	(11,883)
16,580,510	152,717	274,344	4,160	149,146	420,610	6,422,815	25,177,622
\$ 16,582,352	\$ 152,717	\$ 275,344	\$ 4,160	\$ 162,787	\$ 420,610	\$ 6,422,815	\$ 25,565,164

City of Midland, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
– Nonmajor Special Revenue Funds
Year Ended September 30, 2023

	Community Development	Federal Police Special Purposes	State Police Special Purposes	Department of Justice Grant	Tax Increment Reinvestment Zone
REVENUES					
Hotel-motel tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Fine and forfeitures	-	-	-	-	-
Rentals	-	-	-	-	-
Intergovernmental grants	1,525,055	3,201	104,339	9,829	-
Investment income	-	7,857	5,865	3,838	7,250
Program income	14,055	-	-	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,539,110</u>	<u>11,058</u>	<u>110,204</u>	<u>13,667</u>	<u>7,250</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Police	-	29,991	221,662	20,355	-
Fire	-	-	-	-	-
Housing programs	1,525,055	-	-	-	-
Economic development	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	260,000	-	-
Total expenditures	<u>1,525,055</u>	<u>29,991</u>	<u>481,662</u>	<u>20,355</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,055</u>	<u>(18,933)</u>	<u>(371,458)</u>	<u>(6,688)</u>	<u>7,250</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	14,055	(18,933)	(371,458)	(6,688)	7,250
FUND BALANCES, OCTOBER 1	<u>(25,938)</u>	<u>443,813</u>	<u>492,784</u>	<u>229,321</u>	<u>409,114</u>
FUND BALANCES (DEFICIT), SEPTEMBER 30	<u>\$ (11,883)</u>	<u>\$ 424,880</u>	<u>\$ 121,326</u>	<u>\$ 222,633</u>	<u>\$ 416,364</u>

City of Midland, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
– Nonmajor Special Revenue Funds (continued)
Year Ended September 30, 2023

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	Impact Fee	Total
\$ 7,275,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,275,924
-	43,803	52,540	-	-	-	-	96,343
437,943	-	-	-	-	-	-	437,943
-	-	-	-	-	120,938	-	1,763,362
468,412	4,814	9,176	8,310	3,725	6,486	125,112	650,845
-	-	-	-	-	-	-	14,055
2,510	-	-	-	228,634	21,485	-	252,629
94,872	-	-	-	-	-	1,880,939	1,975,811
<u>8,279,661</u>	<u>48,617</u>	<u>61,716</u>	<u>8,310</u>	<u>232,359</u>	<u>148,909</u>	<u>2,006,051</u>	<u>12,466,912</u>
5,000	-	5,763.00	-	-	-	-	10,763
-	-	8,251	-	133,972	-	-	414,231
-	-	-	-	-	46,543	-	46,543
-	-	-	-	-	-	-	1,525,055
3,978,931	-	-	-	-	-	-	3,978,931
172,439	69,663	82,370	-	-	-	-	324,472
13,914	-	-	-	141,906	-	-	415,820
<u>4,170,284</u>	<u>69,663</u>	<u>96,384</u>	<u>-</u>	<u>275,878</u>	<u>46,543</u>	<u>-</u>	<u>6,715,815</u>
<u>4,109,377</u>	<u>(21,046)</u>	<u>(34,668)</u>	<u>8,310</u>	<u>(43,519)</u>	<u>102,366</u>	<u>2,006,051</u>	<u>5,751,097</u>
<u>(1,793,825)</u>	<u>-</u>	<u>-</u>	<u>(431,395)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,225,220)</u>
<u>(1,793,825)</u>	<u>-</u>	<u>-</u>	<u>(431,395)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,225,220)</u>
2,315,552	(21,046)	(34,668)	(423,085)	(43,519)	102,366	2,006,051	3,525,877
<u>14,264,958</u>	<u>173,763</u>	<u>309,012</u>	<u>427,245</u>	<u>192,665</u>	<u>318,244</u>	<u>4,416,764</u>	<u>21,651,745</u>
<u>\$ 16,580,510</u>	<u>\$ 152,717</u>	<u>\$ 274,344</u>	<u>\$ 4,160</u>	<u>\$ 149,146</u>	<u>\$ 420,610</u>	<u>\$ 6,422,815</u>	<u>\$ 25,177,622</u>

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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.

Golf Course Capital Improvement Fund – to account for funds set aside relating to construction of remodel of the gold course.

Road Bond Construction Fund – to account for roadway capital improvements funded by bonds.

Facility Bond Construction Fund – to account for facility capital improvements funded by bonds.

Parks Bond Construction Fund – to account for park capital improvements funded by bonds.

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.

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.

2019 General Purpose Certificates of Obligation Fund – to account for the costs of designing, acquiring, constructing, maintaining, renovating, improving, repairing, extending, expanding, and enhancing streets, thoroughfares, alleys, sidewalks, bridges, intersections, screening walls, and other public ways, including participation in joint projects with federal, state and local public entities and agencies, computerized signalization and monitoring equipment and other traffic controls, grade separations, street lighting, necessary or incidental utility relocation, and drainage improvements in connection with the foregoing and the purchase of land, easements, rights-of-way, and other real property interests necessary.

City of Midland, Texas
Combining Balance Sheet – Nonmajor Capital Projects Funds
September 30, 2023

	Animal Shelter Facility and Equipment	Golf Course Capital Improvement	Road Bond Construction	Facility Bond Construction
ASSETS				
Cash and cash equivalents	\$ 206,163	\$ 208,662	\$ 31,340,233	\$ 48,843
Investments	458,895	928,717	-	-
Receivables				
Interest receivable	3,245	5,063	-	-
Total assets	<u>\$ 668,303</u>	<u>\$ 1,142,442</u>	<u>\$ 31,340,233</u>	<u>\$ 48,843</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 53,715	\$ -
Retainage payable	-	-	135,128	-
Total liabilities	-	-	188,843	-
FUND BALANCES				
Restricted				
Buildings and renovations	-	-	-	48,843
Streets and drainage	-	-	31,151,390	-
Parks and recreation	-	-	-	-
Committed				
Buildings and renovations	668,303	1,142,442	-	-
Total fund balances	668,303	1,142,442	31,151,390	48,843
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 668,303</u>	<u>\$ 1,142,442</u>	<u>\$ 31,340,233</u>	<u>\$ 48,843</u>

City of Midland, Texas
Combining Balance Sheet – Nonmajor Capital Projects Funds (continued)
September 30, 2023

Parks Bond Construction	2014 General Purpose Certificates of Obligation	2018 General Purpose Certificates of Obligation	2019 General Purpose Certificates of Obligation	Total
\$ 17,686,812	\$ -	\$ 13,572,295	\$ 9,035,165	\$ 72,098,173
-	-	-	-	1,387,612
-	-	-	-	8,308
<u>\$ 17,686,812</u>	<u>\$ -</u>	<u>\$ 13,572,295</u>	<u>\$ 9,035,165</u>	<u>\$ 73,494,093</u>
\$ 105,846	\$ -	\$ 784,288	\$ -	\$ 943,849
-	-	258,891	44,136	438,155
105,846	-	1,043,179	44,136	1,382,004
-	-	-	-	48,843
-	-	12,529,116	8,991,029	52,671,535
17,580,966	-	-	-	17,580,966
-	-	-	-	1,810,745
17,580,966	-	12,529,116	8,991,029	72,112,089
<u>\$ 17,686,812</u>	<u>\$ -</u>	<u>\$ 13,572,295</u>	<u>\$ 9,035,165</u>	<u>\$ 73,494,093</u>

City of Midland, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
– Nonmajor Capital Projects Funds
Year Ended September 30, 2023

	Animal Shelter Facility and Equipment	Golf Course Capital Improvement	Road Bond Construction	Facility Bond Construction
REVENUES				
Pet licenses	\$ 79,088	\$ -	\$ -	\$ -
Charges for services	-	592,477	-	-
Investment earnings (loss)	20,647	(38,171)	825,653	2,215
Total revenues	99,735	554,306	825,653	2,215
EXPENDITURES				
Capital outlay	-	-	2,443,902	-
Total expenditures	-	-	2,443,902	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	99,735	554,306	(1,618,249)	2,215
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	21,127,880	-
Premium on bonds issued	-	-	1,372,120	-
Transfers in	-	588,136	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	588,136	22,500,000	-
NET CHANGE IN FUND BALANCES	99,735	1,142,442	20,881,751	2,215
FUND BALANCES, OCTOBER 1	568,568	-	10,269,639	46,628
FUND BALANCES, SEPTEMBER 30	\$ 668,303	\$ 1,142,442	\$ 31,151,390	\$ 48,843

City of Midland, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds (continued) Year Ended September 30, 2023

Parks Bond Construction	2014 General Purpose Certificates of Obligation	2018 General Purpose Certificates of Obligation	2019 General Purpose Certificates of Obligation	Total
\$ -	\$ -	\$ -	\$ -	\$ 79,088
-	-	-	-	592,477
894,289	-	493,122	420,442	2,618,197
894,289	-	493,122	420,442	3,289,762
2,065,451	29,430	5,448,854	533,309	10,520,946
2,065,451	29,430	5,448,854	533,309	10,520,946
(1,171,162)	(29,430)	(4,955,732)	(112,867)	(7,231,184)
-	-	2,500,000	-	23,627,880
-	-	-	-	1,372,120
-	-	-	-	588,136
-	(121)	-	-	(121)
-	(121)	2,500,000	-	25,588,015
(1,171,162)	(29,551)	(2,455,732)	(112,867)	18,356,831
18,752,128	29,551	14,984,848	9,103,896	53,755,258
<u>\$ 17,580,966</u>	<u>\$ -</u>	<u>\$ 12,529,116</u>	<u>\$ 8,991,029</u>	<u>\$ 72,112,089</u>

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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:

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.

