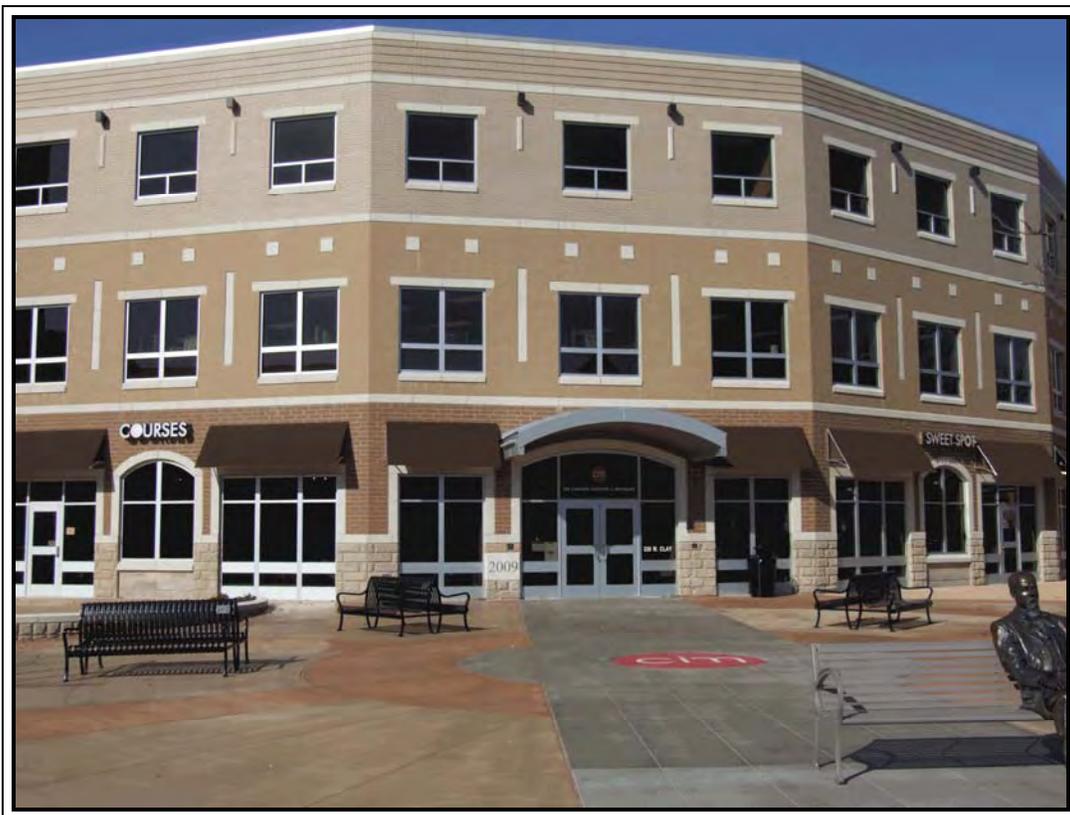


City of Muskegon,
Michigan

Comprehensive Annual Financial Report



For The Year Ended December 31, 2009

www.shorelinecity.com

**CITY OF MUSKEGON,
MICHIGAN**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2009**

Prepared By

FINANCIAL SERVICES DIVISION

**Timothy Paul
Director of Finance**

**Elizabeth Lewis
Assistant Finance Director**

**Kathy Coleman
Finance & Payroll Coordinator**

**Derrick Smith
City Treasurer**

**Kenneth Grant
Income Tax Administrator**

**James Maurer
Information Systems Director**

Cover Photo: The new Culinary Institute of Michigan in Downtown Muskegon (Courtesy of Ann Becker)

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City of Muskegon

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal 5
Certificate of Achievement for Excellence in Financial Reporting 12
Organization Chart..... 13
List of Principal Officials..... 14

FINANCIAL SECTION

Independent Auditors’ Report..... 17
Management’s Discussion and Analysis..... 19
Basic Financial Statements
Government-wide Financial Statements
Statement of Net Assets (Deficits) 34
Statement of Activities 35
Fund Financial Statements
Governmental Funds
Balance Sheet 36
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets 37
Statement of Revenues, Expenditures and Changes
in Fund Balances 38
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of
Activities 39
Proprietary Funds
Statement of Net Assets 40
Statement of Revenues, Expenses and Changes in Fund Net Assets 41
Statement of Cash Flows..... 42
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities..... 43
Component Units
Statement of Net Assets (Deficits) 44
Statement of Activities 45
Notes to Financial Statements 46
Required Supplementary Information
Budgetary Comparison Schedule—General Fund..... 74
Budgetary Comparison Schedule—Major Street and Trunkline Fund..... 80
Schedule of Funding Progress 81

City of Muskegon

TABLE OF CONTENTS

Other Supplemental Information

- Other Governmental Funds
 - Description of Other Governmental Funds 84
 - Combining Balance Sheet 86
 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances 87
- Other Special Revenue Funds
 - Combining Balance Sheet 88
 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances 89
 - Budgetary Comparison Schedule—Other Special Revenue Funds 90
- Other Capital Projects Funds
 - Combining Balance Sheet 92
 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) 93

Internal Service Funds

- Description of Internal Service Funds 95
- Combining Statement of Net Assets 96
- Combining Statement of Revenues, Expenses and Changes in Fund Net Assets 97
- Combining Statement of Cash Flows 98

Fiduciary Funds

- Description of Fiduciary Funds 99
- Agency Funds
 - Combining Statement of Assets and Liabilities 100
 - Statement of Changes in Assets and Liabilities 101

Component Units

- Description of Component Units 103
- Combining Balance Sheet 104
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Deficits) 105
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) 106
- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 107

Schedule of Indebtedness 109

City of Muskegon

TABLE OF CONTENTS

STATISTICAL SECTION

Financial Trends

Net Assets by Component 116
Changes in Net Assets 117
Fund Balances of Governmental Funds 118
Changes in Fund Balances of Governmental Funds 119

Revenue Capacity

Governmental Activities Revenues by Source 120
Taxable, Assessed and Equalized and Estimated Actual Valuation of Property 121
Principal Property Taxpayers 122
Property Tax Rates – Direct and Overlapping Government Units 123
Property Tax Levies and Collections 124
Segmented Data on Income Tax Filers, Rates and Liability 125

Debt Capacity

Ratio of Outstanding Debt by Type 126
Direct and Overlapping Debt 127
Legal Debt Margin Information 128
Revenue Bond Coverage 129

Demographic and Economic Information

Demographic and Economic Statistics 130
Principal Employers 131

Operation Information

Full-time Equivalent Government Employees 132
Operating Indicators by Function/Program 133
Capital Asset Statistics by Function/Program 134

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 136
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 138
Schedule of Expenditures of Federal Awards 140
Schedule of Findings and Questioned Costs 143
Client Documents
Summary Schedule of Prior Audit Findings 146
Corrective Action Plan 148

Affirmative
Action
(231)724-6703
FAX (231)722-
1214

Cemetery
(231)724-6783
FAX (231)726-
5617

City Manager
(231)724-6724
FAX (231)722-
1214

Civil Service
(231)724-6716
FAX (231)724-
4405

Clerk
(231)724-6705
FAX (231)724-
4178

Comm. &
Neigh. Services
(231)724-6717
FAX (231)726-
2501

Finance
(231)724-6713
FAX (231)724-
6768

Fire Department
(231)724-6792
FAX (231)724-
6985

Income Tax
(231)724-6770
FAX (231)724-
6768

Inspection
Services
(231)724-6715
FAX (231)728-
4371

Leisure Services
(231)724-6704
FAX (231)724-
1196

Mayor's Office
(231)724-6701
FAX (231)722-
1214

Planning/Zoning
(231)724-6702
FAX (231)724-
6790

Police
Department
(231)724-6750
FAX (231)722-
5140

Public Works
(231)724-4100
FAX (231)722-
4188

Treasurer
(231)724-6720
FAX (231)724-
6768

MUSKEGON



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April 5, 2010

Honorable Mayor and Members of the
City Commission
City of Muskegon
Muskegon, Michigan 49443

Ladies and Gentlemen:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the City of Muskegon, Michigan, for the year ended December 31, 2009. This report includes the City's audited financial statements in accordance with the requirements of state law. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This annual report is formatted to comply with the financial reporting model developed by the Government Accounting Standards Board (GASB) Statement 34.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the financial statements. The City of Muskegon's MD&A can be found immediately following the independent auditor's report.

The Comprehensive Annual Financial Report is prepared by the City's Finance Department and responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and results of operation of the City as measured by the financial activity of its various funds and component units; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's finances have been included. Brickley DeLong, P.C., Certified Public Accountants, performed the independent audit of all accounts of the City as required by state law and their report and unqualified opinion is presented as the first component of the financial section of this report.

City of Muskegon, 933 Terrace Street, P.O. Box 536, Muskegon, MI 49443-0536

<http://www.shorelinecity.com>

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THE CITY AND THE REGION

The City of Muskegon is located in Western Michigan on the shores of Lake Michigan. The City covers eighteen square miles and, with a population of approximately 40,000, is the largest city on the eastern shore of Lake Michigan. The City is located in Muskegon County and is part of the Muskegon-Norton Shores MSA.

Muskegon is home to many outstanding sports, recreation and cultural activities:

- Michigan Adventure, located north of the city, is the largest amusement park complex in Michigan. The City provides water to both the amusement park and the water park located on the site.
- For 50 years, Muskegon has been home to a minor league professional hockey franchise (IHL Muskegon Lumberjacks). The team plays in the 5,000 seat L. C. Walker Arena in downtown Muskegon.
- Muskegon is the eastern terminus for the high speed cross-lake ferry. Connecting Muskegon with Milwaukee, Wisconsin, the service ferries 100,000-plus passengers each season between the two cities. 2009 marked the ferry service's sixth successful year of operations.
- Muskegon is home to the annual Miss Michigan pageant.
- Pere Marquette beach is nationally recognized as one of the best beaches in the nation and is the only beach in Michigan to receive and maintain the Blue Wave Certification by the Clean Beaches Council. The Blue Wave certification identifies the nation's cleanest, safest and most environmentally well-managed beaches.
- Muskegon is home to successful summertime festivals that attract tens of thousands of visitors to the community. These include *Muskegon Summer Celebration* which brings top name musical groups to town for 11 days of waterfront music celebration and the *Bike Time* festival which attracts thousands of motorcycle enthusiasts to the city each July.
- Muskegon is the cultural hub for West Michigan with numerous museums and live performances. The Muskegon Museum of Art has one of the best art collections in the Midwest, and the Muskegon County Museum provides insight into the area's history. The former residences of Muskegon's lumber barons, Charles H. Hackley and Thomas Hume, proudly display the glory of the Victorian ages. The Fire Barn Museum takes visitors back to a 1890s Muskegon Fire Station. The West Shore Symphony and Muskegon Civic Theater bring the stage of The Frauenthal Center for the Performing Arts to life throughout the year.
- Muskegon is home to three historic museum ships that attract thousands of visitors each year:
 - *USS Silversides*, a rare surviving World War II submarine maintained in pristine condition;
 - *LST-393*, a landing craft used in the D-day invasion and one of only two such vessels remaining in existence; and the

MUSKEGON



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- *Milwaukee Clipper*, a Great Lakes passenger ship built before the *Titanic* that for many years served as a cross-lake ferry between Muskegon and Milwaukee.

Muskegon operates under a Commission-Manager form of government and provides a full range of traditional municipal services. These include police and fire protection, parks and recreation activities, public works operations, water and sewer services, solid waste collection, community development and general administrative support services. The City also provides treated water to several surrounding communities on a wholesale basis.

COMPONENT UNITS

The City has four discretely presented component unit types. These entities are discretely presented in the financial statements as the governing boards of the component units are appointed and approved by the City's governing board:

- The Downtown Development Authority (DDA) which exists primarily for the purpose of financing redevelopment activities in the City's downtown area. The DDA has issued bonds that are repaid through tax increment revenues generated from development within the Authority's boundaries.
- The Tax Increment Finance Authority (TIFA), which exists primarily for the purpose of financing redevelopment activities in a sub-section of the City's downtown area. The TIFA generates tax increment revenues through development within the Authority's boundaries.
- The Local Development Finance Authority (LDFA) issues bonds for development activities in the City's industrial park and high-tech park areas. Bonds are repaid through tax increment revenues generated by development within the Authority's boundaries.
- The Brownfield Redevelopment Authority (BRA), which exists primarily for the purpose of financing redevelopment of designated environmental brownfields. The BRA generates tax increment revenues through development within its boundaries.

LOCAL ECONOMIC CONDITION AND OUTLOOK

Muskegon is fortunate to have a diverse local economy. The manufacturing sector is strong in the areas of aerospace, chemicals, plastics, paper products, metals and castings, office furniture and automotive parts. The City of Muskegon also benefits from being home to large government, corrections, healthcare, and educational employers. Local income tax withholdings remitted by these employers provide stability to City finances in times of economic weakness.

Still, Muskegon has been heavily impacted by the current economic recession. Area unemployment has reached 17 percent and the resultant impact in City income tax revenue has been severe. There are signs, though, that recovery has started. According to the W.E. Upjohn Institute's most recent local economic forecast:

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“(T)he Muskegon region’s economic indicators moved in a positive direction last quarter, which suggests that employment conditions may finally begin to improve during the first part of 2010. Initial claims for unemployment insurance benefits fell by 9.1 percent last quarter and were down by 36.9 percent over the past year—an indication that fewer layoffs have been occurring in the area. Additionally, there are signs of life in the housing market: new-dwelling-unit contracts rose by 23.9 percent during the quarter and are up slightly over the past year.”

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Among the City's major initiatives and accomplishments in 2009 were the following:

- Development activity in the City’s downtown continued:
 - Baker College’s new \$11.0 million culinary arts institute was opened to students in 2009, The facility includes state-of-the-art training facilities as well as student-staffed restaurants open to the public;
 - Additional condominiums in the Heritage Square “live-work” development were started. A total of twenty-two units are planned for this downtown development.
- Work continued on a major \$12 million auto dealership expansion encompassing GM, Honda and Hyundai brands. The City assisted in this project with the creation of a Brownfield Redevelopment Authority and securing a low-interest state loan to help finance environmental work.
- Muskegon Correctional Facility, a state prison that had been scheduled to close, instead will remain open to house prisoners from the State of Pennsylvania. This innovative intergovernmental contract will save 250 local jobs.
- Significant efforts at local intergovernmental cooperation and consolidation were made during the year including:
 - Discussions to consolidate Muskegon’s fire services with surrounding township and city governments;
 - Contract implemented with County Prosecutor Office to prosecute local ordinance violations. This will save \$100,000 annually over having private contracted attorneys perform service.

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OTHER INFORMATION

INTERNAL ACCOUNTING CONTROLS

The City's management is responsible for establishing and maintaining an internal control structure that is designed to ensure adequate protection of the City's assets from loss, theft, or misuse, and adequate accounting data to allow for preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions.

BUDGETARY CONTROL

Budgetary control is maintained through an annual budget resolution passed by the City Commission. Budgetary control at the functional level is maintained by review of estimated expenditures prior to making purchases. Encumbrances are not recorded in the City's funds. The City does, however, utilize an informal monitoring system to facilitate budgetary control over proposed purchases. Essentially, this system entails the use of on-line budgetary information that details year-to-date "actual versus budgeted" expenditure comparisons by budget category. This information is accessible to appropriate personnel to enable them to ascertain the budget status of an expenditure category prior to authorizing additional purchases.

FINANCIAL POLICIES

The City's financial policies are reviewed and updated bi-annually. One of the more significant policy standards provides that the City maintain a General Fund fund balance equal to at least 10% of prior expenditures. The revenue falloff triggered by the 2008 financial crisis and recession caused the City to fall short of this standard in 2009. Program and staff reductions were made, but were not sufficient to keep the year-end fund balance from falling to 6.3% of prior year expenditures. Additional budgetary adjustments will be implemented in the first half of 2010 to better align General Fund revenues and expenditures. It should be noted too that the City maintains a separate Budget Stabilization fund that had a \$1.5 million balance at year-end.

DEBT ADMINISTRATION

At December 31, 2009, the total of City bonds and contractual debt outstanding (including discretely presented component unit debt) was \$35,345,733. No new long term debt was issued by the City or its component units in 2009.

MUSKEGON



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In March 2010, Standard & Poor's upgraded the City's general obligation debt rating from **A** to **A+**. In 2009 Standard & Poor's upgraded the City's water system revenue debt from **A-** to **AA-**. The **AA-** rating on water system revenue bonds was affirmed in March 2010 in conjunction with the refunding of \$6,030,000 in outstanding bonds. The refunding achieved net present value savings of \$334,200 or, 5.54% of refunded principal.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The City has transferred administrative responsibility for defined benefit pensions to the statewide Municipal Employees Retirement System (MERS) of Michigan. This was done to achieve the economies of scale and investment diversification that the \$5 billion MERS program offers. All new employees hired by the City since 2007 are covered by a defined contribution retirement program.

