

WHAT IS MIDLAND HIDING?

**\$114 Million
in
Hidden Debt**



None of Midland's retirement debt is clearly disclosed on its balance sheet.

Once these hidden debts are counted, Midland's balance sheet doesn't look so great. In fact, the city is sinking in debt. One of the reasons Midland is in this precarious financial position is city officials use antiquated budgeting and accounting rules to report Midland's financial condition.

Truth in Accounting's detailed analysis discovered a total of \$114 million of retirement benefits are owed, but not funded. Because of the confusing way the city does its accounting, none of these liabilities are reported on Midland's balance sheet. If this debt is included, Midland has a \$81 million shortfall, which effectively represents compensation and other costs that have been pushed into the future.

MIDLAND'S BILLS EXCEED ITS ASSETS

\$64 Million
ASSETS

\$144 Million
BILLS

\$81 Million
NEEDED TO
PAY BILLS

THE FINANCIAL STATE OF MIDLAND

The City's Bills Exceed Its Assets

Assets	\$288,375,000
Less: <i>Capital Assets</i>	\$207,055,000
<i>Restricted Assets</i>	\$17,738,000
Assets Available to Pay Bills	\$63,582,000
Less: Bills	\$144,140,000
Money Needed to Pay Bills	\$80,558,000
Each Taxpayer's Share of Debt	\$6,300

Midland has \$288 million in assets, but most of these assets are not available to pay city bills.

The \$207 million of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of \$18 million of the assets is restricted by law or contract.

That leaves \$64 million of city's assets available to pay \$144 million of bills as they come due.

The \$81 million shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's share of the city's debt is \$6,300.



Truth in
Accounting

Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

www.TruthInAccounting.org

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The Bills Midland Has Accumulated

Bonds	\$33,188,000
Other Liabilities	\$16,056,000
Less: Debt Related to Capital Assets	\$19,506,000
Unfunded Pension Benefits	\$67,131,000
Unfunded Retirees' Health Care Benefits	\$47,271,000
Bills	\$144,140,000

Despite the balanced budget requirement, the city has accumulated bonds of \$33 million and other liabilities of \$16 million. The calculation of assets available to pay bills does not include capital assets, so \$20 million of related debt is removed from the calculation of city bills.

Unfunded employees' retirement benefits represent 79% of city bills. These unfunded liabilities have accumulated because city employees have been promised \$67 million of pension benefits and \$47 million of retirees' health care benefits, but the city has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

No Retirement Liabilities Are Clearly Disclosed

Reported Retirement Liabilities	\$0
Total Retirement Liabilities	\$114,402,000

A detailed study of Midland's actuaries' schedules found retirement benefits totaling \$114 million have been promised, but not funded. A review of the city's balance sheet determined none of these liabilities are reported.

Data is derived from the city of Midland's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the city's population with a federal tax liability.