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.

City of Midland, Texas
Combining Statement of Net Position – Internal Service Funds
September 30, 2023

	<u>Garage</u>	<u>Technology</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,495,734	\$ 987,794
Investments	13,824,204	1,319,322
Accounts receivable, net of allowance for uncollectibles	184,845	-
Interest receivable	97,746	9,328
Inventories	809,483	-
Prepaid items and other assets	-	-
	<u>29,412,012</u>	<u>2,316,444</u>
NONCURRENT ASSETS		
Capital and Subscription Assets		
Land	44,343	-
Construction in progress	2,636,881	1,617,987
Buildings	1,233,016	-
Improvements other than buildings	1,069,226	806,171
Machinery and equipment	80,626,527	1,579,428
Intangible and other	36,790	262,223
Subscription assets	-	1,302,418
Less accumulated depreciation and amortization	<u>(55,102,825)</u>	<u>(2,058,725)</u>
	<u>30,543,958</u>	<u>3,509,502</u>
Total capital and subscription assets		
	<u>30,543,958</u>	<u>3,509,502</u>
Total noncurrent assets		
	<u>30,543,958</u>	<u>3,509,502</u>
Total assets		
	<u>59,955,970</u>	<u>5,825,946</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension items	1,107,652	-
OPEB items	136,794	-
	<u>1,244,446</u>	<u>-</u>
Total deferred outflows of resources		
CURRENT LIABILITIES		
Accounts payable	1,780,624	267,517
Accrued payroll	92,421	7,780
Accrued interest	-	4,101
Compensated absences	62,538	-
Total OPEB liability	6,362	-
Estimated unpaid claims	-	-
Retainage payable	18,503	1,512
Subscription liability	-	45,877
Due to other funds	368,274	-
Other liabilities	-	-
	<u>2,328,722</u>	<u>326,787</u>
Total current liabilities		
NONCURRENT LIABILITIES		
Net pension liability	2,186,041	-
Compensated absences	26,802	-
Total OPEB liability	481,351	-
Subscription liability	-	77,366
Estimated unpaid claims	-	-
	<u>2,694,194</u>	<u>77,366</u>
Total noncurrent liabilities		
	<u>2,694,194</u>	<u>77,366</u>
Total liabilities		
	<u>5,022,916</u>	<u>404,153</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB items	339,060	-
	<u>339,060</u>	<u>-</u>
Total deferred inflows of resources		
NET POSITION		
Net investment in capital assets	30,525,455	3,384,747
Unrestricted	25,312,985	2,037,046
	<u>55,838,440</u>	<u>5,421,793</u>
TOTAL NET POSITION		
	<u>\$ 55,838,440</u>	<u>\$ 5,421,793</u>

City of Midland, Texas
Combining Statement of Net Position – Internal Service Funds (continued)
September 30, 2023

Medical/ Dental Self-Insurance	General Liability Self-Insurance	Total
\$ 10,344,891	\$ 2,705,676	\$ 28,534,095
13,393,990	8,088,020	36,625,536
13,949	11,272	210,066
94,704	57,187	258,965
-	-	809,483
75,000	44,867	119,867
<u>23,922,534</u>	<u>10,907,022</u>	<u>66,558,012</u>
-	-	44,343
-	-	4,254,868
-	-	1,233,016
-	-	1,875,397
-	-	82,205,955
-	-	299,013
-	-	1,302,418
-	-	(57,161,550)
<u>-</u>	<u>-</u>	<u>34,053,460</u>
<u>-</u>	<u>-</u>	<u>34,053,460</u>
<u>23,922,534</u>	<u>10,907,022</u>	<u>100,611,472</u>
-	60,053	1,167,705
-	11,076	147,870
<u>-</u>	<u>71,129</u>	<u>1,315,575</u>
832,873	31,371	2,912,385
4,101	31,311	135,613
-	-	4,101
-	15,571	78,109
-	534	6,896
1,915,370	992,122	2,907,492
-	-	20,015
-	-	45,877
-	-	368,274
5,564	-	5,564
<u>2,757,908</u>	<u>1,070,909</u>	<u>6,484,326</u>
-	155,786	2,341,827
-	6,674	33,476
-	37,665	519,016
-	-	77,366
-	3,230,479	3,230,479
<u>-</u>	<u>3,430,604</u>	<u>6,202,164</u>
<u>2,757,908</u>	<u>4,501,513</u>	<u>12,686,490</u>
<u>-</u>	<u>27,258</u>	<u>366,318</u>
<u>-</u>	<u>27,258</u>	<u>366,318</u>
-	-	33,910,202
21,164,626	6,449,380	54,964,037
<u>\$ 21,164,626</u>	<u>\$ 6,449,380</u>	<u>\$ 88,874,239</u>

City of Midland, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position —
Internal Service Funds
Year Ended September 30, 2023

	<u>Garage</u>	<u>Technology</u>
OPERATING REVENUES		
Billings to other funds	\$ 22,682,740	\$ 4,472,173
Employee payments	-	-
Total operating revenues	<u>22,682,740</u>	<u>4,472,173</u>
OPERATING EXPENSES		
Cost of goods sold	2,063,840	-
Salaries and fringe benefits	2,733,681	184,626
Contractual services	1,760,602	1,884,273
Maintenance of structure	22,080	-
Maintenance of equipment	3,766,825	208,917
Payment of claims	-	-
Supplies	3,197,637	1,494,398
Other expenses	2,251	-
Depreciation	4,792,124	547,159
Total operating expenses	<u>18,339,040</u>	<u>4,319,373</u>
OPERATING INCOME (LOSS)	<u>4,343,700</u>	<u>152,800</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	706,551	54,277
Interest expense	-	(5,273)
Gain on sale of capital assets	184,215	-
Other	100,803	-
Total non-operating revenues (expenses)	<u>991,569</u>	<u>49,004</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>5,335,269</u>	<u>201,804</u>
TRANSFERS		
Transfers in	-	936,983
Transfers out	(60,000)	-
Total transfers	<u>(60,000)</u>	<u>936,983</u>
CHANGE IN NET POSITION	5,275,269	1,138,787
NET POSITION, OCTOBER 1	<u>50,563,171</u>	<u>4,283,006</u>
NET POSITION, SEPTEMBER 30	<u>\$ 55,838,440</u>	<u>\$ 5,421,793</u>

City of Midland, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position —
Internal Service Funds (continued)
Year Ended September 30, 2023

Medical/ Dental Self-Insurance	General Liability Self-Insurance	Total
\$ 15,242,497	\$ 3,951,945	\$ 46,349,355
2,300,957	-	2,300,957
<u>17,543,454</u>	<u>3,951,945</u>	<u>48,650,312</u>
-	-	2,063,840
101,848	877,725	3,897,880
3,211,573	2,341,378	9,197,826
-	-	22,080
-	-	3,975,742
9,155,646	1,308,811	10,464,457
1,401	4,246	4,697,682
-	-	2,251
<u>-</u>	<u>-</u>	<u>5,339,283</u>
<u>12,470,468</u>	<u>4,532,160</u>	<u>39,661,041</u>
<u>5,072,986</u>	<u>(580,215)</u>	<u>8,989,271</u>
658,905	443,331	1,863,064
-	-	(5,273)
-	-	184,215
<u>-</u>	<u>11,272</u>	<u>112,075</u>
<u>658,905</u>	<u>454,603</u>	<u>2,154,081</u>
<u>5,731,891</u>	<u>(125,612)</u>	<u>11,143,352</u>
-	-	936,983
<u>-</u>	<u>-</u>	<u>(60,000)</u>
<u>-</u>	<u>-</u>	<u>876,983</u>
5,731,891	(125,612)	12,020,335
<u>15,432,735</u>	<u>6,574,992</u>	<u>76,853,904</u>
<u>\$ 21,164,626</u>	<u>\$ 6,449,380</u>	<u>\$ 88,874,239</u>

City of Midland, Texas
Combining Statement of Cash Flows — Internal Service Funds
Year Ended September 30, 2023