The City also provides post-retirement healthcare benefits for retirees and their dependents. Since 1987, the City has had an actuarial valuation of its post employment healthcare obligation prepared regularly and has followed a program of prefunding the obligation in the same manner as its pension obligations. In 2005, the City implemented the requirements of GASB statements 43 and 45 – "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

SINGLE AUDIT

The City is required to have an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Non-Profit Organizations". Information related to the single audit, including the schedule of federal awards, findings and questioned costs, and auditors' reports on internal control over financial reporting and compliance with certain laws, regulations and grants are included herein. The financial activities related to the single audit requirements, such as the Community Development Block Grant Program, are also included in this financial report.

AWARDS

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 Muskegon for its Comprehensive Annual Financial Report for the year ended December 31, 2008. This marked the twenty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports 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 our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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ACKNOWLEDGEMENTS

We would like to thank the members of the City Commission for their continued interest and support in conducting the financial affairs of the City in a responsible and progressive manner and for their efforts in working for the betterment of the Muskegon community. We would also like to thank the many City employees who participate in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bryon L. Mazade".

Bryon L. Mazade
City Manager

A handwritten signature in cursive script that reads "Timothy J. Paul".

Timothy J. Paul
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Muskegon
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



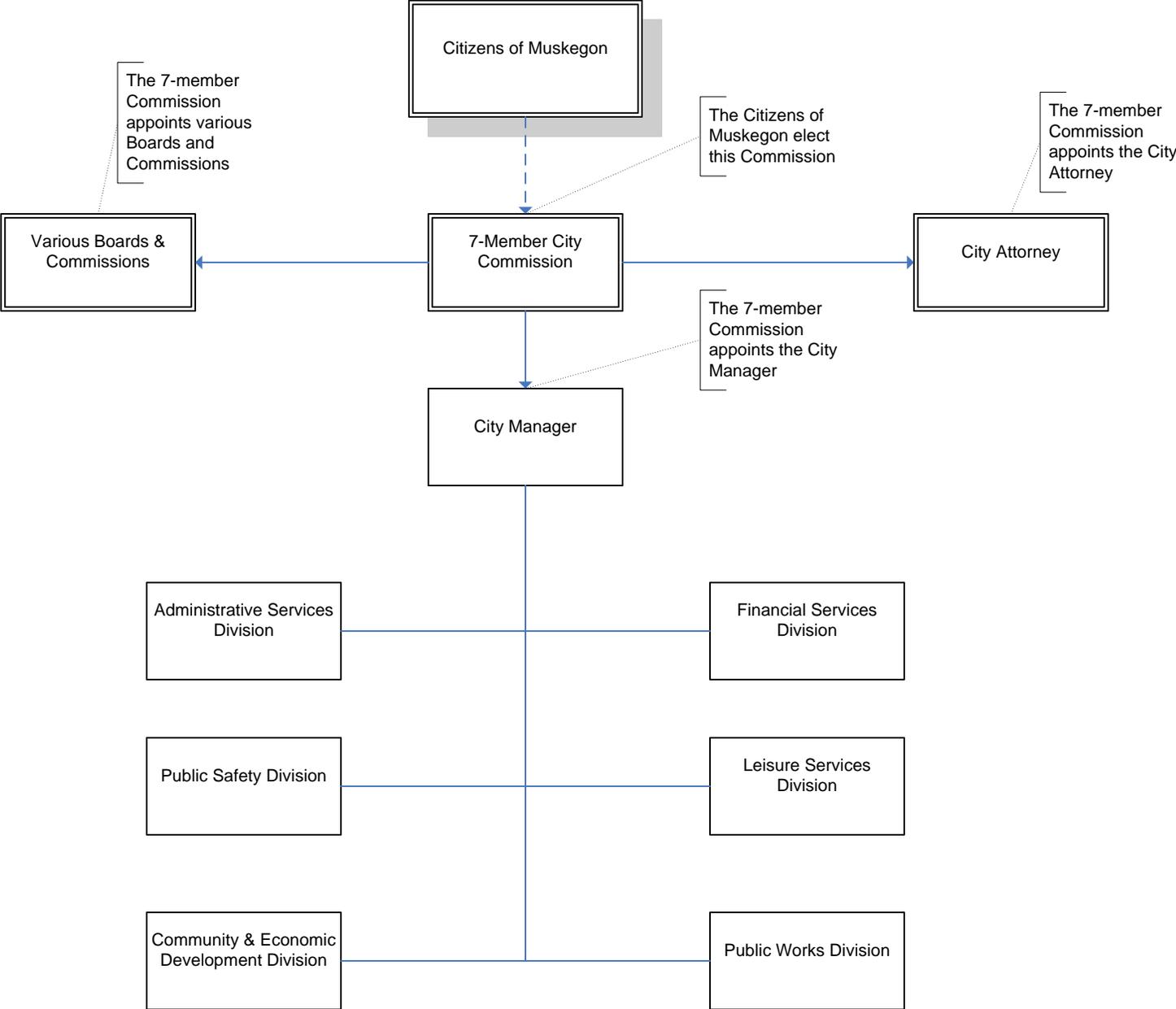
A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City Of Muskegon Organizational Chart



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF MUSKEGON, MICHIGAN
LIST OF PRINCIPAL OFFICIALS**

December 31, 2009

ELECTED OFFICIALS

Mayor-Commissioner. Steve Warmington
At Large

Vice Mayor-Commissioner. Stephen J. Gawron
At Large

Commissioner. Chris Carter
Ward 1

Commissioner. Clara Shepherd
Ward 2

Commissioner. Lawrence O. Spataro
Ward 3

Commissioner. Steve Wisneski
Ward 4

Commissioner. Sue Wierengo
At Large

APPOINTED OFFICIALS

City Manager. Bryon L. Mazade

City Attorney. John C. Schrier

Director of Finance. Timothy J. Paul

FINANCIAL SECTION

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

April 5, 2010

City Commission
City of Muskegon
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Muskegon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 19 - 31 and 74 - 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskegon's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor funds, schedule of indebtedness, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor funds, schedule of indebtedness, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other record used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other record used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brickley De Long, P.C.

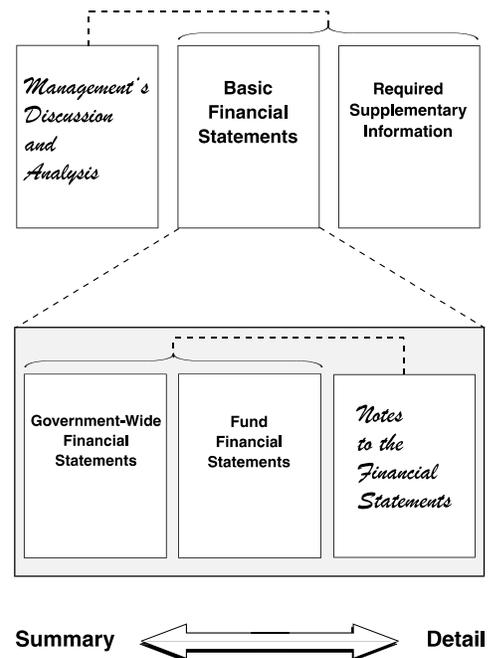
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Muskegon's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Muskegon exceeded its liabilities by \$129,474,312 as of December 31, 2009. Of the total net assets, \$14,904,556 (11.5%) was unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total combined net assets decreased \$2,831,518 during 2009. This decrease is primarily the result of sharply lower income tax and state shared revenues.
- The City's governmental funds reported combined ending fund balance of \$7,882,523, a decrease of \$2,388,917 from the prior year.
- The City's General Fund reported a total fund balance of \$1,638,662, a decrease of \$745,063 from the prior year. The decrease is attributed to falling income tax and state shared revenues brought about by the economic recession.
- The City also maintains a Budget Stabilization (or "rainy day") Fund that reported a \$1.5 million fund balance of at December 31, 2009. During the year, \$500,000 of Budget Stabilization reserves were used to help stabilize General Fund finances.

Figure A-1, Required Components of the City's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting individual City operations in greater detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains available for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about activities the City operates *like private businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include detailed notes that explain some of the information in the financial statements and provide additional data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current

year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's overall financial health or *position*. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. However, to assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements include not only the City of Muskegon itself (known as the *primary government*), but also legally separate *component units* for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements of the City include the *governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, parks and recreation, and interest on long-term debt. Income taxes, federal grants, property taxes and revenues from the State of Michigan finance most of these activities.

Also included in the government-wide statements are the City's business-type activities: water, sewer and marina operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's major *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law or other legal requirements.
- The City Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not

encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page of the governmental funds statements that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. The City uses three proprietary funds: water, sewer, and marina. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.
- *Component units* – Finally, the City of Muskegon's Comprehensive Annual Financial report includes six component units: the Downtown Development Authority (DDA), the Tax Increment Finance Authority (TIFA), three Local Development Finance Authorities (LDFAs) and, the newly created Brownfield Redevelopment Authority (BRA). Component units are separate legal entities for which the City of Muskegon has some level of financial accountability. The component units of the City exist primarily for the issuance and repayment of debt to finance projects in specific areas of the City. Accordingly, they are discussed below under the *Capital Assets and Debt Administration* heading.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The Statement of Net Assets provides an overview of the City's assets, liabilities and net assets. Over time this can provide a good indicator of the City's fiscal health. The total net assets of the City were \$129,474,312 as of December 31, 2009. This is a decrease of \$2,831,518 from reported net assets for the prior year. An overview of the City's net assets follows:

City's Net Assets

(In Thousands of Dollars)

	Governmental		Business-Type		Total		Percentage Change <u>2009-2008</u>
	Activities		Activities				
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Current and other assets	\$23,192	\$26,501	\$7,510	\$8,824	\$30,702	\$35,325	-13.09%
Capital assets	76,739	77,490	59,912	60,002	136,651	137,492	-0.61%
Total Assets	99,931	103,991	67,422	68,826	167,353	172,817	-3.16%
Long-term liabilities	8,492	9,000	17,105	18,240	25,597	27,240	-6.03%
Other liabilities	10,497	11,160	1,785	2,111	12,282	13,271	-7.45%
Total Liabilities	18,989	20,160	18,890	20,351	37,879	40,511	-6.50%
Net Assets							
Invested in capital assets, net of related debt	69,065	69,565	41,876	40,877	110,941	110,442	0.45%
Restricted	2,956	3,557	672	822	3,628	4,379	-17.15%
Unrestricted	8,921	10,709	5,984	6,776	14,905	17,485	-14.76%
Total Net Assets	\$80,942	\$83,831	\$48,532	\$48,475	\$129,474	\$132,306	-2.14%

The bulk of the City's net assets (\$110,941,307 or 86%) represent investments in capital infrastructure assets, less the remaining balance of debt issued to acquire those assets. Infrastructure assets are used to provide public services to citizens and are not available for spending. Another 2.8% (\$3,628,449) of the City's net assets are legally restricted as to use. The remaining net assets (\$14,904,556) are unrestricted and may be used to meet the City's operating needs and ongoing obligations.

Changes in net assets. The City's total revenues were \$44,118,776, down 6.3% from 2008. About 36% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another fifteen percent came from grants from the state and federal governments and thirty-four percent was from local property and income taxes. The remainder was comprised of state revenues and other sources such as franchise fees and investment income.

The total cost of all City programs and services during 2009 was \$46,950,294, an increase of \$309,727 from 2008. Seventy-five percent of these costs were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining twenty-five percent represents the costs of the City's business-type activities, specifically, water, sewer and marina operations.

The difference between the City's total revenues and expenses (\$2,831,518) represents the decrease in total net assets for 2009. The following table (*Changes in City's Net Assets*) further breaks down the change in total net assets into year-to-year changes in individual revenue and expense categories:

Changes in City's Net Assets

(In thousands of dollars)

	Governmental		Business-Type		Total		Percentage Change 2009-2008
	Activities		Activities				
	2009	2008	2009	2008	2009	2008	
Program revenues							
Charges for services	\$3,875	\$3,877	\$11,846	\$11,817	\$15,721	\$15,694	0.17%
Operating grants and contributions	6,443	5,367	-	-	6,443	5,367	20.05%
Capital grants and contributions	2,106	3,445	5	-	2,111	3,445	-38.72%
General revenues							
Property taxes	8,493	8,349	-	-	8,493	8,349	1.72%
Income taxes	6,628	8,118	-	-	6,628	8,118	-18.35%
State shared revenues	3,842	4,488	-	-	3,842	4,488	-14.39%
All other	857	1,519	24	109	881	1,628	-45.90%
Total revenues	32,244	35,163	11,875	11,926	44,119	47,089	-6.31%
Governmental activities expenses							
Public representation	924	987	-	-	924	987	-6.38%
Administrative services	698	783	-	-	698	783	-10.86%
Financial services	2,406	2,292	-	-	2,406	2,292	4.97%
Public safety	13,614	13,956	-	-	13,614	13,956	-2.45%
Public works	2,987	3,019	-	-	2,987	3,019	-1.06%
Highways, streets and bridges	7,161	7,265	-	-	7,161	7,265	-1.43%
Community and economic development	4,140	3,175	-	-	4,140	3,175	30.39%
Culture and recreation	2,463	2,624	-	-	2,463	2,624	-6.14%
General administration	452	575	-	-	452	575	-21.39%
Interest on long-term debt	288	324	-	-	288	324	-11.11%
Business-type activities expenses							
Water	-	-	6,080	5,801	6,080	5,801	4.81%
Sewer	-	-	5,427	5,503	5,427	5,503	-1.38%
Marina and Launch Ramp	-	-	311	347	311	347	-10.37%
Total expenses	35,133	35,000	11,818	11,651	46,951	46,651	0.64%
Change in net assets before transfers	(2,889)	163	57	275	(2,832)	438	-746.65%
Transfers	-	(40)	-	40	-	-	-
Change in net assets	(2,889)	123	57	315	(2,832)	438	-746.65%
Net assets at beginning of year	83,831	83,708	48,475	48,160	132,306	131,868	0.33%
Net assets at end of year	\$80,942	\$83,831	\$48,532	\$48,475	\$129,474	\$132,306	-2.14%

Net assets for governmental activities decreased \$2,889,272 as the economic recession impacted income tax and other revenues. Net assets for business-type activities changed only slightly (an increase of \$57,754) from 2008.

Governmental Activities

The following table (*Net Cost of Selected City Functions*) presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid specifically related to the function). The *net cost* reflects the portion of costs funded by local tax dollars and other general resources:

- The operational cost of all governmental activities during 2009 was \$35,132,970.

- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was \$15,120,872, or 43% of the total.
- The remaining cost was paid by user charges to those directly benefitting from the programs or by state and federal grants and contributions

Net Cost of Selected City Functions (in thousands of dollars)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	% Change 2009-2008	2009	2008	% Change 2009-2008
Governmental activities						
Public safety	\$13,614	\$13,956	-2.45%	\$12,415	\$12,670	-2.01%
Community and economic development	4,140	3,175	30.39%	500	742	-32.61%
Culture and recreation	2,463	2,624	-6.14%	1,996	2,157	-7.46%
Highways, streets and bridges	7,161	7,265	-1.43%	1,964	495	296.77%
Public works	2,987	3,019	-1.06%	2,561	2,610	-1.88%
All other	4,769	4,961	-3.87%	3,272	3,636	-10.01%
Total governmental activities	\$35,133	\$35,000	0.38%	\$22,709	\$22,310	1.79%

Business-Type Activities

The financial goal of the City's business-type activities (i.e. water, sewer and marina operations) is to operate on a more or less "break-even" basis without making significant profit or needing general tax subsidies. For 2009, the City's total business-type activities realized an overall increase in net assets of \$57,754.

Sewer Fund net assets increased \$316,473 as result of a twelve percent user fee increase implemented on January 1, 2009. The Water Fund saw net assets fall \$142,852 as result of lower usage brought on by the economic recession and, also, a one-time spike in operating costs resulting from a city-wide changeover in metering technology. Marina and Launch Ramp Fund net assets decreased \$62,133 due to depreciation charges on state-funded dock improvements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The fund financial statements provide detailed information about the major City funds, not the City as a whole. The City's major funds for 2009 were the General Fund and the Major Street and Trunkline Fund.

General Fund Highlights

The General Fund receives the most public attention since it is where local tax revenues are accounted for and where the most visible municipal services such as police, fire and parks are funded. The City reforecasts its General Fund budget on a quarterly basis to

take into account changing economic conditions and policy priorities. The following table shows the General Fund year-end fund balance for the last five years.

Year	Year-End Fund Balance	Year-to-Year % Change	Prior Year's Expenditures and Other Uses	Fund Balance as a % of Prior Year Expenditures (Policy Target=10%)
2009	\$1,638,662	-31.26%	\$26,100,539	6.28%
2008	2,383,725	-18.38%	24,800,810	9.61%
2007	2,920,632	8.57%	24,498,778	11.92%
2006	2,690,039	6.76%	23,658,227	11.37%
2005	2,519,605	3.04%	23,388,020	10.77%

The September 2008 financial crisis and accompanying economic recession took a heavy toll on the City's 2009 General Fund operations. Actual 2009 General Fund expenditures and other uses were \$1,055,935 under the original 2009 budget amount as significant program cuts were made during the year including:

- Elimination of the curbside recycling program;
- Restructuring of legal services including implementing a cost-saving contract with the county prosecutor's office to handle local ordinance violations;
- Layoff of several employees including two firefighters, the recycling coordinator, an electrical inspector, a city planner and a clerical position.
- Various other positions were eliminated through attrition.

General Fund revenues for 2009 were \$1,561,623 lower than originally budgeted. The falloff is primarily attributable to lower income tax and state shared revenues resulting from the recession. The City used \$500,000 from its Budget Stabilization ("rainy day") Fund to help offset the decline in revenues.

The City's General Fund ended 2009 with a fund balance that decreased significantly from the prior year and fell short of the policy target (10% of prior year expenditures). Further program cuts and restructuring will be made in 2010 to better align the City's revenues and expenditures.

Major Street and Trunkline Fund Highlights

The Major Street and Trunkline Fund accounts for all of the City's street construction and maintenance activities on its primary road system. Primary funding comes from the State of Michigan. During 2009, the fund balance of the Major Street and Trunkline Fund decreased \$12,066.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the City and its component units had invested \$139,798,529 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. Note D of the notes to the basic financial statements provides detailed information on the City's capital asset investment. Major capital asset projects during 2009 included the following:

- \$3.2 million in street improvements
- \$2.4 million in water and sewer system improvements

Long-Term Debt

At year-end 2009, the City had \$27,390,885 in bonds and other long-term obligations outstanding. This represents a decrease of 6.5% from the prior year. No new debt was issued in 2009. On April 1, 2010 \$6,030,000 of outstanding Water System Revenue Bonds were refunded with new bonds issued at lower interest rates. The net present value savings from the refunding are \$334,200 or 5.54% of the refunded principal amount.

Bond Ratings

The City's limited full faith and credit bonds (bonds guaranteed by the City's taxing powers) were upgraded by Standard & Poor's from a rating of "A" to "A+" in early 2010. During 2009, the City's Water System revenue bonds were upgraded from "A-" to "AA-".

Additional information concerning the City's long-term debt is presented in Note H to the basic financial statements.

City's Long Term Debt – Bonds and Other Obligations (In thousands of dollars)							
	Governmental		Business-Type		Total		Percentage
	Activities		Activities		Total		Change
	2009	2008	2009	2008	2009	2008	2009-2008
Due within one year	\$611	\$909	\$1,182	\$1,139	\$1,793	\$2,048	-12.45%
Due in more than one year	8,493	9,000	17,106	18,241	25,599	27,241	-6.03%
Total bonds & other obligations	\$9,104	\$9,909	\$18,288	\$19,380	\$27,391	\$29,289	-6.48%

In addition to direct City debt, component units such as the Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA) had outstanding debt totaling \$7,954,848 at year-end as shown in the table below. This represents a decrease of 3.6% from the prior year. No new component unit debt was issued in 2009.

Debt issued by component units typically is secured by the limited full faith and credit of the City and so is an important consideration in assessing the City's overall fiscal health.

Additional information concerning component units' long-term debt is presented in Note H to the basic financial statements and is summarized as follows:

Component Unit Long Term Debt – Bonds and Other Obligations							
(In thousands of dollars)							
	Downtown Development Finance Authority		Local Development Finance Authority		Total		Percentage Change
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009-2008</u>
Due within one year	\$230	\$220	\$80	\$80	\$310	\$300	3.33%
Due in more than one year	<u>3,245</u>	<u>3,475</u>	<u>4,400</u>	<u>4,479</u>	<u>7,645</u>	<u>7,954</u>	-3.88%
Total bonds & other obligations	\$3,475	\$3,695	\$4,480	\$4,559	\$7,955	\$8,254	-3.62%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2010 capital budget anticipates spending \$5,576,000 for capital projects, consisting of street improvements, water and sewer system improvements, and scheduled equipment replacements. These improvements will be funded through grants and revenues generated from operations. No new debt issuance is anticipated in 2010.

From an operating standpoint, the City's 2010 budget will entail further program and position cuts to better balance the City's operating expenses with recurring revenue streams.

The City depends on five major sources of revenue: local income taxes, local property taxes, state-shared revenues, state street funds, and water and sewer utility fees. Together, these five income sources account for about three-quarters of total City revenues. Meaningful discussion of the City's financial outlook needs to center on these major income sources.

Local Income Tax

The City income tax was approved by voters in 1993 and now is the primary source of funding for police, fire, parks and other general operations. The income tax rate is 1% on City residents and ½ of 1% on non-residents working in the City. The income tax provides key advantages for core cities such as Muskegon. First, it allows the City to regionalize its tax structure by taxing non-residents who work here and use City services. Second, it allows the City to benefit from development occurring outside City limits because City residents employed by non-City employers pay income taxes. Finally, the income tax generates revenue from workers at hospitals, churches, government agencies, colleges and other institutions traditionally exempt from paying local property taxes. This is particularly important for Muskegon since it is the regional center for most such institutions.

Income tax revenues fell sharply from \$7,694,780 in 2008 to \$6,482,290 for 2009 (15.8%). For 2009, the City has revised its income tax revenue estimate at \$6,200,000. The following table shows the makeup of the City's income tax base:

Category	Number of Payers	2009 Amount Paid	Percent of Total	Average Amount Paid	
				2009	2008
City Resident	6,788	\$ 2,541,951	39%	\$ 374	\$ 400
Non-Resident	12,433	3,106,829	48%	250	263
Corporate	1,850	833,510	13%	669	669
Total	21,071	\$ 6,482,290	100%	\$ 341	\$ 341

Local Property Tax

The City's 2009 property tax millage consisted of 11 mills: 8.5 mills for general operations and 2.5 mills levied for sanitation. City charter authorizes a general operating millage up to 10 mills and state law permits a maximum sanitation millage of 3 mills. Millage rates are applied to the taxable value of property in the City to arrive at the City's property tax levy. For 2010, the City is projecting \$8,034,944 in property taxes.

Year	Total Assessed Value	Percent Change	Estimated Actual Value
2009	\$867,330,950	-4.23%	\$1,734,661,900
2008	905,682,400	2.65%	1,811,364,800
2007	882,300,288	3.11%	1,764,600,576
2006	855,662,300	2.78%	1,711,324,600
2005	832,507,264	0.19%	1,665,014,528
2004	830,948,500	-0.97%	1,661,897,000

State Shared Revenues

State shared sales tax revenues represent about sixteen percent of total General Fund revenue. The City's state shared revenue allocation is made up of two parts. The constitutional component is a fixed percentage of total state sales tax collections that is allocated to cities on a per capita basis and that cannot be reduced by the legislature. The statutory component is determined by a complex formula and is subject to adjustment through the State's budget process. Both constitutional and statutory

components depend, of course, on overall state sales tax collections. The City's recent state shared revenue history is summarized below:

Year	State Shared Revenues	Percent Change
2009	\$3,841,922	-14.4%
2008	4,487,698	0.3%
2007	4,475,462	-1.8%
2006	4,556,801	-0.8%
2005	4,592,852	-1.1%
2004	4,645,348	-5.9%

Continued erosion of the state shared revenue component constitutes a major on-going problem for City finances.

For 2010, the City originally projected \$4,071,393 in state shared revenues. However, based on the most recent information available from the State, this estimate has been reduced to \$3,727,627.

Street Funds

The State also returns to the City a share of gasoline tax revenues to help fund maintenance and construction of major and local streets within the City. These revenues have not suffered to the extent that general state sales tax revenues have:

Year	Street Revenues from State	Percent Change
2009	\$3,177,862	-0.7%
2008	3,199,930	-2.7%
2007	3,288,098	-0.3%
2006	3,297,183	-0.7%
2005	3,319,131	-4.1%
2004	3,459,503	9.2%

For 2010, the City is projecting no material change in street funds from the State of Michigan.

Water and Sewer Fees

From a government-wide entity perspective, combined water and sewer fees represent the City's largest income stream totaling \$11,311,367 in 2009. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. During 2009, sewer rates were increased twelve percent as result of higher wastewater treatment and debt service charges enacted by Muskegon County.

A further sewer rate increases will likely be needed in 2010 due to the shutdown of a major industrial sewer customer. Water rates are expected to remain stable in 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or wish to obtain separate financial statements for the City's component units, contact the City's Finance Department at (231) 724-6713 or by e-mail (finance@shorelinecity.com).

FINANCIAL STATEMENTS

City of Muskegon
STATEMENT OF NET ASSETS (DEFICITS)
December 31, 2009

ASSETS

	Governmental activities	Business-type activities	Total	Component units
CURRENT ASSETS				
Cash and investments	\$ 11,189,821	\$ 2,972,770	\$ 14,162,591	\$ 325,080
Receivables	8,834,401	2,093,448	10,927,849	518,573
Due from other governmental units	2,412,599	67,560	2,480,159	-
Internal balances	(1,481,831)	1,481,831	-	-
Due from component units	10,214	-	10,214	-
Inventories	23,750	138,808	162,558	-
Prepaid items	389,109	25,177	414,286	-
Total current assets	21,378,063	6,779,594	28,157,657	843,653
NONCURRENT ASSETS				
Restricted assets	-	672,000	672,000	-
Capital assets, net				
Nondepreciable	18,655,233	2,587,805	21,243,038	400,000
Depreciable	58,083,425	57,324,084	115,407,509	2,747,982
Bond issuance costs, net	124,965	59,152	184,117	98,759
Special assessments receivable	1,440,526	-	1,440,526	-
Notes receivable	249,053	-	249,053	-
Total noncurrent assets	78,553,202	60,643,041	139,196,243	3,246,741
Total assets	99,931,265	67,422,635	167,353,900	4,090,394

LIABILITIES AND NET ASSETS (DEFICITS)

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	961,345	271,392	1,232,737	42,400
Due to other governmental units	-	331,070	331,070	-
Due to primary government	-	-	-	10,214
Unearned revenue	8,924,896	-	8,924,896	518,573
Bonds and other obligations, due within one year	610,500	1,182,200	1,792,700	310,000
Total current liabilities	10,496,741	1,784,662	12,281,403	881,187
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	8,492,654	17,105,531	25,598,185	7,644,848
Total liabilities	18,989,395	18,890,193	37,879,588	8,526,035
NET ASSETS (DEFICITS)				
Invested in capital assets, net of related debt	69,064,800	41,876,507	110,941,307	(1,233,107)
Restricted for:				
Streets and highways	1,636,036	-	1,636,036	-
Debt service	-	672,000	672,000	-
Perpetual care	-	-	-	-
Expendable	15,613	-	15,613	-
Non-expendable	1,304,800	-	1,304,800	-
Unrestricted	8,920,621	5,983,935	14,904,556	(3,202,534)
Total net assets (deficits)	\$ 80,941,870	\$ 48,532,442	\$ 129,474,312	\$ (4,435,641)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
For the year ended December 31, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Program Revenue		Primary Government		Component units
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	
Primary government						
Governmental activities						
Public representation services	\$ 923,911	\$ 213,885	\$ -	\$ (710,026)	\$ -	\$ (710,026)
Administrative services	698,022	271,117	7,920	(418,985)	-	(418,985)
Financial services	2,406,517	818,845	60,347	(1,527,325)	-	(1,527,325)
Public safety	13,614,112	1,117,476	80,976	(12,415,660)	-	(12,415,660)
Public works	2,986,747	383,733	42,180	(2,560,834)	-	(2,560,834)
Highways, streets and bridges	7,160,797	251,840	3,092,105	(1,963,849)	-	(1,963,849)
Community and economic development	4,139,765	249,241	3,180,314	(499,836)	-	(499,836)
Culture and recreation	2,463,375	445,891	21,561	(1,995,923)	-	(1,995,923)
General administration	451,651	123,426	-	(328,225)	-	(328,225)
Interest on long-term debt	288,073	-	-	(288,073)	-	(288,073)
Total governmental activities	35,132,970	3,875,454	6,443,223	(22,708,736)	-	(22,708,736)
Business-type activities						
Sewer	5,426,321	5,720,171	-	-	293,850	293,850
Water	6,080,230	5,883,830	-	-	(196,400)	(196,400)
Marina and Launch Ramp	310,773	242,055	5,179	-	(63,539)	(63,539)
Total business-type activities	11,817,324	11,846,056	5,179	-	33,911	33,911
Total primary government	\$ 46,950,294	\$ 15,721,510	\$ 6,443,223	\$ (22,708,736)	\$ 33,911	\$ (22,674,825)
Component units						
Local Development Finance Authority I	\$ 347	\$ -	\$ -	\$ -	\$ -	\$ (347)
Local Development Finance Authority II	25,235	-	-	-	-	(25,235)
Local Development Finance Authority III	380,328	-	195,000	-	-	(185,328)
Downtown Development Authority	119,923	-	-	-	-	(119,923)
Tax Increment Finance Authority	60,000	-	-	-	-	(60,000)
Brownfield Redevelopment Authority	2,302	-	-	-	-	(2,302)
Total component units	\$ 588,135	\$ -	\$ 195,000	\$ -	\$ -	\$ (393,135)
General revenues						
Property taxes				8,492,507	-	8,492,507
Income taxes				6,628,365	-	6,628,365
Cable franchises				321,852	-	321,852
Grants and contributions not restricted to specific programs				3,841,922	-	3,841,922
Unrestricted investment earnings				185,436	23,843	209,279
Miscellaneous				226,124	-	226,124
Gain on sale of capital asset				123,258	-	123,258
Total general revenues and transfers				19,819,464	23,843	19,843,307
Change in net assets				(2,889,272)	57,754	(2,831,518)
Net assets (deficit) at January 1, 2009				83,831,142	48,474,688	132,305,830
Net assets (deficit) at December 31, 2009				\$ 80,941,870	\$ 48,532,442	\$ 129,474,312

The accompanying notes are an integral part of this statement.

City of Muskegon
BALANCE SHEET
 Governmental Funds
 December 31, 2009

	General Fund	Major Street and Trunkline Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and investments	\$ 2,312,423	\$ -	\$ 4,505,142	\$ 6,817,565
Receivables				
Accounts and loans	318,751	35,878	662,462	1,017,091
Property taxes	5,801,920	-	-	5,801,920
Income taxes	837,957	-	-	837,957
Special assessments	-	894,417	874,636	1,769,053
Due from other governmental units	691,338	387,172	1,334,089	2,412,599
Due from other funds	428,752	-	1,457,428	1,886,180
Due from component units	-	-	10,214	10,214
Prepaid items	177,633	9,807	4,314	191,754
Total assets	<u>\$ 10,568,774</u>	<u>\$ 1,327,274</u>	<u>\$ 8,848,285</u>	<u>\$ 20,744,333</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 295,413	\$ 86,143	\$ 29,762	\$ 411,318
Accrued liabilities	145,006	11,014	9,906	165,926
Due to other funds	-	233,469	1,604,375	1,837,844
Deferred revenue	8,489,693	723,802	1,233,227	10,446,722
Total liabilities	<u>8,930,112</u>	<u>1,054,428</u>	<u>2,877,270</u>	<u>12,861,810</u>
Fund balances				
Reserved for:				
Prepaid items	177,633	9,807	4,314	191,754
Long-term loans receivable	-	-	224,431	224,431
Capital projects	-	-	2,080,506	2,080,506
Perpetual care	10,000	-	1,294,800	1,304,800
Unreserved				
Designated, reported in capital projects funds	-	-	871,111	871,111
Undesignated, reported in				
General Fund	1,451,029	-	-	1,451,029
Special revenue funds	-	263,039	1,797,078	2,060,117
Capital projects funds	-	-	(316,838)	(316,838)
Permanent funds	-	-	15,613	15,613
Total fund balances	<u>1,638,662</u>	<u>272,846</u>	<u>5,971,015</u>	<u>7,882,523</u>
Total liabilities and fund balances	<u>\$ 10,568,774</u>	<u>\$ 1,327,274</u>	<u>\$ 8,848,285</u>	<u>\$ 20,744,333</u>

The accompanying notes are an integral part of this statement.

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**

December 31, 2009

Total fund balance—governmental funds		\$ 7,882,523
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$ 123,319,939	
Accumulated depreciation	<u>(48,663,369)</u>	74,656,570
Bond issuance costs are not capitalized and amortized in the governmental funds.		
Bond issuance costs	160,106	
Accumulated amortization	<u>(35,141)</u>	124,965
Other receivables in governmental activities are not reported in the governmental funds.		
		606,300
Accrued interest in governmental activities is not reported in the governmental funds.		
		(60,900)
Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.		
		1,440,526
Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		
Bonds and notes payable	(7,798,823)	
Compensated absences	<u>(1,210,635)</u>	(9,009,458)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the Statement of Net Assets.		
		<u>5,301,344</u>
Net assets of governmental activities in the Statement of Net Assets		<u>\$ 80,941,870</u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended December 31, 2009

	General Fund	Major Street and Trunkline Fund	Other governmental funds	Total governmental funds
REVENUES				
Taxes	\$ 14,673,012	-	-	\$ 14,673,012
Licenses and permits	1,032,681	-	-	1,032,681
Intergovernmental revenues				
Federal	64,613	1,593,425	3,085,102	4,743,140
State	3,858,285	2,558,600	939,801	7,356,686
Local	60,347	25,235	215,000	300,582
Charges for services	2,436,461	19,911	164,000	2,620,372
Fines and forfeitures	523,615	-	58,779	582,394
Interest and rental income	270,392	50,177	80,331	400,900
Other	552,845	233,245	375,457	1,161,547
Total revenues	23,472,251	4,480,593	4,918,470	32,871,314
EXPENDITURES				
Current				
Public representation services	923,923	-	-	923,923
Administrative services	549,833	-	-	549,833
Financial services	2,406,623	-	-	2,406,623
Public safety	13,562,598	-	4,503	13,567,101
Public works	2,860,510	-	-	2,860,510
Highways, streets and bridges	-	4,692,659	1,870,305	6,562,964
Community and economic development	939,895	-	-	939,895
Culture and recreation	2,193,060	-	3,126	2,196,186
Other governmental functions	438,292	-	-	438,292
Debt service				
Principal	50,000	-	613,371	663,371
Interest and fees	220,063	-	62,111	282,174
Capital outlay	167,239	-	3,820,270	3,987,509
Total expenditures	24,312,036	4,692,659	6,373,686	35,378,381
Excess of revenues under expenditures	(839,785)	(212,066)	(1,455,216)	(2,507,067)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	68,452	68,452
Transfers in	632,768	200,000	526,840	1,359,608
Transfers out	(538,046)	-	(771,864)	(1,309,910)
Total other financing sources (uses)	94,722	200,000	(176,572)	118,150
Net change in fund balances	(745,063)	(12,066)	(1,631,788)	(2,388,917)
Fund balances at January 1, 2009	2,383,725	284,912	7,602,803	10,271,440
Fund balances at December 31, 2009	\$ 1,638,662	\$ 272,846	\$ 5,971,015	\$ 7,882,523

The accompanying notes are an integral part of this statement.