	<u>Garage</u>	<u>Technology</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from interfund service transactions	\$ 22,682,740	\$ 4,472,173
Receipts from miscellaneous revenues (payments)	(20,913)	-
Receipts from employees and retirees	-	-
Payments to suppliers and service providers	(8,914,353)	(3,381,806)
Payments to employees for salaries and benefits	(2,473,881)	(176,846)
Payments for interfund service transactions	<u>(691,865)</u>	<u>-</u>
Net cash from (used in) operating activities	<u>10,581,728</u>	<u>913,521</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	936,983
Transfers out	<u>(60,000)</u>	<u>-</u>
Net cash from (used in) noncapital financing activities	<u>(60,000)</u>	<u>936,983</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,442,856)	(328,719)
Principal paid on capital debt, notes payable, and leases	-	(1,179,175)
Interest and fees paid on capital debt, notes payable, and leases	-	(1,172)
Proceeds from sale of capital assets	<u>227,141</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(4,215,715)</u>	<u>(1,509,066)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,798,690)	(465,719)
Interest on investments	<u>658,838</u>	<u>48,483</u>
Net cash used in investing activities	<u>(1,139,852)</u>	<u>(417,236)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,166,161	(75,798)
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>9,329,573</u>	<u>1,063,592</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>\$ 14,495,734</u>	<u>\$ 987,794</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 4,343,700	\$ 152,800
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities		
Depreciation	4,792,124	547,159
Other income (expense)	100,803	-
(Increase) decrease in		
Receivables	(121,716)	49,798
Inventories	(123,676)	-
Prepaid items and other assets	2,301	-
Pension deferred outflow of resources	18,647	-
OPEB deferred outflow of resources	12,928	-
Increase (decrease) in		
Accounts payable and accrued liabilities	1,328,392	155,984
Accrued payroll	8,334	7,780
Estimated unpaid claims	-	-
Pension deferred inflow of resources	(1,469,817)	-
OPEB deferred inflow of resources	135,429	-
Compensated absences	444	-
Net pension liability	1,678,365	-
Total OPEB liability	<u>(124,530)</u>	<u>-</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>\$ 10,581,728</u>	<u>\$ 913,521</u>
NONCASH TRANSACTIONS		
Purchase of capital assets with accounts payable	18,503	1,512

City of Midland, Texas
Combining Statement of Cash Flows — Internal Service Funds (continued)
Year Ended September 30, 2023

Medical/ Dental Self-Insurance	General Liability Self-Insurance	Total
\$ 15,242,497	\$ 3,951,945	\$ 46,349,355
-	36,853	15,940
2,427,432	-	2,427,432
(11,546,626)	(3,430,611)	(27,273,396)
(101,539)	(857,004)	(3,609,270)
<u>-</u>	<u>-</u>	<u>(691,865)</u>
<u>6,021,764</u>	<u>(298,817)</u>	<u>17,218,196</u>
-	-	936,983
<u>-</u>	<u>-</u>	<u>(60,000)</u>
<u>-</u>	<u>-</u>	<u>876,983</u>
-	-	(4,771,575)
-	-	(1,179,175)
-	-	(1,172)
<u>-</u>	<u>-</u>	<u>227,141</u>
<u>-</u>	<u>-</u>	<u>(5,724,781)</u>
(1,970,995)	(506,206)	(4,741,610)
<u>611,715</u>	<u>417,722</u>	<u>1,736,758</u>
<u>(1,359,280)</u>	<u>(88,484)</u>	<u>(3,004,852)</u>
4,662,484	(387,301)	9,365,546
<u>5,682,407</u>	<u>3,092,977</u>	<u>19,168,549</u>
<u>\$ 10,344,891</u>	<u>\$ 2,705,676</u>	<u>\$ 28,534,095</u>
\$ 5,072,986	\$ (580,215)	\$ 8,989,271
-	-	5,339,283
-	11,272	112,075
126,475	25,581	80,138
-	-	(123,676)
-	-	2,301
-	1,011	19,658
-	830	13,758
(33,982)	20,011	1,470,405
309	3,652	20,075
855,976	203,813	1,059,789
-	(79,689)	(1,549,506)
-	10,428	145,857
-	2,701	3,145
-	90,996	1,769,361
<u>-</u>	<u>(9,208)</u>	<u>(133,738)</u>
<u>\$ 6,021,764</u>	<u>\$ (298,817)</u>	<u>\$ 17,218,196</u>

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STATISTICAL SECTION (Unaudited)

This part of the City of Midland, Texas' annual comprehensive 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.	118-122
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the sales tax and property tax.	123-130
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.	131-134
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 annual comprehensive financial reports for the relevant year.

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City of Midland, Texas
Net Position by Component
Last Ten Fiscal Years

Table 1

Fiscal Year	2014	2015*	2016	2017	2018**	2019	2020	2021	2022	2023
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 108,776,537	\$ 130,732,360	\$ 145,003,274	\$ 164,184,133	\$ 174,150,136	\$ 207,165,514	\$ 244,745,150	\$ 254,191,567	\$ 299,126,720	\$ 315,961,224
Restricted	15,059,213	20,226,070	29,841,000	16,363,069	23,121,441	27,383,814	21,014,235	24,186,610	44,647,499	64,957,835
Unrestricted	<u>63,586,639</u>	<u>9,120,513</u>	<u>(9,238,708)</u>	<u>24,802,362</u>	<u>(3,984,736)</u>	<u>(298,134)</u>	<u>(12,384,572)</u>	<u>(52,265,914)</u>	<u>(60,294,408)</u>	<u>(69,799,494)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 187,422,389</u>	<u>\$ 160,078,943</u>	<u>\$ 165,605,566</u>	<u>\$ 205,349,564</u>	<u>\$ 193,286,841</u>	<u>\$ 234,251,194</u>	<u>\$ 253,374,813</u>	<u>\$ 226,112,263</u>	<u>\$ 283,479,811</u>	<u>\$ 311,119,565</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 220,763,273	\$ 222,043,318	\$ 222,763,783	\$ 224,677,468	\$ 218,454,203	\$ 223,734,874	\$ 232,438,136	\$ 365,965,726	\$ 344,935,827	\$ 371,112,093
Restricted	9,026,221	7,890,685	6,489,537	7,032,618	7,901,365	9,614,298	9,784,610	11,679,196	14,821,024	19,243,761
Unrestricted	<u>83,584,394</u>	<u>93,094,258</u>	<u>92,582,619</u>	<u>65,244,637</u>	<u>118,398,177</u>	<u>138,649,471</u>	<u>147,025,898</u>	<u>142,807,951</u>	<u>136,093,860</u>	<u>139,753,514</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 313,373,888</u>	<u>\$ 323,028,261</u>	<u>\$ 321,835,939</u>	<u>\$ 296,954,723</u>	<u>\$ 344,753,745</u>	<u>\$ 371,998,643</u>	<u>\$ 389,248,644</u>	<u>\$ 520,452,873</u>	<u>\$ 495,850,711</u>	<u>\$ 530,109,368</u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 329,539,810	\$ 352,775,678	\$ 367,767,057	\$ 388,861,601	\$ 392,604,339	\$ 430,900,388	\$ 477,183,286	\$ 620,157,293	\$ 644,062,547	\$ 687,073,317
Restricted	24,085,434	28,116,755	36,330,537	23,395,687	31,022,806	36,998,112	30,798,845	35,865,806	59,468,523	84,201,596
Unrestricted	<u>147,171,033</u>	<u>102,214,771</u>	<u>83,343,911</u>	<u>90,046,999</u>	<u>114,413,441</u>	<u>138,351,337</u>	<u>134,641,326</u>	<u>90,542,037</u>	<u>75,799,452</u>	<u>69,954,020</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 500,796,277</u>	<u>\$ 483,107,204</u>	<u>\$ 487,441,505</u>	<u>\$ 502,304,287</u>	<u>\$ 538,040,586</u>	<u>\$ 606,249,837</u>	<u>\$ 642,623,457</u>	<u>\$ 746,565,136</u>	<u>\$ 779,330,522</u>	<u>\$ 841,228,933</u>

*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.