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

For the year ended December 31, 2009

Net change in fund balances—total governmental funds	\$ (2,388,917)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities, these costs are depreciated and amortized over their estimated useful lives, respectively.	
Depreciation and amortization expense	\$ (4,142,384)
Capital outlay	<u>3,517,831</u>
Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.	(141,766)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	662,404
Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	2,700
Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	138,689
Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the Statement of Net Assets.	(394,295)
The internal service funds are used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities.	<u>(143,534)</u>
Change in net assets of governmental activities	<u><u>\$ (2,889,272)</u></u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET ASSETS
 Proprietary Funds
 December 31, 2009

ASSETS

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	
CURRENT ASSETS				
Cash and investments	\$ 521,480	\$ 2,301,294	\$ 149,996	\$ 4,372,256
Accounts receivable	1,168,613	920,727	4,108	572,959
Due from other governmental units	-	63,215	4,345	-
Inventories	46,619	92,189	-	23,750
Prepaid items	10,560	14,048	569	197,355
Total current assets	1,747,272	3,391,473	159,018	5,166,320
NONCURRENT ASSETS				
Restricted assets	-	672,000	-	-
Capital assets				
Land	16,188	103,500	22,562	65,000
Land improvements	-	-	1,888,965	121,648
Buildings, improvements and systems	19,515,365	62,686,255	2,322,488	1,559,334
Machinery and equipment	39,722	2,788,156	-	7,439,725
Construction in progress	728,919	1,716,636	-	-
Less accumulated depreciation	(6,960,072)	(22,781,201)	(2,175,594)	(7,103,619)
Net capital assets	13,340,122	44,513,346	2,058,421	2,082,088
Bond issuance costs, net	-	59,152	-	-
Total noncurrent assets	13,340,122	45,244,498	2,058,421	2,082,088
Total assets	15,087,394	48,635,971	2,217,439	7,248,408
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	22,576	113,374	6,297	309,261
Accrued liabilities	4,359	124,509	277	13,940
Due to other governmental units	305,595	25,475	-	-
Due to other funds	-	-	-	48,336
Bonds and other obligations, due within one year	13,500	1,168,600	100	15,700
Total current liabilities	346,030	1,431,958	6,674	387,237
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	67,726	17,037,309	496	77,996
Total liabilities	413,756	18,469,267	7,170	465,233
NET ASSETS				
Invested in capital assets, net of related debt	13,340,122	26,477,964	2,058,421	2,082,088
Restricted for debt service	-	672,000	-	-
Unrestricted	1,333,516	3,016,740	151,848	4,701,087
Total net assets	\$ 14,673,638	\$ 30,166,704	\$ 2,210,269	\$ 6,783,175
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				1,481,831
Net assets of business-type activities				\$ 48,532,442

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Funds
 For the year ended December 31, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total
OPERATING REVENUES				
Charges for services	\$ 5,624,838	\$ 5,686,529	\$ 226,290	\$ 11,537,657
Other	95,333	197,301	15,765	308,399
Total operating revenues	5,720,171	5,883,830	242,055	11,846,056
OPERATING EXPENSES				
Administration	363,113	516,365	27,048	906,526
Insurance premiums and claims	-	-	-	-
Wastewater treatment	4,647,022	-	-	4,647,022
Filtration plant operations	-	1,409,738	-	1,409,738
Water distribution	-	1,572,160	-	1,572,160
Other operations	-	-	162,009	162,009
Depreciation and amortization	394,160	1,974,113	121,073	2,489,346
Total operating expenses	5,404,295	5,472,376	310,130	11,186,801
Operating income (loss)	315,876	411,454	(68,075)	(271,789)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	597	22,483	763	23,843
Gain on sale of capital assets	-	-	-	-
Interest expense	-	(576,789)	-	(576,789)
Total nonoperating revenue (expenses)	597	(554,306)	763	(552,946)
Income (loss) before transfers	316,473	(142,852)	(67,312)	(147,570)
Capital contributions	-	-	5,179	-
Transfers in	-	-	-	28,046
Transfers out	-	-	-	(77,744)
Change in net assets	316,473	(142,852)	(62,133)	111,488
Net assets at January 1, 2009	14,357,165	30,309,556	2,272,402	6,980,443
Net assets at December 31, 2009	\$ 14,673,638	\$ 30,166,704	\$ 2,210,269	\$ 6,783,175
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(53,734)
Change in net assets of business-type activities				\$ 57,754

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF CASH FLOWS
 Proprietary Funds
 For the year ended December 31, 2009

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 6,124,499	\$ 6,250,133	\$ 248,699	\$ 12,623,331	\$ 86,326	
Receipts from interfund services provided	23,898	146,335	-	170,233	7,493,915	
Payments to suppliers	(3,982,338)	(1,723,263)	(101,248)	(5,806,849)	(4,364,023)	
Payments to employees	(631,394)	(1,322,615)	(79,563)	(2,033,572)	(1,178,248)	
Payments for interfund services used	(486,661)	(660,004)	(9,372)	(1,156,037)	(710,733)	
Net cash provided by operating activities	1,048,004	2,690,586	58,516	3,797,106	1,327,237	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	28,046	
Transfers out	-	-	-	-	(77,744)	
Interfund borrowing	(249,387)	-	-	(249,387)	-	
Net cash used for noncapital financing activities	(249,387)	-	-	(249,387)	(49,698)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital contributions	-	-	5,179	5,179	-	
Purchases of capital assets	(277,734)	(2,117,524)	-	(2,395,258)	(446,534)	
Principal paid on capital debt	-	(1,110,000)	-	(1,110,000)	-	
Interest paid on capital debt	-	(567,462)	-	(567,462)	-	
Proceeds from sale of capital assets	-	-	-	-	107,039	
Net cash provided by (used for) capital and related financing activities	(277,734)	(3,794,986)	5,179	(4,067,541)	(339,495)	
CASH FLOW FROM INVESTING ACTIVITIES						
Investment earnings	597	22,483	763	23,843	29,162	
Net increase (decrease) in cash and investments	521,480	(1,081,917)	64,458	(495,979)	967,206	
Cash and investments at January 1, 2009	-	4,055,211	85,538	4,140,749	3,405,050	
Cash and investments at December 31, 2009	\$ 521,480	\$ 2,973,294	\$ 149,996	\$ 3,644,770	\$ 4,372,256	
Reconciliation of cash and investments to the statement of net assets						
Cash and investments	\$ 521,480	\$ 2,301,294	\$ 149,996	\$ 2,972,770	\$ 4,372,256	
Restricted cash and investments	-	672,000	-	672,000	-	
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 315,876	\$ 411,454	\$ (68,075)	\$ 659,255	\$ (271,789)	
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization expense		1,974,113	121,073	2,489,346	568,578	
Bad debt expense	394,160	5,296	-	10,384	-	
Change in assets and liabilities						
Receivables, net	463,198	532,825	6,644	1,002,667	1,036,229	
Inventories	(20,925)	(1,173)	-	(22,098)	(12,198)	
Prepaid items	3,461	6,042	394	9,897	(18,593)	
Accounts payable	(90,510)	(213,124)	516	(303,118)	8,639	
Accrued liabilities	(22,344)	(24,847)	(2,036)	(49,227)	(31,965)	
Due to other funds	-	-	-	-	48,336	
Net cash provided by operating activities	\$ 1,048,004	\$ 2,690,586	\$ 58,516	\$ 3,797,106	\$ 1,327,237	

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 December 31, 2009

	Agency Funds
ASSETS	
Cash and investments	\$ 5,413,000
Receivables	
Accounts	1,868
Property taxes	15,016,716
Total assets	\$ 20,431,584
LIABILITIES	
Accounts payable	\$ 204,587
Due to other governmental units	19,997,247
Deposits held for others	229,750
Total liabilities	\$ 20,431,584

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET ASSETS (DEFICITS)
Discretely Presented Component Units
December 31, 2009

		ASSETS						
	Local Development Finance Authority I	Local Development Finance Authority II	Local Development Finance Authority III	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total	
CURRENT ASSETS								
Cash and investments	\$ -	\$ -	\$ 13,765	\$ 289,526	\$ 21,789	\$ -	\$ 325,080	
Property taxes receivable	-	-	71,360	390,662	40,634	15,917	518,573	
Total current assets	-	-	85,125	680,188	62,423	15,917	843,653	
NONCURRENT ASSETS								
Capital assets, net								
Nondepreciable	-	-	400,000	-	-	-	400,000	
Depreciable	-	-	2,747,982	-	-	-	2,747,982	
Net capital assets	-	-	3,147,982	-	-	-	3,147,982	
Bond issuance costs, net	-	-	98,759	-	-	-	98,759	
Total noncurrent assets	-	-	3,246,741	-	-	-	3,246,741	
Total assets	-	-	3,331,866	680,188	62,423	15,917	4,090,394	
LIABILITIES AND NET ASSETS (DEFICITS)								
CURRENT LIABILITIES								
Accrued liabilities	-	-	32,800	9,600	-	-	42,400	
Due to primary government	-	-	-	-	-	10,214	10,214	
Deferred revenue	-	-	71,360	390,662	40,634	15,917	518,573	
Bonds and other obligations, due within one year	-	-	80,000	230,000	-	-	310,000	
Total current liabilities	-	-	184,160	630,262	40,634	26,131	881,187	
NONCURRENT LIABILITIES								
Bonds and other obligations, less amounts due within one year	-	-	4,399,848	3,245,000	-	-	7,644,848	
Total liabilities	-	-	4,584,008	3,875,262	40,634	26,131	8,526,035	
NET ASSETS (DEFICITS)								
Invested in capital assets, net of related debt	-	-	(1,233,107)	-	-	-	(1,233,107)	
Unrestricted	-	-	(19,035)	(3,195,074)	21,789	(10,214)	(3,202,534)	
Total net assets (deficits)	\$ -	\$ -	\$ (1,252,142)	\$ (3,195,074)	\$ 21,789	\$ (10,214)	\$ (4,435,641)	

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
 Discretely Presented Component Units
 For the year ended December 31, 2009

Program	Revenue	Net (Expense) Revenue and Changes in Net Assets								
		Local Development Finance Authority I	Local Development Finance Authority II	Local Development Finance Authority III	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total		
Functions/Programs										
Local Development Finance Authority I										
Economic development	\$ 347	\$ (347)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (347)
Local Development Finance Authority II										
Economic development	25,235	-	(25,235)	-	-	-	-	-	-	(25,235)
Local Development Finance Authority III										
Economic development	178,820	-	-	(178,820)	-	-	-	-	-	(178,820)
Interest on long-term debt	201,508	-	-	(6,508)	-	-	-	-	-	(6,508)
Total Local Development Finance Authority III	380,328	-	-	(185,328)	-	-	-	-	-	(185,328)
Downtown Development Authority										
Interest on long-term debt	119,923	-	-	-	(119,923)	-	-	-	-	(119,923)
Tax Increment Finance Authority										
Economic development	60,000	-	-	-	-	(60,000)	-	-	-	(60,000)
Brownfield Redevelopment Authority										
Economic development	2,302	-	-	-	-	-	-	(2,302)	-	(2,302)
Total discretely presented component units	\$ 588,135	\$ (347)	\$ (25,235)	\$ (185,328)	\$ (119,923)	\$ (60,000)	\$ (2,302)	\$ (393,135)		
General revenues										
Property taxes										
Unrestricted investment income										
Total general revenues										
Change in net assets										
Net assets (deficits) at January 1, 2009										
Net assets (deficits) at December 31, 2009										

The accompanying notes are an integral part of this statement.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Muskegon (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City of Muskegon was incorporated October 6, 1919, under the provisions of the Home Rule Act of the State of Michigan. The City is a municipal corporation governed by an elected mayor and six-member City Commission and is administered by a city manager appointed by the City Commission. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. Each discretely presented component unit has a December 31 fiscal year end.

Blended Component Unit

Building Authority. The Authority is governed by a three-member board comprised of the City Manager, City Attorney and City Finance Director. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations since its sole purpose is to acquire and lease property to the City. Currently, there is no outstanding Building Authority indebtedness.

Discretely Presented Component Units

Downtown Development Authority (DDA). The Authority's sole purpose is the collection of property tax incremental revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the downtown district. Members of the DDA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

Tax Increment Finance Authority (TIFA). The Authority's sole purpose is the collection of property tax incremental revenues and promotion of economic development activities (including issuance of debt) in a sub-section of the downtown district. Members of the TIFA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the TIFA budget and must approve any debt issuance. The TIFA is presented as a governmental fund type.

Local Development Finance Authority (LDFA). The City has created three separate local development finance authority districts under the aegis of the LDFA to promote and facilitate economic growth in the Port City Industrial Park, the Medendorp Industrial Park, and the SmartZone Hi-Tech Park. The LDFA's sole purpose is the collection of property tax incremental revenues and the construction of public facilities within the districts. Members of the LDFA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves budgets and must approve any debt issuance. The LDFA districts are presented as governmental fund types.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reporting Entity—Continued

Discretely Presented Component Units—Continued

Brownfield Redevelopment Authority (BRA). The Authority’s sole purpose is the collection of property tax incremental revenues and promotion of environmental remediation (including issuance of debt) in designated brownfield areas. Members of the BRA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the BRA budget and must approve any debt issuance. The BRA is presented as a governmental fund type.

Complete financial statements of the component units can be obtained from their administrative offices, 933 Terrace Street, Muskegon, Michigan 49443.

Related Organizations

The following organizations are related to the City’s financial reporting entity:

Muskegon Hospital Finance Authority. The Muskegon Hospital Finance Authority was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Hospital Finance Authority are appointed by the City but the City is not financially accountable for the Authority and therefore the Authority is excluded from the accompanying financial statements. The Hospital Finance Authority’s sole purpose is to issue tax-exempt debt for the benefit of Mercy Health Partners Hospital which is located within the City. The Authority has no assets or financial activity and does not prepare financial statements. The Hospital Finance Authority has no taxing power. As of December 31, 2009, there was no outstanding debt issued by the Hospital Finance Authority. The City is not obligated in any manner for repayment of debt issued by the Hospital Finance Authority, as any debt is payable solely from contractual payments from the hospitals.

Muskegon Housing Commission. The Muskegon Housing Commission was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Housing Commission are appointed by the City but the City is not financially accountable for the Commission and therefore the Commission is excluded from the accompanying financial statements. The Housing Commission’s main purpose is to administer activities that provide adequate housing facilities for low-income families and the elimination of housing conditions that are detrimental to the public peace, health, safety, and welfare. The Commission’s policy is to prepare its financial statements on the basis prescribed by the Department of Housing and Urban Development. Accordingly, the summary information below (which is required by federal regulations), is not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Summary financial information for the fiscal year ended September 30, 2008, the date of its latest audited financial statements is as follows:

Total assets	\$ 5,160,382
Total liabilities	<u>(201,660)</u>
Total net assets	<u>\$ 4,958,722</u>
Total operating income	\$ 343,420
Total operating expenses	(2,005,893)
Total nonoperating revenues	<u>1,547,276</u>
Change in net assets	<u>\$ (115,197)</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements excepting agency funds which have no measurement focus. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Income taxes, property taxes, franchise taxes, licenses 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. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street and Trunkline Fund accounts for gas and weight tax allocations to the City by the Michigan Department of Transportation for construction and maintenance of major streets within the City.

The City reports the following three major proprietary funds:

The Sewer Fund accounts for user charges and for operating expenses and debt service of the City's sewer system.

The Water Fund accounts for user charges and for operating expenses and debt service of the City's water system.

The Marina and Launch Ramp Fund accounts for user fees collected and operating expenses for the Hartshorn Marina and boat launch ramp facilities.

Additionally, the City reports the following fund types:

Internal Service Funds account for internal engineering services for City projects; the purchase, operation, and depreciation of all City owned equipment; the payment of insurance claims and benefits; and the operation, maintenance, and depreciation of the City's public service building to other funds of the government on a cost reimbursement basis.

The Agency Funds are used to account for assets held by the City as an agent for another organization or individual.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity.

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The City maintains a cash and investment pool that is available for use by all funds and component units. Each fund type's or component unit's portion of this pool is displayed on the combined balance sheet as "cash and investments". Cash overdrafts represent a deficit position in the pooled account and have been classified as amounts due to other funds.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Deposits and Investments—Continued

For the purpose of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash and cash equivalents because the investments are not identifiable to the specific funds and the assets can be withdrawn at any time, similar to a demand deposit account.

In accordance with State law, interest earned in the Budget Stabilization Fund is recorded in the General Fund.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. Taxes levied on December 1 are recorded as receivables and deferred revenue. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2008 state taxable value for real/personal property of the City totaled approximately \$724,211,000 of which approximately \$11,823,000 was captured by the component units. The ad valorem taxes levied consisted of 8.5, 2.5, and .0682 mills for the City's general operating, sanitation, and community promotion purposes. These amounts are recognized in the General Fund with captured amounts shown in the TIFA, LDFA, DDA, and BRA component units.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of business-type funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Restricted Assets

Certain proceeds of the Water Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to obtain the historical cost of the initial reporting of these assets by recording the actual costs incurred by the City.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-25
Leasehold improvements	10-25
Buildings and improvements	25-50
Water and sewage mains	40-100
Furniture, vehicles and equipment	5-20
Infrastructure	15-50
Shared improvements	20

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentation of prior year's totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. Also, certain items in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at City Hall to obtain public comments.
- c. Prior to September 25, the budget is legally adopted by the City Commission.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Commission.

The appropriated budget is prepared by fund, function and department. The City Manager may transfer line-item budget amounts within departments. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control is the department level for the General Fund and the total expenditure or “fund” level for all other funds. The City Commission made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended December 31, 2009, actual expenditures exceeded appropriations for the police department by \$309,576 and fire department by \$139,329 in the General Fund. These over-expenditures were funded with available fund balance.

Fund Deficits

As of December 31, 2009, the BRA Fund had an unreserved fund deficit of \$10,214, the Engineering Services Fund had an unreserved fund deficit of \$61,951, and the HOME Fund had an unreserved fund deficit of \$316,838. The deficits will be eliminated through future operations.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE C—DEPOSITS AND INVESTMENTS

As of December 31, 2009, the City had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market funds	\$ 14,411	1.9	AAA	0.3 %
US Agency obligations	3,519,785	12.4	AAA	63.5
US Treasury notes	<u>2,011,740</u>	<u>6.1</u>	not rated	<u>36.2</u>
Total fair value	<u>\$ 5,545,936</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>10.1</u>		

Interest rate risk. The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At least 10% of the City's total portfolio must be in instruments maturing in 30 days or less and the weighted average maturity cannot be over three years. US Agency obligations, federal instrumentality securities and time certificates of deposit cannot have a final maturity exceeding five years, repurchase agreements cannot have a final maturity exceeding one year, commercial paper cannot have a final maturity exceeding 270 days and eligible bankers' acceptances cannot have a final maturity exceeding 180 days.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The City has a concentration of credit risk policy that limits investment in commercial paper, eligible bankers acceptances and time certificates of deposit to 25% each of the total portfolio. More than 5 percent of the City's investments are in U.S. Agency obligations issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Federal Home Loan Bank. These investments are 18.26 percent, 36.16 percent and 9.04 percent, respectively, of the City's investments.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2009, the City's bank balance of \$15,510,515 was not exposed to custodial credit risk because it was fully insured. The City's investment policy sets certain credit requirements that a bank must meet for the City to deposit funds in it.

Custodial credit risk - investments. This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has a custodial credit risk policy for investments that requires that all investments that are held with a third-party for safekeeping be in the City's name.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk.

Restricted Assets

Restrictions are placed on assets by bond ordinance and City Commission action. At December 31, 2009, restricted cash and investments in the Water Fund of \$672,000 were restricted by bond ordinance.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,396,713	\$ 27,461	\$ -	\$ 12,424,174
Construction in progress	7,054,005	3,322,368	4,145,314	6,231,059
Total capital assets, not being depreciated	19,450,718	3,349,829	4,145,314	18,655,233
Capital assets, being depreciated:				
Land improvements	4,118,319	-	-	4,118,319
Leasehold improvements	304,365	39,249	-	343,614
Buildings and improvements	20,966,377	112,060	-	21,078,437
Furniture, vehicles and equipment	11,852,113	463,227	472,740	11,842,600
Infrastructure	67,595,870	4,145,314	850,642	70,890,542
Shared improvements	5,576,901	-	-	5,576,901
Total capital assets, being depreciated	110,413,945	4,759,850	1,323,382	113,850,413

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE D—CAPITAL ASSETS—Continued

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
Governmental activities—Continued				
Less accumulated depreciation:				
Land improvements	\$ 520,516	\$ 136,628	\$ -	\$ 657,144
Leasehold improvements	106,249	29,732	-	135,981
Buildings and improvements	12,903,849	440,831	-	13,344,680
Furniture, vehicles and equipment	9,335,043	610,886	460,758	9,485,171
Infrastructure	27,870,272	3,206,409	850,642	30,226,039
Shared improvements	1,639,128	278,845	-	1,917,973
Total accumulated depreciation	<u>52,375,057</u>	<u>4,703,331</u>	<u>1,311,400</u>	<u>55,766,988</u>
Total capital assets, being depreciated, net	<u>58,038,888</u>	<u>56,519</u>	<u>11,982</u>	<u>58,083,425</u>
Capital assets, net	<u>\$ 77,489,606</u>	<u>\$ 3,406,348</u>	<u>\$ 4,157,296</u>	<u>\$ 76,738,658</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 142,250	\$ -	\$ -	\$ 142,250
Construction in progress	2,589,533	1,171,386	1,315,364	2,445,555
Total capital assets, not being depreciated	<u>2,731,783</u>	<u>1,171,386</u>	<u>1,315,364</u>	<u>2,587,805</u>
Capital assets, being depreciated:				
Land improvements	1,888,965	-	-	1,888,965
Buildings and systems	83,209,430	1,314,678	-	84,524,108
Machinery and equipment	1,603,320	1,224,558	-	2,827,878
Total capital assets, being depreciated	<u>86,701,715</u>	<u>2,539,236</u>	<u>-</u>	<u>89,240,951</u>
Less accumulated depreciation:				
Land improvements	1,637,329	28,099	-	1,665,428
Buildings and systems	27,046,578	2,234,036	-	29,280,614
Machinery and equipment	748,868	221,957	-	970,825
Total accumulated depreciation	<u>29,432,775</u>	<u>2,484,092</u>	<u>-</u>	<u>31,916,867</u>
Total capital assets, being depreciated, net	<u>57,268,940</u>	<u>55,144</u>	<u>-</u>	<u>57,324,084</u>
Capital assets, net	<u>\$ 60,000,723</u>	<u>\$ 1,226,530</u>	<u>\$ 1,315,364</u>	<u>\$ 59,911,889</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

Administrative services	\$	52,454
Public safety		105,126
Public works		74,442
Highways, streets and bridges		3,566,154
Community and economic development		75,717
Culture and recreation		247,501
General administration		13,359
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets		<u>568,578</u>
	\$	<u><u>4,703,331</u></u>

Business-type activities:

Water	\$	1,968,859
Sewer		394,160
Marina and Launch Ramp		<u>121,073</u>
	\$	<u><u>2,484,092</u></u>

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
Component units:				
Capital assets, not being depreciated:				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital assets, being depreciated:				
Building and improvements	3,798,258	-	-	3,798,258
Less accumulated depreciation:				
Buildings and improvements	<u>877,628</u>	<u>172,648</u>	<u>-</u>	<u>1,050,276</u>
Total capital assets, being depreciated, net	<u>2,920,630</u>	<u>(172,648)</u>	<u>-</u>	<u>2,747,982</u>
Capital assets, net	<u><u>\$ 3,320,630</u></u>	<u><u>\$ (172,648)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,147,982</u></u>

Depreciation

Depreciation expense was charged to economic development.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE E—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended December 31, 2009 was as follows:

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
Governmental activities:				
Bond issuance costs	\$ 210,974	\$ -	\$ 50,868	\$ 160,106
Less accumulated amortization	<u>78,378</u>	<u>7,631</u>	<u>50,868</u>	<u>35,141</u>
Bond issuance costs, net	<u>\$ 132,596</u>	<u>\$ (7,631)</u>	<u>\$ -</u>	<u>\$ 124,965</u>
Business-type activities:				
Bond issuance costs	\$ 270,814	\$ -	\$ -	\$ 270,814
Less accumulated amortization	<u>198,116</u>	<u>13,546</u>	<u>-</u>	<u>211,662</u>
Bond issuance costs, net	<u>\$ 72,698</u>	<u>\$ (13,546)</u>	<u>\$ -</u>	<u>\$ 59,152</u>

Amortization

Amortization expense was charged to functions as follows:

Governmental Activities:		
Interest on long-term debt		\$ <u>7,631</u>
Business-type Activities:		
Water		\$ <u>13,546</u>

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2009 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street and Trunkline Fund	\$ 233,469
General Fund	Neighborhood Stabilization Fund	195,283
Budget Stabilization Fund	Local Streets Fund	194,273
Budget Stabilization Fund	Community Development Block Grant Fund	562,792
Budget Stabilization Fund	HOME Rehabilitation Fund	414,406
Budget Stabilization Fund	Lead Abatement Fund	134,911
Budget Stabilization Fund	Engineering Services Fund	48,336
Lead Abatement Fund	HOME Rehabilitation Fund	<u>102,710</u>
		<u>\$ 1,886,180</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued

The outstanding balances between funds result from the payable funds having negative positions in the City’s cash and investment pool.

The BRA component unit owes the Budget Stabilization Fund \$10,214 as a result of having a negative position in the City’s cash and investment pool.

Interfund transfers:

<u>Transfers in</u>	<u>Amount</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund	\$ 555,024	Nonmajor Governmental Funds	
		Budget Stabilization Fund	\$ 500,000
		Cemetery Fund	55,024
	<hr/>		<hr/>
	555,024		555,024
 General Fund	 77,744	Internal Service Funds	
		General Insurance Fund	77,744
 Major Street and Trunkline Fund	 200,000	Nonmajor Governmental Funds	
		Public Improvement Fund	200,000
 Nonmajor Governmental Funds		General Fund	510,000
Local Street Fund	510,000		
 Nonmajor Governmental Funds		Nonmajor Governmental Funds	
Local Street Fund	2,624	State Grant Fund	16,840
Public Improvement Fund	14,216		
	<hr/>		<hr/>
	16,840		16,840
 Internal Service Fund		General Fund	28,046
General Insurance Fund	28,046		
	<hr/>		<hr/>
	\$ 1,387,654		\$ 1,387,654
	<hr/> <hr/>		<hr/> <hr/>

The General Fund transferred funds to the Local Street Fund to finance capital improvements. Other transfers between funds are made to meet grant matching requirements or other operational needs.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE G—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes	\$ -	\$ 8,423,403
Receivables	81,300	501,493
Special assessments	1,440,526	-
Total deferred revenue for governmental funds	\$ 1,521,826	\$ 8,924,896

NOTE H—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended December 31, 2009.

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Due within one year
Governmental activities:					
General obligation debt	\$ 5,339,357	\$ -	\$ 49,033	\$ 5,290,324	\$ 70,000
Intergovernmental					
contractual obligations	1,416,900	-	296,900	1,120,000	74,000
Special assessment obligations	1,255,000	-	260,000	995,000	190,000
Installment purchase					
agreement	449,970	-	56,471	393,499	59,000
Compensated absences	1,447,580	2,530,973	2,674,222	1,304,331	217,500
Governmental activity					
long-term liabilities	\$ 9,908,807	\$ 2,530,973	\$ 3,336,626	\$ 9,103,154	\$ 610,500

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE H—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>	<u>Due within one year</u>
Business-type activities:					
Revenue obligations	\$ 19,196,800	\$ -	\$ 1,102,265	\$ 18,094,535	\$ 1,150,000
Compensated absences	<u>182,858</u>	<u>300,773</u>	<u>290,435</u>	<u>193,196</u>	<u>32,200</u>
Business-type activity long-term liabilities:	<u>\$ 19,379,658</u>	<u>\$ 300,773</u>	<u>\$ 1,392,700</u>	<u>\$ 18,287,731</u>	<u>\$ 1,182,200</u>
Component units:					
Revenue obligations	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
General obligation debt	<u>7,254,288</u>	<u>-</u>	<u>299,440</u>	<u>6,954,848</u>	<u>310,000</u>
Component unit long- term liabilities	<u>\$ 8,254,288</u>	<u>\$ -</u>	<u>\$ 299,440</u>	<u>\$ 7,954,848</u>	<u>\$ 310,000</u>
Governmental activities:					
General obligation debt:					
\$5,400,000 Limited Tax General Obligation Bonds of 2006 payable in annual installments of \$70,000 to \$350,000 through October 2032; interest at 4% to 4.2%					\$ 5,305,000
Less bond discount					(14,676)
Intergovernmental contractual obligations:					
\$700,000 Non-interest bearing State of Michigan urban land assembly loan of 2005 payable in annual installments of \$20,000 to \$120,000 through September 2015					620,000
\$500,000 State of Michigan Brownfield Redevelopment loan of 2008 payable in annual installments of \$54,572 from March 2010 through March 2019; including interest at 2%					500,000

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE H—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Governmental activities:—Continued

Special assessment obligations:

\$825,000 Special assessment improvement bonds of 2000 final payment of \$70,000 due April 2010; interest at 5%	\$ 70,000
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\$1,575,000 Capital improvement bonds of 2003 payable in annual installments of \$120,000 to \$150,000 through June 2016; interest at 3.5% to 4.05%	925,000
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Installment purchase agreement:

\$605,824 Note payable to bank in annual installments of \$58,894 to \$72,658 through April 2015; interest at 3.83%	393,499
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Compensated absences	7,798,823
	1,304,331
	\$ 9,103,154

Business-type activities:

Revenue obligations:

\$5,465,000 Water supply system bonds of 1993 payable in two installments of \$450,000 from May 2012 through May 2013; interest at 4.5%	\$ 900,000
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Less bond discount	(6,093)
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\$9,575,000 Water supply system bonds of 1999 payable in annual installments of \$130,000 to \$800,000 through May 2019; interest at 4.20% to 4.75%	5,665,000
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Less bond discount	(34,372)
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\$13,900,000 Drinking Water State Revolving Fund loan of 2004 payable in annual installments of \$615,000 to \$840,000 through October 2025; interest at 2.13%	11,570,000
--	------------

Compensated absences	18,094,535
	193,196
	\$ 18,287,731

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE H—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Component units:

Revenue obligations:

\$1,000,000 Non-interest bearing Downtown Development Authority promissory note to Muskegon County payable August 2019	\$ 1,000,000
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General obligation debt:

\$4,005,000 Downtown Development Authority tax increment refunding bonds of 2001 payable in annual installments of \$230,000 to \$335,000 through June 2018; interest at 4.25% to 5%	2,475,000
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\$4,725,000 Local Development Finance Authority tax increment bonds of 2002 payable in annual installments of \$80,000 to \$400,000 through November 2025; interest at 3.88% to 4.85%	4,485,000
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Less bond discount	<u>(5,152)</u> <u>\$ 7,954,848</u>
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For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The special assessment bonds are backed by the limited full faith and credit of the City.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on December 31, 2009 was approximately \$5,365,000. The City is unaware of any circumstances that would cause a shortfall in the near future.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE H—LONG-TERM DEBT—Continued

The \$4,725,000 Local Development Finance Authority (LDFA) tax increment bonds of 2002 are partially guaranteed by the Community Foundation for Muskegon County. If LDFA tax increment revenues are not sufficient to cover debt service costs in any year, the Foundation has agreed to pay one-half of such shortfall, up to \$75,000 annually. This commitment extends through December 31, 2016.