City of Midland, Texas

Changes in Net Position

Last Ten Fiscal Years

Table 2

Fiscal Year	2014	2015*	2016	2017	2018**	2019	2020	2021	2022	2023
EXPENSES										
Governmental activities										
General government	\$ 24,703,911	\$ 28,717,383	\$ 19,762,424	\$ 25,570,754	\$ 27,645,583	\$ 24,258,411	\$ 25,706,951	\$ 19,096,260	\$ 23,997,291	\$ 28,695,726
Development services	4,049,615	4,017,284	5,313,316	3,608,938	4,320,319	3,768,080	3,208,576	3,180,738	2,653,301	4,108,029
Engineering	14,099,842	16,352,355	14,919,310	17,837,007	22,463,436	22,732,126	23,690,401	25,559,912	22,347,858	25,475,424
Community services	10,958,751	12,116,060	13,653,821	17,218,438	17,362,841	13,541,026	14,515,055	22,277,865	18,308,419	15,734,720
Police	25,341,332	25,392,403	28,457,968	29,056,164	32,888,963	28,779,195	32,829,786	34,355,875	30,809,955	37,126,195
Fire	24,163,432	28,683,479	32,556,517	32,302,838	30,936,240	48,866,362	64,134,650	72,393,498	75,106,009	74,821,550
Golf	-	-	-	-	-	-	-	-	2,992,999	3,086,870
Sports complex	-	-	-	-	-	-	-	-	3,233,475	2,877,754
Housing programs	-	-	-	-	-	778,450	685,029	1,527,713	826,731	1,525,055
Economic development	-	-	-	-	-	4,045,087	3,977,192	3,730,100	3,405,197	4,024,382
Interest on long-term debt	1,955,205	1,817,804	1,801,049	2,867,573	2,587,862	4,133,382	5,058,084	5,375,616	4,652,710	4,833,302
Total governmental activities expenses	<u>105,272,088</u>	<u>117,096,768</u>	<u>116,464,405</u>	<u>128,461,712</u>	<u>138,205,244</u>	<u>150,902,119</u>	<u>173,805,724</u>	<u>187,497,577</u>	<u>188,333,945</u>	<u>202,309,007</u>
Business-type activities										
Airport	9,592,317	10,327,231	10,718,273	13,624,989	11,525,312	13,261,610	13,661,666	14,827,819	17,415,536	20,919,858
Water and sewer	61,678,752	64,163,946	70,466,172	71,977,966	76,868,084	84,043,753	92,172,311	81,762,406	87,890,959	86,318,024
Sanitation	10,453,364	10,927,308	13,304,713	13,730,752	13,977,814	17,366,746	16,593,760	17,539,987	19,740,658	23,103,022
Drainage	-	-	-	-	-	-	470,516	322,873	523,701	618,553
Sports complex	4,664,912	4,289,430	4,438,796	4,257,900	3,828,851	4,780,610	5,035,059	4,910,380	-	-
Golf course	2,287,526	2,519,117	2,762,118	2,701,329	2,727,783	2,873,990	2,785,653	2,903,240	-	-
Total business-type activities expenses	<u>88,676,871</u>	<u>92,227,032</u>	<u>101,690,072</u>	<u>106,292,936</u>	<u>108,927,844</u>	<u>122,326,709</u>	<u>130,718,965</u>	<u>122,266,705</u>	<u>125,570,854</u>	<u>130,959,457</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 193,948,959</u>	<u>\$ 209,323,800</u>	<u>\$ 218,154,477</u>	<u>\$ 234,754,648</u>	<u>\$ 247,133,088</u>	<u>\$ 273,228,828</u>	<u>\$ 304,524,689</u>	<u>\$ 309,764,282</u>	<u>\$ 313,904,799</u>	<u>\$ 333,268,464</u>
PROGRAM REVENUES										
Governmental activities										
Charges for services										
General government	\$ 626,796	\$ 814,523	\$ 1,516,056	\$ 3,507,741	\$ 1,690,851	\$ 1,545,492	\$1,608,971	\$1,122,535	\$1,019,203	\$ 1,236,774
Development services	3,867,182	3,282,596	2,201,743	2,617,349	3,663,827	307,348	220,871	203,635	164,162	140,617
Engineering	66,191	938,852	34,501	14,750	24,650	4,342,387	2,441,378	2,546,974	2,459,548	2,109,484
Community services	1,225,240	1,820,759	1,628,503	1,573,961	1,557,952	1,869,653	902,200	1,240,119	1,185,805	1,207,256
Police	4,348,819	3,848,647	3,965,168	5,044,751	5,044,874	3,881,438	2,391,452	2,069,781	2,811,206	2,765,467
Fire	1,832,028	1,816,971	1,625,476	1,766,971	3,233,630	2,082,870	1,851,874	2,218,882	4,346,498	4,271,680
Golf	-	-	-	-	-	-	-	-	3,024,148	3,753,640
Sports complex	-	-	-	-	-	-	-	-	1,386,131	1,481,961
Operating grants and contributions	1,710,722	1,384,229	1,526,617	1,738,336	1,566,451	2,189,675	12,261,766	3,237,936	3,059,361	2,717,379
Capital grants and contributions	10,066,200	13,503,014	503,113	6,695,626	158,284	21,197,225	26,468,798	5,008,089	7,648,721	5,691,669
Total governmental activities program revenues	<u>23,743,178</u>	<u>27,409,591</u>	<u>13,001,177</u>	<u>22,959,485</u>	<u>16,940,519</u>	<u>37,416,088</u>	<u>48,147,310</u>	<u>17,647,951</u>	<u>27,104,783</u>	<u>25,375,927</u>
Business-type activities										
Charges for services										
Airport	12,533,868	12,515,637	10,776,810	13,268,192	20,443,321	15,378,172	10,055,652	10,967,114	14,848,391	15,787,221
Water and sewer	54,261,913	58,094,221	61,966,908	68,281,460	79,858,913	79,605,969	85,986,682	76,018,939	88,127,899	84,607,456
Sanitation	15,234,536	16,152,502	14,945,478	15,600,965	18,575,987	21,409,769	20,433,270	19,229,179	24,885,922	25,327,858
Drainage	-	-	-	-	-	-	2,379,958	2,370,954	2,199,249	2,246,244
Sports complex	12,050,902	11,901,462	9,668,859	7,585,308	985,826	1,106,202	766,869	1,036,611	-	-
Golf course	2,326,692	2,152,681	1,987,133	2,258,982	2,633,486	2,794,295	2,314,724	2,775,712	-	-
Operating grants and contributions	2,238	5,649	34,214	-	-	-	5,042,711	7,570,515	5,894,700	10,572,246
Capital grants and contributions	13,022,019	6,910,868	5,224,553	7,394,240	5,602,635	13,664,923	13,535,324	130,439,420	10,179,047	7,977,731
Total business-type activities program revenues	<u>109,432,168</u>	<u>107,733,020</u>	<u>104,603,955</u>	<u>114,389,147</u>	<u>128,100,168</u>	<u>133,959,330</u>	<u>140,515,190</u>	<u>250,408,444</u>	<u>146,135,208</u>	<u>146,518,756</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<u>\$ 133,175,346</u>	<u>\$ 135,142,611</u>	<u>\$ 117,605,132</u>	<u>\$ 137,348,632</u>	<u>\$ 145,040,687</u>	<u>\$ 171,375,418</u>	<u>\$ 188,662,500</u>	<u>\$ 268,056,395</u>	<u>\$ 173,239,991</u>	<u>\$ 171,894,683</u>

City of Midland, Texas
Changes in Net Position (continued)
Last Ten Fiscal Years

Table 2

Fiscal Year	2014	2015*	2016	2017	2018**	2019	2020	2021	2022	2023
NET (EXPENSE) REVENUE										
Governmental activities	\$ (81,528,910)	\$ (89,687,177)	\$ (103,463,228)	\$ (105,502,227)	\$ (121,264,725)	\$ (113,486,031)	\$ (125,658,414)	\$ (169,849,626)	\$ (161,229,162)	\$ (176,933,080)
Business-type activities	20,755,297	15,505,988	2,913,883	8,096,211	19,172,324	11,632,621	9,796,225	128,141,739	20,564,354	15,559,299
TOTAL PRIMARY GOVERNMENT NET (EXPENSE) REVENUE	\$ (60,773,613)	\$ (74,181,189)	\$ (100,549,345)	\$ (97,406,016)	\$ (102,092,401)	\$ (101,853,410)	\$ (115,862,189)	\$ (41,707,887)	\$ (140,664,808)	\$ (161,373,781)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities										
Taxes										
Property	\$ 39,005,229	\$ 39,005,229	\$ 44,048,630	\$ 47,726,894	\$ 50,646,396	\$ 52,666,273	\$58,169,464	\$61,552,508	\$62,142,187	\$ 67,617,647
Sales	44,776,484	44,776,484	34,858,568	42,762,809	53,462,267	61,170,620	50,705,816	46,435,724	61,052,772	68,857,224
Gross receipts	12,732,502	12,732,502	13,856,431	14,149,139	14,768,594	14,926,559	15,187,724	15,200,760	18,837,109	18,790,678
Hotel-motel	6,512,643	6,512,643	5,290,840	5,497,928	12,546,459	10,036,671	5,298,023	4,338,753	5,671,276	7,275,924
Other	770,432	770,432	108,193	111,018	93,883	-	-	-	-	-
Grants not restricted to specific programs	-	-	-	-	-	-	-	-	6,936,582	4,083,522
Investment income	1,558,324	1,558,324	877,094	1,056,329	2,224,030	6,025,741	3,437,255	113,128	(13,119,425)	12,803,850
Oil and gas royalties	-	-	-	-	-	2,824,803	9,888,515	10,291,068	21,783,344	15,699,482
Gain on sale of capital assets	-	-	-	-	-	471,387	1,598	92,350	5,024	625
Miscellaneous	137,184	137,184	5,120,698	185,392	772,117	1,061,313	2,114,648	2,563,760	4,582,084	2,943,113
Transfers	4,183,738	4,183,738	4,829,399	33,756,716	(26,960,087)	(1,955,269)	(21,010)	1,999,025	50,705,757	6,500,769
Total governmental activities	109,676,536	109,676,536	108,989,853	145,246,225	107,553,659	147,228,098	144,782,033	142,587,076	218,596,710	204,572,834
Business-type activities										
Investment earnings	845,612	845,612	723,194	779,289	1,713,385	4,060,350	2,339,130	82,587	(9,938,173)	6,436,758
Oil and gas royalties	-	-	-	-	-	4,518,436	2,340,074	2,306,472	9,942,263	2,113,738
Gain on sale of capital assets	-	-	-	-	-	8,046	5,296	-	36,020	33,001
Miscellaneous	-	-	-	-	-	4,016,571	2,748,266	2,672,456	5,499,131	16,616,630
Transfers	(4,183,738)	(4,183,738)	(4,829,399)	(33,756,716)	26,960,087	1,955,269	21,010	(1,999,025)	(50,705,757)	(6,500,769)
Total business-type activities	(3,338,126)	(3,338,126)	(4,106,205)	(32,977,427)	28,673,472	14,558,672	7,453,776	3,062,490	(45,166,516)	18,699,358
TOTAL PRIMARY GOVERNMENT	\$ 106,338,410	\$ 106,338,410	\$ 104,883,648	\$ 112,268,798	\$ 136,227,131	\$ 161,786,770	\$ 152,235,809	\$ 145,649,566	\$ 173,430,194	\$ 223,272,192
CHANGE IN NET POSITION										
Governmental activities	\$ 28,147,626	\$ 19,989,359	\$ 5,526,625	\$ 39,743,998	\$ (13,711,066)	\$ 33,742,067	\$ 19,123,619	\$ (27,262,550)	\$ 57,367,548	\$ 27,639,754
Business-type activities	17,417,171	12,167,862	(1,192,322)	(24,881,216)	47,845,796	26,191,293	17,250,001	131,204,229	(24,602,162)	34,258,657
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 45,564,797	\$ 32,157,221	\$ 4,334,303	\$ 14,862,782	\$ 34,134,730	\$ 59,933,360	\$ 36,373,620	\$ 103,941,679	\$ 32,765,386	\$ 61,898,411