The City was in compliance in all material respects with all the revenue bond ordinances at December 31, 2009.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2009 follows:

Year ending December 31,	Governmental activities		Business-type activities		Component units	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 393,466	\$ 272,949	\$ 1,150,000	\$ 533,023	\$ 310,000	\$ 307,811
2011	417,083	260,984	1,185,000	496,787	320,000	294,604
2012	425,632	250,438	1,220,000	458,514	425,000	280,834
2013	434,311	239,400	1,260,000	418,422	500,000	262,268
2014	443,127	227,914	1,305,000	376,686	575,000	240,715
2015-2019	1,319,880	1,002,622	7,215,000	1,186,266	4,020,000	793,683
2020-2024	1,595,000	767,125	3,960,000	345,207	1,495,000	280,680
2025-2029	1,735,000	433,485	840,000	17,850	315,000	15,278
2030-2032	1,050,000	88,198	-	-	-	-
	<u>\$ 7,813,499</u>	<u>\$ 3,543,115</u>	<u>\$ 18,135,000</u>	<u>\$ 3,832,755</u>	<u>\$ 7,960,000</u>	<u>\$ 2,475,873</u>

Annual debt service requirements to maturity by type of debt as of December 31, 2009 follows:

Year ending December 31,	General Obligation Debt		Revenue Obligations	
	Governmental activities	Component units	Business-type activities	Component units
2010	\$ 285,345	\$ 617,811	\$ 1,683,023	\$ -
2011	282,545	614,604	1,681,787	-
2012	279,745	705,834	1,678,514	-
2013	276,945	762,268	1,678,422	-
2014	274,145	815,715	1,681,686	-
2015-2019	1,553,725	3,813,683	8,401,266	-
2020-2024	2,362,125	1,775,680	4,305,207	1,000,000
2025-2029	2,168,485	330,278	857,850	-
2030-2032	1,138,200	-	-	-
	<u>\$ 8,621,260</u>	<u>\$ 9,435,873</u>	<u>\$ 21,967,755</u>	<u>\$ 1,000,000</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE H—LONG-TERM DEBT—Continued

Year ending December 31,	<u>Intergovernmental Governmental activities</u>	<u>Installment Purchase Agreement Governmental activities</u>	<u>Special Assessment Governmental activities</u>
2010	\$ 74,572	\$ 72,838	\$ 224,751
2011	174,572	73,059	148,805
2012	174,572	73,291	149,393
2013	174,572	73,534	149,610
2014	174,572	73,786	149,508
2015-2019	392,860	74,049	307,013
2020-2024	-	-	-
2025-2029	-	-	-
2030-2032	-	-	-
	<u>\$ 1,165,720</u>	<u>\$ 440,557</u>	<u>\$ 1,129,080</u>

NOTE I—DESIGNATED FUND BALANCE

Unreserved fund balances designated for specific purposes as of December 31, 2009 were as follows:

Public Improvement Fund	
Designated for fire equipment replacement	\$ 736,275
Designated for Pere Marquette Park improvements	<u>35,763</u>
	772,038
 State Grants Fund	
Designated for Smither Ryerson grant match	<u>99,073</u>
	<u>\$ 871,111</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE J—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMRMA for its insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. A \$100,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2009 and 2008 were as follows:

Year ended <u>December 31,</u>	Balance at beginning of year	Current year claims and changes in estimates	Claims payments	Balance at end of year
2009	\$ 180,353	\$ 138,790	\$ 132,577	\$ 186,566
2008	44,125	269,792	133,564	180,353

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City is self-insured for employee health care benefits for those employees selecting the City plan over other options. Under this plan, the General Insurance Fund provides coverage for up to a maximum of \$350,000 per covered individual's lifetime. As of December 31, 2009, the claims liability including incurred but not reported claims was \$50,267. A liability was recorded in the accompanying financial statements for the estimated claims liability. The claims liability was based on past experience, a review of pending claims and other social and economic factors. The above estimate was not discounted and there were no outstanding claims for which annuity contracts have been purchased in the claimant's name. No significant reductions in insurance coverage were made in the last fiscal year. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2009 and 2008 were as follows:

Year ended <u>December 31,</u>	Balance at beginning of year	Current year claims and changes in estimates	Claims payments	Balance at end of year
2009	\$ 18,875	\$ 1,165,505	\$ 1,134,113	\$ 50,267
2008	20,735	1,055,901	1,057,761	18,875

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE J—OTHER INFORMATION—Continued

Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Commitments

At December 31, 2009, the City had entered into various agreements for construction projects and capital purchases. Below is a summary of those agreements:

<u>Fund</u>	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining commitment</u>
State Grant Fund	Smith Ryerson improvements	\$ -	\$ 696,870

Leases

The City leases an office facility under a noncancelable operating lease that expires June 2012 with the option by the tenant to renew the term of the lease for five successive periods of five years each. The City received rental income of \$44,166 for the year ended December 31, 2009. The future minimum rental income for this lease is as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2010	\$ 34,396
2011	34,058
2012	<u>16,860</u>
	<u>\$ 85,314</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE K—PENSION PLANS

Defined Benefit Pension Plan

Plan Description. The City has an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Muskegon
 933 Terrace Street
 Muskegon, MI 49443

Funding Policy. City employees are required to contribute 5 to 6 percent to the Plan depending on employee contract. The City is required to contribute at an actuarially-determined rate depending upon employee group from 3.36 to 14.67 percent of annual covered payroll depending on the plan. The contributions requirements of plan members and the City are established and may be amended by MERS.

Annual Pension Cost. For the year ended December 31, 2009, the City's annual pension cost was approximately \$888,000 was equal to the City's required and actual contribution.

Trend Information

<u>Year ended</u>	<u>Approximate Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/07	\$ 819,000	100 %	\$ -
12/31/08	1,167,000	100	-
12/31/09	888,000	100	-

The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 9 years which will be reduced by two years in each of the next two valuations until reaching 5 years after which the 5 year period will be reestablished with each annual actuarial valuation.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE K—PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Funding Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was 100 percent funded. The actuarial accrued liability for benefits was approximately \$86,794,000, and the actuarial value of assets was approximately \$86,928,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately a negative \$134,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$13,107,000, and the ratio of the UAAL to the covered payroll was a negative 1 percent due to the plan being overfunded.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Defined Contribution Pension Plan

The City also maintains a defined contribution plan offered by MERS and administered by the ICMA Retirement Corporation, an independent third party. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments. Depending on employee group, the Plan covers all City employees hired after January 2005 to July 2006 and those hired earlier who elected to convert from the defined benefit plan. The authority for establishing or amending the plan's provisions and for establishing or amending contribution requirements rests with the City Commission as determined by negotiated labor contracts. The City is required to contribute 3 percent to 10 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are required to contribute 0 percent to 6 percent of annual compensation depending on employee group. For the year ended December 31, 2009, City and employee contributions were approximately \$122,000 and \$68,000, respectively.

Deferred Compensation Plan

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

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided by Internal Revenue Code Section 401(f).

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 December 31, 2009

NOTE L—OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The City has a retiree healthcare funding vehicle administered Municipal Employees Retirement System (MERS), an agent multiple-employer postemployment healthcare plan (OPEB). The retiree healthcare funding vehicle is established under the authority of section 115 of the IRS code and is exempt from taxation. The Plan provides health insurance to eligible retirees and their spouses. Act No. 149 of the Public Acts of 1999 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Muskegon
 933 Terrace Street
 Muskegon, MI 49443

Funding Policy. Plan members are not required to contribute to the Plan. The City is required to contribute the annual required contribution of the employer (ARC) at an actuarially-determined rate which varies upon employee group from 3.9 to 9.4 percent of covered wages. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The contribution requirements of plan members and the City are established and may be amended by MERS.

Annual OPEB Cost. For the year ended December 31, 2009, the City's OPEB cost (expense) of approximately \$1,698,000 was equal to the City's ARC and actual contribution.

Trend Information

<u>Year ended</u>	<u>Approximate Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net ARC Obligation</u>
12/31/07	\$ 1,326,000	100 %	\$ -
12/31/08	1,476,000	100	-
12/31/09	1,698,000	100	-

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE L—OTHER POST-EMPLOYMENT BENEFITS—Continued

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of Plan members not contributing to the Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) an annual healthcare trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates assume include a 4.5 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 is 30 years.

Funded Status and Progress. As of December 31, 2007, the most recent actuarial valuation date, the plan was 46.5 percent funded. The actuarial accrued liability for benefits was approximately \$29,722,000, and the actuarial value of assets was approximately \$13,831,000, resulting in an unfunded actuarial liability (UAAL) of approximately \$15,891,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$13,290,000, and the ratio of the UAAL to the covered payroll was 120 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE M—SUBSEQUENT EVENTS

Bond Refunding

On April 1, 2010, the City issued \$6,185,000 million in Water System Revenue Bonds with interest rates from 2.00 to 4.25 percent to refund \$6,030,000 million of outstanding 1993 and 1999 Water System Revenue Bonds with average interest rates of 4.60 percent.

The City refunded the 1993 and 1999 Water System Revenue Bonds to reduce its total debt service payments over the next 10 years by \$389,669 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$334,200.

Commitments

Subsequent to year-end, the City approved contracts to reconstruct the bridges over the southern branch of the Muskegon River and make improvements to Heritage Landing for approximately \$98,000 and \$43,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund

For the year ended December 31, 2009
 (with comparative actual amounts for the year ended December 31, 2008)

	2009		Variance with final budget- positive (negative)	2008	
	Budgeted amounts				Actual
	Original	Final			
REVENUES					
Taxes					
City income tax	\$ 7,400,000	\$ 6,200,000	\$ 6,482,290	\$ 7,694,780	
Property taxes	7,787,372	7,808,886	7,882,325	7,666,645	
Industrial facilities taxes	242,887	242,887	216,962	276,203	
Payments in lieu of taxes	90,000	91,435	91,435	91,225	
Delinquent chargeback collected	5,000	5,000	-	6	
Total taxes	15,525,259	14,348,208	14,673,012	15,728,859	
Licenses and permits					
Business licenses	33,000	31,000	31,573	32,314	
Liquor licenses	37,000	54,236	54,235	38,957	
Cable TV fees	300,000	310,000	321,852	304,812	
Rental property registration	100,000	110,000	112,110	61,600	
Burial permits	120,000	110,000	105,616	86,515	
Building permits	250,000	215,000	232,797	353,042	
Electrical permits	95,000	73,000	73,940	98,914	
Plumbing permits	40,000	30,000	28,966	41,711	
Mechanical permits	52,500	45,000	45,452	68,002	
Cat licenses	2,500	2,500	2,390	3,315	
Vacant building fees	-	22,000	23,750	-	
Police gun registration	-	-	-	5	
Total licenses and permits	1,030,000	1,002,736	1,032,681	1,089,187	
Intergovernmental revenues					
Federal grants	16,602	22,000	64,613	40,622	
State					
Grants	28,000	28,000	16,363	27,701	
State shared revenue	4,552,462	3,893,161	3,841,922	4,487,698	
Total intergovernmental revenues - State	4,580,462	3,921,161	3,858,285	4,515,399	
Local					
	-	-	60,347	50,000	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund

For the year ended December 31, 2009
 (with comparative actual amounts for the year ended December 31, 2008)

	2009			2008		
	Budgeted amounts		Actual	Variance with final budget- positive (negative)	Actual	
	Original	Final				
Charges for services	\$	276,215	\$	301,784	\$	315,261
Tax administration fees		200,000		200,000		180,000
Utility administration fees		-		14,409		12,006
Reimbursement for elections		1,140,717		1,140,720		1,021,500
Indirect cost reimbursements		4,000		3,400		4,245
Site plan review fee		27,400		24,895		21,233
Sale of cemetery lots		119,000		82,882		97,255
Police miscellaneous		45,000		43,629		39,375
Police impound fees		300		175		290
Landlord's alert fee		80,000		110,079		127,589
Fire protection-state property		8,000		5,697		8,360
Zoning fees		3,500		1,098		5,550
Clerk fees		8,000		3,827		7,830
Clerk fees - passport fees		10,000		2,211		11,711
Tax abatement application fees		90,000		61,033		43,279
Treasurer fees		12,000		10,500		10,415
False alarm fees		22,000		18,108		19,282
Miscellaneous cemetery income		9,000		9,572		10,149
Senior transit program fees		3,000		1,889		14,699
Fire miscellaneous		75,000		83,254		81,702
Sanitation stickers		70,000		42,244		63,733
Lot cleanup fees		70,000		59,447		85,905
Reimbursements - lot mowing and demolitions		100,000		164,966		15,278
Special events reimbursements		45,000		50,642		42,960
Recreation program fees						
Total charges for services		2,418,132		2,436,461		2,239,607
						(122,284)

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund

For the year ended December 31, 2009
 (with comparative actual amounts for the year ended December 31, 2008)

	2009			2008	
	Budgeted amounts		Actual	Variance with final budget- positive (negative)	Actual
	Original	Final			
Fines and forfeitures					
Income tax - penalty and interest	\$ 225,000	\$ 225,000	\$ 219,490	\$ (5,510)	\$ 284,629
Late fees on current taxes	40,000	40,000	36,585	(3,415)	28,158
Interest on late invoices	2,000	2,000	1,717	(283)	1,774
Parking fines	125,000	100,000	111,022	11,022	90,360
Court fines	185,000	170,000	154,801	(15,199)	154,765
Total fines and forfeitures	577,000	537,000	523,615	(13,385)	559,686
Interest and rental income					
Investment earnings	250,000	75,000	47,181	(27,819)	374,527
Flea market	29,000	29,000	27,262	(1,738)	27,880
Farmers' market	32,000	41,000	41,629	629	39,519
City right of way rental	6,800	6,900	6,881	(19)	6,800
Advertising	500	500	-	(500)	123
Fire station lease - Central Dispatch	42,000	42,000	44,166	2,166	45,450
Parking rentals	2,500	1,400	1,400	-	2,800
Great Lakes Naval Memorial lease	-	7,500	4,958	(2,542)	-
McGraft park rentals	45,000	45,000	61,585	16,585	39,043
Other park rentals	30,000	35,000	35,330	330	33,795
Total interest and rental income	437,800	283,300	270,392	(12,908)	569,937
Other					
Sale of land and assets	1,000	1,000	-	(1,000)	14,488
Police sale and auction proceeds	-	-	503	503	277
CDBG program reimbursements	354,119	350,000	386,164	36,164	329,756
Fisherman's Landing reimbursement	14,500	14,500	-	(14,500)	15,066
Contributions	11,000	24,000	21,561	(2,439)	50,224
Contribution - Veteran's Park maintenance	18,500	18,500	15,757	(2,743)	15,400
Community Foundation for Muskegon County	1,500	7,920	7,920	-	37,543
Miscellaneous reimbursements	1,000	1,000	-	(1,000)	-
Miscellaneous and sundry	47,000	114,000	120,940	6,940	63,677
Total other	448,619	530,920	552,845	21,925	526,431
Total revenues	25,033,874	23,204,070	23,472,251	268,181	25,319,728

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund

For the year ended December 31, 2009
 (with comparative actual amounts for the year ended December 31, 2008)

	2009			2008	
	Budgeted amounts		Actual	Variance with final budget- positive (negative)	Actual
	Original	Final			
EXPENDITURES					
Current					
Public representation services					
City commission	\$ 86,281	\$ 85,208	\$ 84,426	\$ 782	\$ 86,777
City promotions and public relations	11,350	12,500	11,107	1,393	8,183
City manager	338,912	264,962	266,023	(1,061)	225,563
Contributions to outside agencies	201,875	215,511	213,481	2,030	186,153
City attorney	442,508	392,508	348,886	43,622	480,553
Total public representation services	1,080,926	970,689	923,923	46,766	987,229
Administrative services					
Administration	-	-	-	-	38,672
City clerk	315,574	297,952	275,738	22,214	319,548
Civil service	193,711	190,711	190,104	607	186,372
Julia Hackley internships	1,948	2,870	2,861	9	7,988
Affirmative action	85,690	84,390	81,130	3,260	79,933
Total administrative services	596,923	575,923	549,833	26,090	632,513
Financial services					
Finance administration	466,415	455,500	451,766	3,734	445,660
Assessing	465,665	468,365	467,854	511	470,280
Arena administration	235,000	252,540	254,262	(1,722)	241,602
Income tax administration	409,888	409,888	405,182	4,706	404,309
Information systems	383,978	384,278	380,699	3,579	347,762
City treasurer	410,842	410,842	446,860	(36,018)	389,217
Total financial services	2,371,788	2,381,413	2,406,623	(25,210)	2,298,830
Public safety					
Police department	8,803,476	8,525,726	8,835,302	(309,576)	8,805,620
Fire department	3,647,368	3,655,000	3,794,329	(139,329)	3,836,604
Fire safety inspections	1,083,007	960,058	932,967	27,091	1,041,507
Total public safety	13,533,851	13,140,784	13,562,598	(421,814)	13,683,731

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund

For the year ended December 31, 2009
 (with comparative actual amounts for the year ended December 31, 2008)

	2009			2008	
	Budgeted amounts		Actual	Variance with final budget- positive (negative)	Actual
	Original	Final			
Public works					
Street lighting	\$ 635,000	\$ 744,000	\$ 735,479	\$ 8,521	\$ 643,477
Community event support	31,100	43,100	40,596	2,504	32,345
Senior citizen transit	66,391	66,391	62,903	3,488	59,621
General sanitation	1,702,900	1,677,960	1,624,899	53,061	1,628,953
Recycling	166,368	93,000	92,784	216	164,568
Storm water management	17,786	17,786	16,991	795	17,754
City hall maintenance	289,184	291,145	286,858	4,287	284,459
Total public works	2,908,729	2,933,382	2,860,510	72,872	2,831,177
Community and economic development					
Planning, zoning and economic development	542,827	513,827	513,812	15	523,927
Environmental services	410,094	318,984	306,083	12,901	403,385
Edison Landing subsidy	150,000	130,000	120,000	10,000	150,000
Total community and economic development	1,102,921	962,811	939,895	22,916	1,077,312
Culture and recreation					
Parks maintenance	1,397,719	1,295,892	1,264,433	31,459	1,455,040
McGraft park maintenance	53,943	53,943	65,522	(11,579)	58,134
General and inner city recreation programs	315,358	306,531	325,116	(18,585)	314,042
Cemeteries maintenance	532,441	507,379	482,352	25,027	498,350
Graffiti removal	4,861	2,000	535	1,465	3,940
Parking operations	4,979	4,400	5,116	(716)	5,431
Farmers' market and flea market	49,450	48,650	49,986	(1,336)	43,835
Total culture and recreation	2,358,751	2,218,795	2,193,060	25,735	2,378,772
Other governmental functions					
Insurance premiums	403,737	295,000	311,636	(16,636)	386,191
Other	400,000	300,000	126,656	173,344	76,150
Total other governmental functions	803,737	595,000	438,292	156,708	462,341

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund

For the year ended December 31, 2009
 (with comparative actual amounts for the year ended December 31, 2008)

	2009			2008
	Budgeted amounts Original	Final	Actual	Actual
Debt service				
Principal	\$ 50,000	\$ 50,000	\$ 50,000	\$ 45,000
Interest and fees	217,345	220,000	220,063	230,833
Total debt service	267,345	270,000	270,063	275,833
Capital outlay	193,000	189,000	167,239	174,755
Total expenditures	25,217,971	24,237,797	24,312,036	24,802,493
Excess of revenues under expenditures	(184,097)	(1,033,727)	(839,785)	517,235
OTHER FINANCING SOURCES (USES)				
Transfers in	95,000	697,744	632,768	243,904
Transfers out	(688,046)	(538,046)	(538,046)	(1,298,046)
Total other financing sources (uses)	(593,046)	159,698	94,722	(1,054,142)
Net change in fund balance	\$ (777,143)	\$ (874,029)	(745,063)	(536,907)
Fund balance at beginning of year			2,383,725	2,920,632
Fund balance at end of year			\$ 1,638,662	\$ 2,383,725

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
Major Street and Trunkline Fund
For the year ended December 31, 2009

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal	\$ 1,095,000	\$ 1,730,000	\$ 1,593,425	\$ (136,575)
State	2,827,811	2,700,000	2,558,600	(141,400)
Local	-	-	25,235	25,235
Charges for services	75,000	75,000	19,911	(55,089)
Investment earnings	50,000	55,000	50,177	(4,823)
Other	250,000	250,000	233,245	(16,755)
Total revenues	4,297,811	4,810,000	4,480,593	(329,407)
EXPENDITURES				
Current				
Highways, streets and bridges	4,341,401	5,055,892	4,692,659	363,233
Total expenditures	4,341,401	5,055,892	4,692,659	363,233
Excess of revenues under expenditures	(43,590)	(245,892)	(212,066)	33,826
OTHER FINANCING SOURCES				
Transfers in	-	225,292	200,000	(25,292)
Net change in fund balance	\$ (43,590)	\$ (20,600)	(12,066)	\$ 8,534
Fund balance at January 1, 2009			284,912	
Fund balance at December 31, 2009			\$ 272,846	

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

City of Muskegon
 Required Supplemental Information
SCHEDULE OF FUNDING PROGRESS
 For the year ended December 31, 2009

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS) PENSION PLAN
SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

Actuarial valuation date	Actuarial value of assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/07	\$ 86,157	\$ 83,118	\$ (3,039)	104 %	\$ 12,684	(24) %
12/31/08	86,928	86,794	(134)	100	13,107	(1)

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS) OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

Actuarial valuation date	Actuarial value of assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/07	\$ 13,831	\$ 29,722	\$ 15,891	46.5 %	\$ 13,290	120 %

Additional actuarial data is not available from MERS and will be provided in subsequent years.

OTHER SUPPLEMENTAL INFORMATION

DESCRIPTION OF OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

The special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes.

Local Street – to account for gas and weight allocations to the City by the Michigan Department of Transportation for construction and maintenance of local streets within the City.

Criminal Forfeitures – to account for receipts generated through the sale of assets seized through criminal court proceedings.

Budget Stabilization – to account for funds appropriated from the City's General Fund for the purpose of mitigating adverse affects on the City's budget from downturns in the business cycle.

Farmers' Market Improvement – to account for funds allocated for maintenance and improvements to the City's farmers' market facility.

Tree Replacement – to account for contributions and other revenues earmarked for tree replacement throughout the City.

Capital Projects Funds

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

Public Improvement – to account for grants, private contributions, sale of property and other resources used to finance various capital projects.

Sidewalk Replacement – to account for resources allocated for a multi-year city-wide sidewalk replacement program.

Michcon Remediation – to account for reimbursements received from Michcon Gas Company for environmental remediation of their former downtown site.

EDC Revolving Loan – to account for funds received upon repayment of Urban Development Action Grant loans and subsequently reloaned to small business enterprises.

Community Development Block Grant – to account for categorical grants received from the U. S. Department of Housing and Urban Development for the construction of major city public improvements and the rehabilitation of residential housing and other qualifying expenditures.

State Grants – to account for grant revenues received from the State of Michigan and earmarked for the purpose of improvements and/or rehabilitation of City property, environmental remediation at lakeshore sites or new infrastructure in the City's downtown.

DESCRIPTION OF OTHER GOVERNMENTAL FUNDS—CONTINUED

Capital Projects Funds—Continued

HOME Rehabilitation – to account for grant revenues received from the U. S. Department of Housing and Urban Development for the purpose of providing housing assistance to low and moderate income households in the City.

Arena Capital Improvements – to account for ticket revenue collections earmarked for large capital improvements and repairs to the L.C. Walker Arena.

Lead Abatement – to account for grant revenues received from the U. S. Department of Housing and Urban Development for the purpose of abatement of lead from homes in the City.

Neighborhood Stabilization Fund – to account for grant revenues received from the US Department of Housing and Urban Development for the purpose of stabilizing neighborhoods that have suffered from foreclosure and abandonment.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care – to account for charges for services collected and investment income earned and to account for transfers to the General Fund to partially cover cemetery care expenses.

City of Muskegon
COMBINING BALANCE SHEET
 Other Governmental Funds
 December 31, 2009

	Total other governmental funds	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	\$ 4,505,142	\$ 302,023	\$ 2,896,114	\$ 1,307,005
Receivables				
Accounts and loans (net of allowance for uncollectibles)	662,462	-	659,054	3,408
Special assessments	874,636	566,836	307,800	-
Due from other governmental units	1,334,089	311,907	1,022,182	-
Due from other funds	1,457,428	1,354,718	102,710	-
Due from component units	10,214	10,214	-	-
Prepaid items	4,314	4,314	-	-
Total assets	<u>\$ 8,848,285</u>	<u>\$ 2,550,012</u>	<u>\$ 4,987,860</u>	<u>\$ 1,310,413</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 29,762	\$ 5,691	\$ 24,071	\$ -
Accrued liabilities	9,906	6,958	2,948	-
Due to other funds	1,604,375	194,273	1,410,102	-
Deferred revenue	1,233,227	541,698	691,529	-
Total liabilities	<u>2,877,270</u>	<u>748,620</u>	<u>2,128,650</u>	<u>-</u>
Fund balances				
Reserved for:				
Prepaid items	4,314	4,314	-	-
Long-term loans receivable	224,431	-	224,431	-
Capital projects	2,080,506	-	2,080,506	-
Perpetual care	1,294,800	-	-	1,294,800
Unreserved				
Designated, reported in capital projects funds	871,111	-	871,111	-
Undesignated, reported in				
Special revenue funds	1,797,078	1,797,078	-	-
Capital projects funds	(316,838)	-	(316,838)	-
Permanent funds	15,613	-	-	15,613
Total fund balances	<u>5,971,015</u>	<u>1,801,392</u>	<u>2,859,210</u>	<u>1,310,413</u>
Total liabilities and fund balances	<u>\$ 8,848,285</u>	<u>\$ 2,550,012</u>	<u>\$ 4,987,860</u>	<u>\$ 1,310,413</u>

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended December 31, 2009

	Total other governmental funds	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	\$ 3,085,102	\$ -	\$ 3,085,102	\$ -
State	939,801	764,432	175,369	-
Local	215,000	215,000	-	-
Charges for services	164,000	1,911	137,761	24,328
Fines and forfeitures	58,779	58,779	-	-
Investment earnings	80,331	22,070	48,437	9,824
Other	375,457	98,641	276,816	-
Total revenues	<u>4,918,470</u>	<u>1,160,833</u>	<u>3,723,485</u>	<u>34,152</u>
EXPENDITURES				
Current				
Public safety	4,503	4,503	-	-
Highways, streets and bridges	1,870,305	1,870,305	-	-
Culture and recreation	3,126	3,126	-	-
Debt service				
Principal	613,371	-	613,371	-
Interest and fees	62,111	-	62,111	-
Capital outlay	3,820,270	-	3,820,270	-
Total expenditures	<u>6,373,686</u>	<u>1,877,934</u>	<u>4,495,752</u>	<u>-</u>
Excess of revenues over (under) expenditures	(1,455,216)	(717,101)	(772,267)	34,152
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	68,452	-	68,452	-
Transfers in	526,840	512,624	14,216	-
Transfers out	(771,864)	(500,000)	(216,840)	(55,024)
Total other financing sources (uses)	<u>(176,572)</u>	<u>12,624</u>	<u>(134,172)</u>	<u>(55,024)</u>
Net change in fund balances	(1,631,788)	(704,477)	(906,439)	(20,872)
Fund balances at January 1, 2009	7,602,803	2,505,869	3,765,649	1,331,285
Fund balances at December 31, 2009	<u>\$ 5,971,015</u>	<u>\$ 1,801,392</u>	<u>\$ 2,859,210</u>	<u>\$ 1,310,413</u>

City of Muskegon
COMBINING BALANCE SHEET
 Other Special Revenue Funds
 December 31, 2009

	Total other special revenue funds	Local Street	Criminal Forfeitures	Budget Stabilization	Farmers' Market Improvement	Tree Replacement
ASSETS						
Cash and investments	\$ 302,023	\$ -	\$ 140,640	\$ 135,068	\$ 17,725	\$ 8,590
Special assessments receivable	566,836	566,836	-	-	-	-
Due from other governmental units	311,907	311,907	-	-	-	-
Due from other funds	1,354,718	-	-	1,354,718	-	-
Due from component units	10,214	-	-	10,214	-	-
Prepaid items	4,314	4,314	-	-	-	-
Total assets	\$ 2,550,012	\$ 883,057	\$ 140,640	\$ 1,500,000	\$ 17,725	\$ 8,590
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 5,691	\$ 5,691	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	6,958	6,958	-	-	-	-
Due to other funds	194,273	194,273	-	-	-	-
Deferred revenue	541,698	541,698	-	-	-	-
Total liabilities	748,620	748,620	-	-	-	-
Fund balances						
Reserved for prepaid items	4,314	4,314	-	-	-	-
Unreserved	1,797,078	130,123	140,640	1,500,000	17,725	8,590
Total fund balances	1,801,392	134,437	140,640	1,500,000	17,725	8,590
Total liabilities and fund balances	\$ 2,550,012	\$ 883,057	\$ 140,640	\$ 1,500,000	\$ 17,725	\$ 8,590

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Special Revenue Funds
 For the year ended December 31, 2009

	Total other special revenue funds	Local Street	Criminal Forfeitures	Budget Stabilization	Farmers' Market Improvement	Tree Replacement
REVENUES						
Intergovernmental revenues						
State	\$ 764,432	\$ 764,432	\$ -	\$ -	\$ -	\$ -
Local	215,000	215,000	-	-	-	-
Charges for services	1,911	311	-	-	-	1,600
Fines and forfeitures	58,779	-	58,779	-	-	-
Investment earnings	22,070	20,955	881	-	160	74
Other	98,641	95,014	3,627	-	-	-
Total revenues	<u>1,160,833</u>	<u>1,095,712</u>	<u>63,287</u>	<u>-</u>	<u>160</u>	<u>1,674</u>
EXPENDITURES						
Current						
Public safety	4,503	-	4,503	-	-	-
Highways, streets and bridges	1,870,305	1,870,305	-	-	-	-
Culture and recreation	3,126	-	-	-	-	3,126
Total expenditures	<u>1,877,934</u>	<u>1,870,305</u>	<u>4,503</u>	<u>-</u>	<u>-</u>	<u>3,126</u>
Excess of revenues over (under) expenditures	(717,101)	(774,593)	58,784	-	160	(1,452)
OTHER FINANCING SOURCES (USES)						
Transfers in	512,624	512,624	-	-	-	-
Transfers out	(500,000)	-	-	(500,000)	-	-
Total other financing sources (uses)	<u>12,624</u>	<u>512,624</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(704,477)	(261,969)	58,784	(500,000)	160	(1,452)
Fund balances at January 1, 2009	<u>2,505,869</u>	<u>396,406</u>	<u>81,856</u>	<u>2,000,000</u>	<u>17,565</u>	<u>10,042</u>
Fund balances at December 31, 2009	<u>\$ 1,801,392</u>	<u>\$ 134,437</u>	<u>\$ 140,640</u>	<u>\$ 1,500,000</u>	<u>\$ 17,725</u>	<u>\$ 8,590</u>

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 Other Special Revenue Funds
 For the year ended December 31, 2009

	Local Street		Criminal Forfeitures		Budget Stabilization	
	Final budget	Actual	Variance - positive (negative)	Final budget	Actual	Variance - positive (negative)
REVENUES						
Intergovernmental revenues						
State	\$ 794,409	\$ 764,432	\$ (29,977)	\$ -	\$ -	\$ -
Local	-	215,000	215,000	-	-	-
Charges for services	15,000	311	(14,689)	-	-	-
Fines and forfeitures	-	-	-	65,000	58,779	(6,221)
Investment earnings	25,000	20,955	(4,045)	1,000	881	(119)
Other	120,000	95,014	(24,986)	-	3,627	3,627
Total revenues	954,409	1,095,712	141,303	66,000	63,287	(2,713)
EXPENDITURES						
Current						
Public safety	-	-	-	45,000	4,503	40,497
Highways, streets and bridges	1,926,750	1,870,305	56,445	-	-	-
Culture and recreation	-	-	-	-	-	-
Total expenditures	1,926,750	1,870,305	56,445	45,000	4,503	40,497
Excess of revenues over (under) expenditures	(972,341)	(774,593)	197,748	21,000	58,784	37,784
OTHER FINANCING SOURCES (USES)						
Transfers in	710,000	512,624	(197,376)	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	710,000	512,624	(197,376)	-	-	-
Net change in fund balances	\$ (262,341)	\$ (261,969)	\$ 372	\$ 21,000	\$ 58,784	\$ 37,784
Fund balances at January 1, 2009		396,406			81,856	
Fund balances at December 31, 2009	\$ 134,437			\$ 140,640		\$ 1,500,000

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 Other Special Revenue Funds
 For the year ended December 31, 2009

	Farmers' Market Improvement			Tree Replacement		
	Final budget	Actual	Variance - positive (negative)	Final budget	Actual	Variance - positive (negative)
REVENUES						
Intergovernmental revenues						
State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local	-	-	-	-	-	-
Charges for services	-	-	-	2,000	1,600	(400)
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	200	160	(40)	100	74	(26)
Other	-	-	-	-	-	-
Total revenues	<u>200</u>	<u>160</u>	<u>(40)</u>	<u>2,100</u>	<u>1,674</u>	<u>(426)</u>
EXPENDITURES						
Current						
Public safety	-	-	-	-	-	-
Highways, streets and bridges	-	-	-	-	-	-
Culture and recreation	-	-	-	4,000	3,126	874
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>3,126</u>	<u>874</u>
Excess of revenues over (under) expenditures	200	160	(40)	(1,900)	(1,452)	448
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>200</u>	<u>160</u>	<u>(40)</u>	<u>(1,900)</u>	<u>(1,452)</u>	<u>448</u>
Fund balances at January 1, 2009		<u>17,565</u>			<u>10,042</u>	
Fund balances at December 31, 2009		<u>\$ 17,725</u>			<u>\$ 8,590</u>	

City of Muskegon
COMBINING BALANCE SHEET
 Other Capital Projects Funds
 December 31, 2009