*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.

City of Midland, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years

Table 3

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GENERAL FUND										
Nonspendable	\$ 878,494	\$ 883,493	\$ 873,127	\$ 903,858	\$ 102,773	\$ 839,801	\$ 105,251	\$ 144,482	\$ 659,088	\$ 833,191
Restricted	218,782	204,080	149,561	159,164	143,126	157,322	105,910	214,602	269,361	318,997
Committed	29,431,800	22,298,783	17,898,849	7,589,408	22,646,984	17,205,563	25,595,487	12,960,185	10,798,257	50,383,490
Assigned	80,863	89,054	509,058	-	-	-	-	-	15,727,060	12,392,569
Unassigned	39,031,865	47,657,421	43,560,973	90,920,065	61,888,543	85,112,929	97,769,496	105,525,069	118,268,041	84,517,335
TOTAL GENERAL FUND	\$ 69,641,804	\$ 71,132,831	\$ 62,991,568	\$ 99,572,495	\$ 84,781,426	\$ 103,315,615	\$ 123,576,144	\$ 118,844,338	\$ 145,721,807	\$ 148,445,582
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable										
Restricted for	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,296	\$ 76,930
Debt service	524,091	778,424	754,328	434,347	294,157	603,863	898,677	1,991,529	700,192	962,248
Public safety	923,395	1,028,685	1,130,934	1,022,342	1,089,622	1,132,907	907,710	1,617,577	1,367,210	1,039,032
Court	807,768	871,016	445,427	528,869	567,447	625,752	658,446	678,078	482,775	427,061
Communications	6,135,384	2,566,617	669,234	351,044	275,573	235,915	181,435	-	-	-
Downtown	645,741	586,906	577,160	580,249	588,770	332,661	32,052,994	-	-	-
Building renovations	7,702,263	7,233,415	5,164,977	35,127,370	25,326,788	9,927,905	3,183,968	1,414,166	1,340,817	1,187,641
Streets and drainage	12,573,988	7,421,290	4,357,040	1,055,640	21,136,386	46,596,828	30,717,230	47,391,775	34,358,383	52,671,535
Parks and recreation	4,515,547	1,130,029	990,256	878,003	273,062	152,522	68,283	25,005,148	18,781,679	56,066,905
Hotel/motel	-	-	-	-	15,428,012	13,839,542	12,725,158	13,250,577	12,970,769	15,441,712
Other purposes	10,609,948	14,749,314	15,602,083	10,306,905	1,538,529	2,211,219	3,687,145	4,808,845	27,462,246	7,061,812
Committed to										
Building renovations	(6,044)	43,441	101,878	202,660	270,287	387,247	454,173	534,367	568,568	1,810,745
Parks and recreation	-	-	-	-	-	-	-	-	-	18,179,583
Streets and drainage	3,558,503	4,168,125	3,688,513	3,312,271	2,858,688	2,790,591	1,998,377	1,734,228	427,245	4,160
Other purposes	4,765,461	1,590,756	467,525	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(58,071)	(131,905)	(25,938)	(11,883)
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 52,756,045	\$ 42,168,018	\$ 33,949,355	\$ 53,799,700	\$ 69,647,321	\$ 78,836,952	\$ 87,475,525	\$ 98,294,385	\$ 98,514,242	\$ 154,917,481

City of Midland, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

Table 4

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Taxes	\$ 103,713,258	\$ 106,378,471	\$ 98,692,661	\$ 110,857,047	\$ 132,521,475	\$ 138,647,032	\$ 129,181,987	\$126,749,941	\$148,716,992	\$ 162,491,741
Licenses and permits	4,190,869	4,492,100	1,993,818	2,328,984	3,027,506	3,027,568	3,077,302	3,234,103	3,058,036	2,727,780
Fines and forfeitures	3,783,005	3,349,255	3,981,710	5,226,930	4,846,620	3,739,897	2,352,416	2,029,953	2,720,075	2,486,580
Charges for services	2,640,062	3,182,358	3,076,000	3,530,556	4,845,556	5,119,375	3,711,200	3,572,838	9,930,926	10,787,987
Rentals	286,614	269,291	273,883	220,903	232,102	200,257	359,950	481,919	412,497	601,620
Program income	119,055	106,961	142,196	115,062	179,790	105,767	96,932	98,030	95,614	14,055
Intergovernmental	1,430,101	1,537,981	1,526,617	1,737,434	1,564,361	2,189,675	12,261,766	3,237,936	9,995,943	6,924,437
Investment income (loss)	1,663,401	2,336,321	797,966	930,544	1,847,245	4,992,144	2,758,026	122,873	(10,077,111)	10,940,786
Oil and gas royalties	-	-	-	-	-	2,824,803	9,888,515	10,291,068	21,783,344	15,699,482
Contributions and donations	676,064	583,401	503,114	6,696,527	160,374	1,241,322	11,236,905	284,519	331,339	322,134
Miscellaneous	971,567	817,815	6,061,537	1,935,288	1,852,453	1,061,313	2,114,648	2,563,760	4,459,740	3,065,334
Total revenues	119,473,996	123,053,954	117,049,502	133,579,275	151,077,482	165,355,153	177,039,647	152,666,940	191,427,395	216,061,936
EXPENDITURES										
Current										
General government	17,694,864	20,216,316	29,223,055	17,855,516	18,483,553	15,110,969	12,447,297	11,013,954	12,783,283	15,175,795
Development services	3,350,847	3,555,322	3,267,907	3,315,831	3,505,250	3,658,008	3,716,659	3,344,419	3,537,465	4,459,121
Engineering	13,905,183	17,431,031	15,178,993	13,576,698	15,519,206	15,422,953	16,789,171	18,488,813	14,231,017	13,853,455
Community services	10,261,957	12,346,085	11,984,591	11,054,390	11,010,270	11,824,202	13,963,143	20,753,328	16,011,856	15,060,816
Police	25,416,580	25,308,241	26,469,372	27,743,755	27,772,640	28,065,052	33,355,954	35,836,861	34,355,925	36,162,185
Fire	24,516,468	26,254,173	25,949,421	26,021,410	28,203,934	31,587,985	33,608,878	34,787,851	35,591,642	40,283,405
Housing	-	-	-	-	433,743	778,450	685,029	1,527,713	826,731	1,525,055
Economic development	-	-	-	-	3,016,266	4,045,087	3,977,192	3,730,100	3,405,197	4,024,382
Golf	-	-	-	-	-	-	-	-	2,992,999	3,074,802
Sports Complex	-	-	-	-	-	-	-	-	3,233,472	2,873,633
Other	8,294,720	10,959,337	9,398,124	4,358,509	3,971,901	6,159,906	5,015,408	335,933	6,045,562	6,924,095
Capital outlay	13,361,266	14,245,722	11,698,668	28,778,933	31,013,726	48,476,993	49,172,194	30,138,258	43,449,575	31,758,193
Debt service										
Principal	2,607,154	2,849,650	3,434,732	2,947,931	3,710,172	3,252,414	3,903,966	5,232,758	6,391,762	7,102,081
Interest and fiscal changes	1,238,968	2,839,841	2,159,066	3,078,111	2,899,644	4,471,532	5,878,374	6,122,037	6,358,849	6,003,137
Issuance costs	327,226	-	11,096	212,778	232,863	424,199	358,068	569,502	-	291,431
Total expenditures	120,975,233	136,005,718	138,775,025	138,943,862	149,773,168	173,277,750	182,871,333	171,881,527	189,215,335	188,571,586
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,501,237)	(12,951,764)	(21,725,523)	(5,364,587)	1,304,314	(7,922,597)	(5,831,686)	(19,214,587)	2,212,060	27,490,350
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	-	-	-	279,973	191,405	471,387	1,598	95,000	5,024	625
Leases issued	-	-	-	-	-	-	-	-	410,057	710,133
Refunding bonds issued	3,800,000	-	-	-	-	-	-	-	-	-
Issuance of long-term debt, including premiums	27,605,633	-	-	31,194,386	29,150,047	39,701,350	33,872,932	52,961,716	-	25,302,120
Payment to refunded bond escrow agent	(4,420,000)	-	-	-	(4,064,106)	(5,890,881)	-	(27,392,887)	-	-
Accrued interest on debt issuance	2,177	-	-	-	-	-	-	-	-	-
Transfers in	5,406,690	4,672,929	6,313,533	41,558,533	31,548,801	2,182,707	3,000,827	6,799,247	35,512,788	30,195,940
Transfers out	(4,689,962)	(818,165)	(1,064,277)	(7,342,278)	(57,073,909)	(2,682,707)	(2,144,569)	(7,161,435)	(11,042,603)	(24,572,154)
Total other financing sources (uses)	27,704,538	3,854,764	5,249,256	65,690,614	(247,762)	33,781,856	34,730,788	25,301,641	24,885,266	31,636,664
NET CHANGE IN FUND BALANCES	\$ 26,203,301	\$ (9,097,000)	\$ (16,476,267)	\$ 60,326,027	\$ 1,056,552	\$ 25,859,259	\$ 28,899,102	\$ 6,087,054	\$ 27,097,326	\$ 59,127,014
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	3.57%	4.67%	4.40%	5.47%	5.57%	6.19%	7.32%	8.01%	8.75%	8.36%

City of Midland, Texas
Tax Revenues by Source – Governmental Funds
Last Ten Fiscal Years

Table 5

Fiscal Year	Ad Valorem Tax	City Sales Tax	Gross Receipts Tax	Mixed Beverage Tax	Hotel Motel Tax	Miscellaneous	Totals
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
2019	52,513,182	61,170,620	13,582,261	1,233,217	10,036,671	111,081	138,647,032
2020	57,990,424	50,705,816	14,199,448	712,531	5,298,023	275,745	129,181,987
2021	60,774,704	46,435,724	14,245,509	840,380	4,338,753	114,871	126,749,941
2022	63,155,835	61,052,772	17,602,888	1,123,456	5,671,276	110,765	148,716,992
2023	67,567,915	68,857,224	17,373,557	1,300,846	7,275,924	116,275	162,491,741
Change 2014-2023	73.6%	53.8%	36.5%	103.4%	11.7%	-11.2%	56.7%

City of Midland, Texas
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Table 6

<u>Fiscal Year Ended September 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Minerals Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2014	\$ 8,358,847	\$ 1,075,642	\$ 67,736	\$ 664,669	\$ 8,837,556	\$ 0.43193
2015	9,520,300	1,454,108	86,535	817,087	10,243,856	0.39389
2016	10,539,319	1,608,772	211,148	830,389	11,528,850	0.38048
2017	10,992,507	1,512,465	162,024	807,685	11,859,311	0.39968
2018	11,344,881	1,412,598	294,473	810,191	12,241,761	0.40839
2019	12,580,012	1,603,171	324,770	934,892	13,573,061	0.39225
2020	14,704,626	1,511,499	861,814	1,287,108	15,790,831	0.36470
2021	15,586,582	1,547,878	913,661	1,081,646	16,966,475	0.35893
2022	16,062,911	1,558,525	1,055,683	1,082,752	17,594,367	0.36715
2023	16,571,226	1,606,423	2,135,579	1,022,804	19,290,424	0.35504

Source: Midland Central Appraisal District

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

City of Midland, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Table 7

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
2014	\$ 0.3857	\$ 0.0462	\$ 0.4319	\$ 1.1301	\$ 0.1332	\$ 0.1265	\$ 0.1183
2015	0.3375	0.0564	0.3939	1.1401	0.1244	0.1408	0.1198
2016	0.3322	0.0483	0.3805	1.1401	0.1259	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	1.1201	0.1147	0.1400	0.1262
2019	0.3475	0.0448	0.3922	1.1201	0.1147	0.1400	0.1262
2020	0.3129	0.0518	0.3647	1.0501	0.0912	0.1280	0.0991
2021	0.2994	0.0595	0.3589	1.0266	0.0922	0.1288	0.0996
2022	0.3108	0.0563	0.3671	1.0236	0.0800	0.1311	0.0814
2023	0.3048	0.0502	0.3550	0.9148	0.0800	0.1311	0.0814

Source: Midland Central Appraisal District

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

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

City of Midland, Texas
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 8

Fiscal Year 2023			Fiscal Year 2014		
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 WI	\$ 901,315,870	4.67%	Propetro Services	\$ 159,565,810	1.81%
Pioneer Natural Res -WI	548,524,210	2.84%	Basic Energy Service	55,430,090	0.63%
Endeavor Energy Res -WI-	394,472,410	2.04%	Oncor Electric	48,635,240	0.55%
Viper Energy Partners LLC	271,564,210	1.41%	Wind Energy Transmission TX	45,549,980	0.52%
COG Operting LLC WI	268,982,420	1.39%	Linn Operating Inc.	37,540,000	0.42%
Permian Deep Rock Oil Co LLC	243,822,810	1.26%	Mall at Midland Park LLC	37,127,480	0.42%
Fasken Oil & Ranch LTD	142,135,060	0.74%	Claydesta Buildings LP	36,753,810	0.42%
Oncor Electric FKA: TXU Ele	115,420,900	0.60%	Fasken Midland LLC	28,608,000	0.32%
Chevron USA Inc	81,678,670	0.42%	Artificial Lift Div of STC M&E	27,312,550	0.31%
COG Realty LLC	77,939,680	0.40%	EOG Resources Inc.	27,005,150	0.31%
	<u>\$ 3,045,856,240</u>	<u>15.79%</u>		<u>\$ 503,528,110</u>	<u>5.70%</u>

Source: Midland Central Appraisal District

City of Midland, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

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
2014	\$ 38,171,791	\$ (61,767)	\$ 38,110,024	\$ 37,649,507	98.79%	\$ 387,171	\$ 38,036,678	99.81%
2015	40,349,624	257,775	40,607,399	40,195,420	98.99%	401,878	40,597,298	99.98%
2016	43,993,236	(87,083)	43,906,153	43,388,728	98.82%	400,940	43,789,668	99.73%
2017	47,399,178	(76,649)	47,322,529	46,698,294	98.68%	465,992	47,164,286	99.67%
2018	50,032,693	33,238	50,065,931	49,570,541	99.01%	422,132	49,992,673	99.85%
2019	53,242,897	(55,874)	53,187,023	52,640,070	98.97%	403,119	53,043,189	99.73%
2020	57,681,245	88,780	57,770,025	56,992,168	98.65%	359,136	57,351,304	99.28%
2021	60,843,883	211,409	61,055,292	59,514,984	97.48%	941,866	60,456,850	99.02%
2022	62,913,597	(463,493)	62,450,104	61,556,327	98.57%	400,463	61,956,790	99.21%
2023	68,600,038	(1,288,998)	67,311,040	66,409,710	98.66%	-	66,409,710	98.66%

Source: Midland Central Appraisal District

City of Midland, Texas
Taxable Sales by Category
Last Ten Calendar Years
(in thousands of dollars)

Table 10

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Agriculture, Forestry, Fishing, Hunting	\$ 2	\$ 51	\$ 197	\$ 378	\$ 304	\$ 266	\$ 217	\$ 90	\$ 1	\$ 59
Mining	449,326	570,842	1,572,006	244,036	536,229	774,964	721,375	718,114	855,140	1,538,524
Utilities	484	363	90	15	69	228	114	111	5,822	-
Construction	150,347	154,455	148,051	105,871	147,344	195,903	172,110	143,449	139,982	171,610
Manufacturing	94,079	91,330	50,920	54,449	105,592	140,714	133,960	100,392	101,136	129,725
Wholesale Trade	379,125	359,109	227,203	150,259	249,368	348,478	291,216	253,898	263,508	385,382
Retail Trade	1,440,110	1,577,050	1,378,194	1,221,306	1,393,758	1,624,238	1,229,577	1,424,540	1,594,830	1,775,385
Transportation, Warehousing	29,116	35,188	23,907	16,757	22,042	19,793	19,793	14,764	12,895	14,709
Information	59,935	78,034	81,836	75,945	77,992	91,382	68,778	56,090	47,907	51,214
Finance, Insurance	4,184	4,990	5,867	5,389	6,033	5,455	3,700	4,614	4,453	4,249
Real Estate, Rental, Leasing	92,640	98,098	84,710	65,688	107,551	178,169	152,146	91,472	65,366	99,266
Professional, Scientific, Technical Svc	107,340	99,282	83,674	69,166	93,933	140,562	113,978	108,685	115,164	160,883
Management of Companies, Enterprises	-	-	1,834	22,214	23,445	26,059	20,754	26,450	25,994	29,720
Admin, Support, Waste Management, Remed	58,667	65,082	70,198	62,074	42,481	40,992	35,664	40,644	45,234	51,113
Educational Services	565	412	395	414	456	884	465	593	651	1,015
Health Care, Social Assistance	3,931	4,111	4,234	4,359	3,788	4,588	3,259	3,656	4,136	4,222
Arts, Entertainment, Recreation	37,669	42,957	44,628	33,659	41,831	10,322	38,697	39,355	50,440	63,806
Accommodation, Food Services	314,494	359,413	353,929	333,202	381,221	441,495	353,000	395,186	470,662	533,319
Other Services	73,294	92,593	86,843	72,015	89,444	116,471	83,880	84,141	94,557	117,589
Public Administration	2,268	9,677	9,511	10,320	9,872	10,370	8,048	10,497	10,732	12,648
Other	3	-	-	4,599	27,166	18	24	280	-	1,442
Total	\$ 3,297,579	\$ 3,643,037	\$ 4,228,225	\$ 2,552,116	\$ 3,359,919	\$ 4,171,351	\$ 3,450,754	\$ 3,517,021	\$ 3,908,612	\$ 5,145,880
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

City of Midland, Texas
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Table 11

Fiscal Year	City Direct Rate	Midland County	Midland Football/Soccer and Baseball Complex Development Corporation	Midland Development Corporation
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%
2019	1.00%	0.50%	0.00%	0.25%
2020	1.00%	0.50%	0.00%	0.25%
2021	1.00%	0.50%	0.00%	0.25%
2022	1.00%	0.50%	0.00%	0.25%
2023	1.00%	0.50%	0.00%	0.25%

City of Midland, Texas
Sales Tax Revenue Payers by Industry
Current Calendar Year and Nine Years Ago
(in thousands of dollars)

Table 12

	2022				2013			
	Number of Filers	Percentage of Total	Sales Subject to Sales Tax	Percentage of Total	Number of Filers	Percentage of Total	Sales Subject to Sales Tax	Percentage of Total
Agriculture, Forestry, Fishing, Hunting	19	0.29%	\$ 59	0.00%	13	0.25%	\$ 2	0.00%
Mining	337	5.23%	1,538,524	29.90%	293	5.73%	449,326	13.63%
Utilities	11	0.17%	-	0.00%	10	0.20%	484	0.01%
Construction	543	8.43%	171,610	3.33%	419	8.20%	150,347	4.56%
Manufacturing	301	4.67%	129,725	2.52%	278	5.44%	94,079	2.85%
Wholesale Trade	322	5.00%	385,382	7.49%	297	5.81%	379,125	11.50%
Retail Trade	2,174	33.74%	1,775,385	34.50%	1,639	32.08%	1,440,110	43.67%
Transportation, Warehousing	59	0.92%	14,709	0.29%	65	1.27%	29,116	0.88%
Information	70	1.09%	51,214	1.00%	69	1.35%	59,935	1.82%
Finance, Insurance	47	0.73%	4,249	0.08%	45	0.88%	4,184	0.13%
Real Estate, Rental, Leasing	241	3.74%	99,266	1.93%	204	3.99%	92,640	2.81%
Professional, Scientific, Technical Svc	364	5.65%	160,883	3.13%	371	7.26%	107,340	3.26%
Management of Companies, Enterprises	25	0.39%	29,720	0.58%	7	0.14%	-	0.00%
Admin, Support, Waste Management, Remed	298	4.62%	51,113	0.99%	263	5.15%	58,667	1.78%
Educational Services	81	1.26%	1,015	0.02%	59	1.15%	565	0.02%
Health Care, Social Assistance	67	1.04%	4,222	0.08%	41	0.80%	3,931	0.12%
Arts, Entertainment, Recreation	167	2.59%	63,806	1.24%	114	2.23%	37,669	1.14%
Accommodation, Food Services	770	11.95%	533,319	10.36%	447	8.75%	314,494	9.54%
Other Services	523	8.12%	117,589	2.29%	443	8.67%	73,294	2.22%
Public Administration	7	0.11%	12,648	0.25%	4	0.08%	2,268	0.07%
Other	18	0.28%	1,442	0.03%	28	0.55%	3	0.00%
Total	6,444	100%	\$ 5,145,880	100%	5,109	100%	\$ 3,297,579	100%

Source: Texas Comptroller of Public Accounts

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

City of Midland, Texas

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Table 13

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Premium on Bonds ^b	Leases	Other Obligations	General Obligation Refunding Bonds	Certificates of Obligation	Premium on Bonds ^b	Leases	Capital Leases			
2014	\$ 5,200,324	\$ 54,205,556	\$ -	\$ -	\$ 100,000	\$ 21,499,547	\$ 63,052,883	\$ -	\$ -	\$ 229,630,333	\$ 373,688,643	3.63%	\$ 3,015
2015	3,828,678	52,416,186	-	-	-	17,726,630	60,636,482	-	-	232,058,693	366,666,669	4.17%	2,864
2016	2,429,689	50,194,519	-	-	-	13,797,701	58,087,908	-	-	232,896,859	357,406,676	4.88%	2,688
2017	1,560,000	78,536,123	-	-	-	-	56,053,285	-	-	234,096,590	370,245,998	4.71%	2,750
2018	26,370,000	65,262,587	9,275,982	-	-	34,555,000	14,067,413	4,016,080	-	235,484,581	389,031,643	3.18%	2,859
2019	54,290,000	64,505,173	11,700,225	-	-	33,915,000	28,384,827	5,105,754	-	237,076,810	434,977,789	3.56%	3,056
2020	74,200,000	69,446,207	15,577,753	-	-	32,610,000	41,558,793	7,248,421	-	238,028,119	478,669,293	4.91%	3,278
2021	97,877,414	63,145,000	17,298,791	-	-	39,990,000	56,087,586	11,851,408	-	239,157,075	525,407,274	4.29%	3,721
2022	94,443,966	61,686,034	15,623,935	456,165	-	285,750,000	52,910,000	18,055,962	309,462	-	529,235,524	4.11%	4,031
2023	114,810,518	58,469,482	15,413,572	844,217	123,243	283,645,000	51,040,000	16,447,497	229,117	-	541,022,646	4.71%	3,856

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Further, there is not any debt outstanding in the previous ten years that is secured by pledged revenue.

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

^b Premium on bonds payable is presented starting with fiscal year 2018

City of Midland, Texas
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 14

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	Premium on Bonds ^c	Total ^d				
2014	\$ 26,699,871	\$ 117,258,439	\$ -	\$ 143,958,310	524,091	\$ 143,434,219	1.62%	\$ 1,157
2015	21,555,308	113,052,668	-	134,607,976	778,424	133,829,552	1.31%	1,045
2016	16,227,390	108,282,427	-	124,509,817	754,328	123,755,489	1.07%	931
2017	1,560,000	134,589,408	-	136,149,408	434,347	135,715,061	1.14%	1,008
2018	60,925,000	79,330,000	13,292,062	153,547,062	294,157	153,252,905	1.25%	1,126
2019	88,205,000	92,890,000	16,805,979	197,900,979	712,047	197,188,932	1.45%	1,385
2020	106,810,000	111,005,000	22,826,174	240,641,174	1,026,419	239,614,755	1.52%	1,641
2021	137,867,414	119,232,586	29,150,199	286,250,199	2,249,029	284,001,170	1.67%	2,011
2022	380,193,966	114,596,034	33,679,897	528,469,897	801,228	527,668,669	3.00%	4,019
2023	398,455,518	109,509,482	31,861,069	539,826,069	1,044,622	538,781,447	2.79%	3,840

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

^a See Table 6 for property value data.

^b See Table 18 for per capita data.

^c Premium on bonds payable is presented starting with fiscal year 2018

^d This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

City of Midland, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2023

Table 15

<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	\$ 129,919,986	43.16%	\$ 56,073,466
Midland Junior College	8,783,000	40.01%	3,514,078
Midland County	2,885,000	36.51%	1,053,314
Midland County Hospital District	<u>146,158,913</u>	35.86%	<u>52,412,586</u>
Subtotal, overlapping debt			113,053,444
City of Midland (Direct Debt)			<u>188,693,572</u>
Total Direct and Overlapping Debt			<u><u>\$ 301,747,016</u></u>

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

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

^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.

City of Midland, Texas
Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Table 16

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt limit	\$ 707,004	\$ 819,508	\$ 922,308	\$ 948,745	\$ 979,341	\$ 1,085,845	\$ 1,263,266	\$ 1,357,318	\$ 1,368,485	\$ 1,543,234
Total net debt applicable to limit	<u>133,597</u>	<u>123,999</u>	<u>129,095</u>	<u>127,205</u>	<u>99,127</u>	<u>197,297</u>	<u>239,615</u>	<u>284,001</u>	<u>527,669</u>	<u>538,781</u>
Debt margin	<u>\$ 573,407</u>	<u>\$ 695,509</u>	<u>\$ 793,213</u>	<u>\$ 821,540</u>	<u>\$ 880,214</u>	<u>\$ 888,548</u>	<u>\$ 1,023,651</u>	<u>\$ 1,073,317</u>	<u>\$ 840,816</u>	<u>\$ 1,004,453</u>
Total net debt applicable to the limit as a percentage of debt limit	18.90%	15.13%	14.00%	13.41%	10.12%	18.17%	18.97%	20.92%	38.56%	34.91%

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

City of Midland, Texas
Demographic and Economic Statistics
Last Ten Calendar Years

Table 17

<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>
2013	123,935	\$ 13,573,085	\$ 109,518	33.1	23,299	2.6%
2014	128,037	15,300,461	119,500	33.1	24,428	3.3%
2015	132,950	17,457,778	131,311	33.5	24,651	4.5%
2016	134,613	17,420,746	129,414	33.5	25,668	2.9%
2017	136,090	12,379,069	90,962	33.5	26,159	2.3%
2018	142,339	15,501,036	108,902	31.4	25,943	1.9%
2019	146,042	23,513,106	161,002	31.5	22,549	2.1%
2020	141,192	22,522,939	159,520	31.4	25,128	4.9%
2021	131,292	21,726,357	165,481	33.0	26,398	5.7%
2022	140,322	25,470,876	181,517	31.1	26,387	2.9%

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

City of Midland, Texas
Principal Employers
Current Year and Nine Years Ago

Table 18

2023			2014		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
MISD	2,941	2.92%	Midland Independent School District	2,090	2.12%
Endeavor Energy Recourses	1,300	1.29%	Midland Memorial Hospital	1,851	1.88%
City of Midland	1,050	1.04%	Dawson Geophysical	1,052	1.07%
Midland County	1,000	0.99%	City of Midland	914	0.93%
Midland Memorial Hospital	950	0.94%	Wal-Mart Super Center	880	0.89%
Conoco Phillips	900	0.89%	Midland College	734	0.75%
Chevron	850	0.84%	Warren-Cat	647	0.66%
HEB	700	0.69%	Concho Resources	603	0.61%
Walmart	700	0.69%	Midland County	568	0.58%
XTO Energy, Inc	400	0.40%	Baker & Hughes	567	0.58%
	<u>10,791</u>	<u>10.70%</u>		<u>9,906</u>	<u>10.07%</u>
Total Employment	100,845		Total Employment	98,374	

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

City of Midland, Texas
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Table 19

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General government										
Administration	9	10	10	7	10	9	7	8	8	8
Support services	119	123	135	123	131	105	116	107	113	117
Finance/Acct/Treasury	15	15	15	16	16	15	16	16	17	18
Development services	36	37	42	39	41	40	41	38	43	41
Engineering	59	71	77	73	72	70	78	72	67	66
Community services	65	67	75	69	70	66	72	78	88	76
Police	214	234	239	244	225	231	242	248	276	239
Fire	198	204	209	217	212	218	232	233	253	237
Other	-	-	-	-	-	-	-	-	-	-
Airport	30	28	31	30	23	28	29	27	37	31
Water and sewer	80	94	96	92	89	84	104	97	85	80
Sanitation	47	58	59	52	51	60	67	69	74	72
Golf course	10	11	14	14	13	13	14	14	11	14
Total	<u>882</u>	<u>952</u>	<u>1,002</u>	<u>976</u>	<u>953</u>	<u>939</u>	<u>1,018</u>	<u>1,007</u>	<u>1,072</u>	<u>999</u>

Source: City Departments

City of Midland, Texas
Operating Indicators by Function/Program
Last Ten Fiscal Years

Table 20

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Function/Program										
Development services										
Street resurfacing/surface treatments (miles)	2.10	8.96	22.05	60.62	35.20	49.80	52.10	54.00	27.00	10.00
Potholes repaired	31,538	14,801	11,421	17,048	13,118	13,997	13,480	12,356	13,146	12,016
Community services										
Animal control animals handled	6,966	7,040	7,040	6,386	6,722	7,747	6,245	6,121	5,574	4,619
Health department immunizations given	16,815	21,441	21,441	12,499	17,489	19,877	10,435	9,470	13,077	18,267
Police										
Traffic citations	16,924	15,124	15,124	21,573	19,078	13,488	9,639	10,176	9,616	7,073
Parking citations	2,893	3,049	3,049	2,881	5,238	2,895	521	1,052	1,009	830
Criminal misdemeanor citations	4,629	4,825	4,825	5,248	4,759	1,763	1,502	1,498	3,779	2,121
Fire										
Emergency responses	15,234	15,369	15,369	15,202	17,879	18,532	17,531	19,199	20,323	18,076
Fires extinguished	501	501	501	478	635	825	805	557	767	839
Inspections	7,446	135	135	7,097	14,092	15,235	14,993	14,808	10,921	2,251
Airport										
Major airlines	4	4	4	3	3	3	3	3	3	3
Passengers boardings	529,357	527,315	527,315	503,746	581,721	650,056	400,133	435,893	605,749	661,749
Commercial Landings	9,654	9,632	9,632	8,020	8,557	9,098	7,069	7,112	8,371	9,251
Water and sewer										
New accounts - net	960	688	709	1,141	1,011	1,229	501	1,310	770	856
Water main breaks	81	99	88	73	86	89	84	119	113	119
Average daily consumption (MGD)	12.765	12.616	12.442	12.492	18.974	19.350	18.814	20.500	23.700	24.200
Peak daily consumption (MGD)	20.441	20.610	17.364	17.731	37.843	31.860	39.723	32.500	30.290	43.200
Average daily sewage treatment (MGD)	9.162	8.849	8.849	9.379	10.027	10.300	9.260	10.500	10.500	10.500
Sanitation										
Refuse collected (tons)	252,248	272,533	272,533	245,724	299,698	335,929	331,068	281,008	289,786	308,813
Recyclables collected (tons)	1,383	1,812	1,282	1,314	366	655	748	803	858	739
Sports complex										
Baseball stadium attendance	362,999	382,403	324,307	348,173	336,742	351,524	25,101	151,268	205,602	288,028
Football/soccer stadium attendance	132,064	123,681	127,227	117,890	127,953	116,613	66,910	127,422	170,814	160,783
Golf course										
Attendance	56,636	51,040	51,040	51,253	54,888	56,470	52,894	61,095	65,400	76,346
Tournaments	71	81	81	69	72	83	43	61	99	104

Source: City Departments

Notes: N/A – Data not available

City of Midland, Texas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Table 21

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function/Program										
Development Services										
Streets – paved (miles)	607	613	615	627	635	653	664	667	674	667
Streets – unpaved (miles)	19	35	37	19	18	17	13	13	12	11
Alleys – paved (miles)	139	142	137	141	144	145	145	144	144	162
Streetlights	6,321	6,321	6,351	6,351	6,350	6,350	6,430	6,450	6,472	6,580
Signalized locations	118	114	102	113	114	115	114	115	115	115
Community Services										
Parks acreage	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,364	1,327
Playgrounds	39	40	40	40	40	40	40	40	45	42
Baseball/softball diamonds	64	64	64	64	64	64	64	64	83	67
Football/soccer fields	49	49	49	49	59	59	59	59	74	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	151	61	120	120	105	105	114	152	178	123
Fire										
Stations	9	10	10	10	10	10	11	11	11	11
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	8,852
Water and sewer										
Water mains (miles)	823	835	843	845	854	893	892	932	946	1,003
Fire hydrants	3,678	3,716	3,885	4,074	3,988	4,650	4,459	4,660	4,672	5,168
System capacity (million gallons)	55	55	55	55	55	52	55	52	55	55
Sanitary sewers (miles)	625	636	636	663	668	670	685	685	694	654
Storm sewers (miles)	46	64	64	61	64	64	67	67	67	79
Sanitation										
Refuse trucks	43	45	46	47	35	47	46	47	31	31
Sports complex										
Stadiums	2	2	2	2	2	2	2	2	2	3
Golf course										
Courses	2	2	2	2	2	2	2	2	2	2
Holes	36	36	36	36	36	36	36	36	36	36

Source: City Departments

Notes: N/A – Data not available