	Total other capital projects funds	Public Improvement	Sidewalk Replacement	Mitchcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Arena Capital Improvements	Lead Abatement	Neighborhood Stabilization
ASSETS											
Cash and investments	\$ 2,896,114	\$ 1,310,483	\$ 723,056	\$ 214,182	\$ 106,614	\$ -	\$ 470,755	\$ -	\$ 71,024	\$ -	\$ -
Receivables											
Accounts and loans (net of allowance for uncollectibles)	659,054	25,523	-	-	46,244	377,837	178,187	-	-	31,263	-
Special assessments	307,800	-	307,800	-	-	-	-	-	-	-	-
Due from other governmental units	1,022,182	-	-	-	-	484,867	139,213	201,522	-	938	195,642
Due from other funds	102,710	-	-	-	-	-	-	-	-	102,710	-
Total assets	<u>\$ 4,987,860</u>	<u>\$ 1,336,006</u>	<u>\$ 1,030,856</u>	<u>\$ 214,182</u>	<u>\$ 152,858</u>	<u>\$ 862,704</u>	<u>\$ 788,155</u>	<u>\$ 201,522</u>	<u>\$ 71,024</u>	<u>\$ 134,911</u>	<u>\$ 195,642</u>
LIABILITIES AND FUND BALANCES (DEFICIT)											
Liabilities											
Accounts payable	\$ 24,071	\$ 280	\$ -	\$ -	\$ -	\$ 15,263	\$ 7,700	\$ 665	\$ -	\$ -	\$ 163
Accrued liabilities	2,948	-	-	-	-	2,173	-	579	-	-	196
Due to other funds	1,410,102	-	-	-	-	562,792	-	517,116	-	134,911	195,283
Deferred revenue	691,529	16,000	211,773	-	-	282,476	181,280	-	-	-	-
Total liabilities	<u>2,128,650</u>	<u>16,280</u>	<u>211,773</u>	<u>-</u>	<u>-</u>	<u>862,704</u>	<u>188,980</u>	<u>518,360</u>	<u>-</u>	<u>134,911</u>	<u>195,642</u>
Fund balances (deficit)											
Reserved for:											
Long-term loans receivable	224,431	-	-	-	46,244	-	178,187	-	-	-	-
Capital projects	2,080,506	547,688	819,083	214,182	106,614	-	321,915	-	71,024	-	-
Unreserved											
Designated for approved projects	871,111	772,038	-	-	-	-	99,073	-	-	-	-
Undesignated	(316,838)	-	-	-	-	-	-	(316,838)	-	-	-
Total fund balances (deficit)	<u>2,859,210</u>	<u>1,319,726</u>	<u>819,083</u>	<u>214,182</u>	<u>152,858</u>	<u>-</u>	<u>599,175</u>	<u>(316,838)</u>	<u>71,024</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances (deficit)	<u>\$ 4,987,860</u>	<u>\$ 1,336,006</u>	<u>\$ 1,030,856</u>	<u>\$ 214,182</u>	<u>\$ 152,858</u>	<u>\$ 862,704</u>	<u>\$ 788,155</u>	<u>\$ 201,522</u>	<u>\$ 71,024</u>	<u>\$ 134,911</u>	<u>\$ 195,642</u>

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 Other Capital Projects Funds
 For the year ended December 31, 2009

	Total other capital projects funds	Public Improvement	Sidewalk Replacement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Arena Capital Improvements	Lead Abatement	Neighborhood Stabilization
REVENUES											
Intergovernmental revenues											
Federal	\$ 3,085,102	\$ -	\$ -	\$ -	\$ -	\$ 1,253,227	\$ 320	\$ 398,163	\$ -	\$ 1,168,171	\$ 265,221
State	175,369	-	-	-	-	-	175,369	-	-	-	-
Charges for services	137,761	100,075	-	-	-	-	-	-	37,686	-	-
Investment earnings	48,437	16,140	27,514	1,747	1,678	624	-	-	734	-	-
Other	276,816	486	109,431	-	34,684	13,161	6,307	-	-	96,532	16,215
Total revenues	3,723,485	116,701	136,945	1,747	36,362	1,267,012	181,996	398,163	38,420	1,264,703	281,436
EXPENDITURES											
Debt service											
Principal	613,371	353,371	260,000	-	-	-	-	-	-	-	-
Interest and fees	62,111	16,152	45,959	-	-	-	-	-	-	-	-
Capital outlay	3,820,270	239,995	1,398	3,702	22,407	1,295,306	215,528	425,120	70,675	1,264,703	281,436
Total expenditures	4,495,752	609,518	307,357	3,702	22,407	1,295,306	215,528	425,120	70,675	1,264,703	281,436
Excess of revenues over (under) expenditures	(772,267)	(492,817)	(170,412)	(1,955)	13,955	(28,294)	(33,532)	(26,957)	(32,255)	-	-
OTHER FINANCING SOURCES (USES)											
Proceeds from sale of capital assets	68,452	13,201	-	-	-	28,294	-	26,957	-	-	-
Transfers in	14,216	14,216	-	-	-	-	(16,840)	-	-	-	-
Transfers out	(216,840)	(200,000)	-	-	-	-	(16,840)	-	-	-	-
Total other financing sources (uses)	(134,172)	(172,583)	-	-	-	28,294	(16,840)	26,957	-	-	-
Net change in fund balances	(906,439)	(665,400)	(170,412)	(1,955)	13,955	-	(50,372)	-	(32,255)	-	-
Fund balances (deficit) at January 1, 2009	3,765,649	1,985,126	989,495	216,137	138,903	-	649,547	(316,838)	103,279	-	-
Fund balances (deficit) at December 31, 2009	\$ 2,859,210	\$ 1,319,726	\$ 819,083	\$ 214,182	\$ 152,858	\$ -	\$ 599,175	\$ (316,838)	\$ 71,024	\$ -	\$ -

DESCRIPTION OF INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of a governmental unit or to other governments on a cost-reimbursement basis.

A list and description of internal service funds maintained by the City follows:

Engineering Services – to account for salary, benefit and other costs related to the provision of internal engineering services for City projects; to account for charges to the user funds and projects to cover those expenses.

Equipment – to account for the purchase, operation, maintenance and depreciation of all City-owned vehicles and equipment; to account for charges to the user funds and departments to cover those expenses.

General Insurance – to account for the payment of claims and benefits, excess liability premiums and operating expenses; to account for charges to other funds and departments to cover the expenses.

Public Service Building – to account for the operation, maintenance and depreciation of the City's Public Service Building; to account for charges to the user funds and departments to cover these expenses.

City of Muskegon
COMBINING STATEMENT OF NET ASSETS
Internal Service Funds
December 31, 2009

ASSETS

	Total internal service funds	Engineering Services	Equipment	General Insurance	Public Service Building
CURRENT ASSETS					
Cash and investments	\$ 4,372,256	-	\$ 2,519,442	\$ 1,339,236	\$ 513,578
Accounts receivable	572,959	17,893	7,858	547,208	-
Inventories	23,750	-	23,750	-	-
Prepaid items	197,355	864	15,474	179,867	1,150
Total current assets	5,166,320	18,757	2,566,524	2,066,311	514,728
NONCURRENT ASSETS					
Capital assets					
Land	65,000	-	-	-	65,000
Land improvements	121,648	-	-	-	121,648
Buildings and improvements	1,559,334	-	-	-	1,559,334
Machinery and equipment	7,439,725	26,355	7,378,681	-	34,689
Less accumulated depreciation	(7,103,619)	(26,355)	(5,976,775)	-	(1,100,489)
Total noncurrent assets	2,082,088	-	1,401,906	-	680,182
Total assets	7,248,408	18,757	3,968,430	2,066,311	1,194,910
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	309,261	2,856	54,169	236,833	15,403
Accrued liabilities	13,940	2,995	3,882	303	6,760
Due to other funds	48,336	48,336	-	-	-
Bonds and other obligations, due within one year	15,700	4,400	8,500	300	2,500
Total current liabilities	387,237	58,587	66,551	237,436	24,663
NONCURRENT LIABILITIES					
Bonds and other obligations, less amounts due within one year	77,996	22,121	42,262	1,306	12,307
Total liabilities	465,233	80,708	108,813	238,742	36,970
NET ASSETS					
Invested in capital assets	2,082,088	-	1,401,906	-	680,182
Unrestricted	4,701,087	(61,951)	2,457,711	1,827,569	477,758
Total net assets	6,783,175	\$ (61,951)	\$ 3,859,617	\$ 1,827,569	\$ 1,157,940

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Internal Service Funds
For the year ended December 31, 2009

	Total internal service funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	\$ 7,493,915	\$ 451,132	\$ 2,178,851	\$ 4,260,731	\$ 603,201
Other	93,086	23,918	56,633	4,863	7,672
Total operating revenues	<u>7,587,001</u>	<u>475,050</u>	<u>2,235,484</u>	<u>4,265,594</u>	<u>610,873</u>
OPERATING EXPENSES					
Administration	314,952	71,604	114,780	80,916	47,652
Insurance premiums and claims	4,147,899	-	-	4,147,899	-
Other operations	2,827,361	567,697	1,719,185	34,904	505,575
Depreciation	568,578	-	500,898	-	67,680
Total operating expenses	<u>7,858,790</u>	<u>639,301</u>	<u>2,334,863</u>	<u>4,263,719</u>	<u>620,907</u>
Operating income (loss)	<u>(271,789)</u>	<u>(164,251)</u>	<u>(99,379)</u>	<u>1,875</u>	<u>(10,034)</u>
NONOPERATING REVENUES					
Investment earnings	29,162	606	19,495	5,257	3,804
Gain on sale of capital assets	95,057	-	95,057	-	-
Total nonoperating revenues	<u>124,219</u>	<u>606</u>	<u>114,552</u>	<u>5,257</u>	<u>3,804</u>
Income (loss) before transfers	<u>(147,570)</u>	<u>(163,645)</u>	<u>15,173</u>	<u>7,132</u>	<u>(6,230)</u>
Transfers in	28,046	-	-	28,046	-
Transfers out	<u>(77,744)</u>	<u>-</u>	<u>-</u>	<u>(77,744)</u>	<u>-</u>
Change in net assets	<u>(197,268)</u>	<u>(163,645)</u>	<u>15,173</u>	<u>(42,566)</u>	<u>(6,230)</u>
Net assets at January 1, 2009	<u>6,980,443</u>	<u>101,694</u>	<u>3,844,444</u>	<u>1,870,135</u>	<u>1,164,170</u>
Net assets at December 31, 2009	<u>\$ 6,783,175</u>	<u>\$ (61,951)</u>	<u>\$ 3,859,617</u>	<u>\$ 1,827,569</u>	<u>\$ 1,157,940</u>

City of Muskegon
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended December 31, 2009

	Total internal service funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 86,326	\$ 9,315	\$ 64,476	\$ 4,863	\$ 7,672
Receipts from interfund services provided	7,493,915	451,132	2,178,851	4,260,731	603,201
Payments to suppliers	(4,364,023)	(162,615)	(1,085,870)	(2,826,985)	(288,553)
Payments to employees	(1,178,248)	(401,127)	(512,236)	(27,119)	(237,766)
Payments for interfund services used	(710,733)	(29,385)	(278,455)	(353,482)	(49,411)
Net cash provided by (used for) operating activities	<u>1,327,237</u>	<u>(132,680)</u>	<u>366,766</u>	<u>1,058,008</u>	<u>35,143</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	28,046	-	-	28,046	-
Transfers out	(77,744)	-	-	(77,744)	-
Net cash used for noncapital financing activities	<u>(49,698)</u>	<u>-</u>	<u>-</u>	<u>(49,698)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(446,534)	-	(446,534)	-	-
Proceeds from sale of capital assets	107,039	-	107,039	-	-
Net cash used for capital and related financing activities	<u>(339,495)</u>	<u>-</u>	<u>(339,495)</u>	<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	<u>29,162</u>	<u>606</u>	<u>19,495</u>	<u>5,257</u>	<u>3,804</u>
Net increase (decrease) in cash and investments	<u>967,206</u>	<u>(132,074)</u>	<u>46,766</u>	<u>1,013,567</u>	<u>38,947</u>
Cash and investments at January 1, 2009	<u>3,405,050</u>	<u>132,074</u>	<u>2,472,676</u>	<u>325,669</u>	<u>474,631</u>
Cash and investments at December 31, 2009	<u>\$ 4,372,256</u>	<u>\$ -</u>	<u>\$ 2,519,442</u>	<u>\$ 1,339,236</u>	<u>\$ 513,578</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (271,789)	\$ (164,251)	\$ (99,379)	\$ 1,875	\$ (10,034)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	568,578	-	500,898	-	67,680
Change in assets and liabilities					
Receivables, net	1,036,229	(14,603)	7,843	1,042,989	-
Inventories	(12,198)	-	(12,198)	-	-
Prepaid items	(18,593)	448	4,138	(23,585)	406
Accounts payable	8,639	409	(17,539)	37,145	(11,376)
Accrued liabilities	(31,965)	(3,019)	(16,997)	(416)	(11,533)
Due to other funds	48,336	48,336	-	-	-
Net cash provided by (used for) operating activities	<u>\$ 1,327,237</u>	<u>\$ (132,680)</u>	<u>\$ 366,766</u>	<u>\$ 1,058,008</u>	<u>\$ 35,143</u>

DESCRIPTION OF FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments or other funds.

A list and description of the fiduciary funds maintained by the City follows:

AGENCY FUNDS are used to account for assets held as an agent for another organization or individual.

Collector – to account for the collections and disbursement of funds to other entities and individuals and to account for payroll withholdings and their remittance to the appropriate governmental agencies.

Current Tax – to account for levy, collection and payment of taxes levied for the general and other funds of the City, county and public school districts.

Rehab Loan Escrow – to account for deposits made by housing rehabilitation program participants and their expenditures for the intended purposes.

City of Muskegon
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 Agency Funds
 December 31, 2009

	Total agency funds	Collector	Current tax	Rehab Loan Escrow
ASSETS				
Cash and investments	\$ 5,413,000	\$ 707,927	\$ 4,705,073	\$ -
Receivables				
Accounts	1,868	1,868	-	-
Property taxes	15,016,716	-	15,016,716	-
Total assets	<u>\$ 20,431,584</u>	<u>\$ 709,795</u>	<u>\$ 19,721,789</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 204,587	\$ 204,587	\$ -	\$ -
Due to other governmental units	19,997,247	314,374	19,682,873	-
Deposits held for others	229,750	190,834	38,916	-
Total liabilities	<u>\$ 20,431,584</u>	<u>\$ 709,795</u>	<u>\$ 19,721,789</u>	<u>\$ -</u>

City of Muskegon
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Agency Funds

For the year ended December 31, 2009

	<u>Balance</u> <u>January 1,</u> <u>2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2009</u>
<u>COLLECTOR FUND</u>				
<u>ASSETS</u>				
Cash and investments	\$ 1,163,589	\$ 17,516,068	\$ 17,971,730	\$ 707,927
Accounts receivable	2,767	230,680	231,579	1,868
Total assets	<u>\$ 1,166,356</u>	<u>\$ 17,746,748</u>	<u>\$ 18,203,309</u>	<u>\$ 709,795</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 193,101	\$ 12,493,763	\$ 12,482,277	\$ 204,587
Due to other governmental units	822,530	2,362,555	2,870,711	314,374
Deposits held for others	150,725	3,031,251	2,991,142	190,834
Total liabilities	<u>\$ 1,166,356</u>	<u>\$ 17,887,569</u>	<u>\$ 18,344,130</u>	<u>\$ 709,795</u>
<u>CURRENT TAX FUND</u>				
<u>ASSETS</u>				
Cash and investments	\$ 9,957,243	\$ 35,746,651	\$ 40,998,821	\$ 4,705,073
Property taxes receivable	14,393,066	27,387,664	26,764,014	15,016,716
Total assets	<u>\$ 24,350,309</u>	<u>\$ 63,134,315</u>	<u>\$ 67,762,835</u>	<u>\$ 19,721,789</u>
<u>LIABILITIES</u>				
Due to other governmental units	\$ 24,319,136	\$ 27,387,664	\$ 32,023,927	\$ 19,682,873
Due to other funds	-	8,224,359	8,224,359	-
Due to component units	-	645,170	645,170	-
Deposits held for others	31,173	113,108	105,365	38,916
Total liabilities	<u>\$ 24,350,309</u>	<u>\$ 36,370,301</u>	<u>\$ 40,998,821</u>	<u>\$ 19,721,789</u>
<u>REHAB LOAN ESCROW FUND</u>				
<u>ASSETS</u>				
Cash and investments	\$ -	\$ 2,571	\$ 2,571	\$ -
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 2,571	\$ 2,571	\$ -
<u>ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and investments	\$ 11,120,832	\$ 53,265,290	\$ 58,973,122	\$ 5,413,000
Receivables	2,767	230,680	231,579	1,868
Accounts	14,393,066	27,387,664	26,764,014	15,016,716
Property taxes	25,516,665	80,883,634	85,968,715	20,431,584
Total assets				
<u>LIABILITIES</u>				
Accounts payable	\$ 193,101	\$ 12,496,334	\$ 12,484,848	\$ 204,587
Due to other governmental units	25,141,666	29,750,219	34,894,638	19,997,247
Due to other funds	-	8,224,359	8,224,359	-
Due to component units	-	645,170	645,170	-
Deposits held for others	181,898	3,144,359	3,096,507	229,750
Total liabilities	<u>\$ 25,516,665</u>	<u>\$ 54,260,441</u>	<u>\$ 59,345,522</u>	<u>\$ 20,431,584</u>

DESCRIPTION OF DISCRETELY PRESENTED COMPONENT UNITS

A list and description of the discretely presented component units maintained by the City are as follows:

Downtown Development Authority – to account for the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the downtown.

Local Development Finance Authority – to account for the collection of tax increment revenues and the construction of public facilities. Three separate local development finance authority districts have been created:

Local Development Finance Authority I – to promote and facilitate economic growth in the Port City Industrial Park.

Local Development Finance Authority II – to promote and facilitate economic growth in the Medendorp Industrial Park.

Local Development Finance Authority III – to promote and facilitate economic growth in the SmartZone Hi-Tech Park.

Tax Increment Finance Authority – to account for the collection of tax increment revenues, the issuance and repayment of debt to promote and facilitate economic growth in a sub section of the downtown.

Brownfield Redevelopment Authority – to account for the collection of tax increment revenues for environmental remediation in designated brownfield areas.

City of Muskegon
COMBINING BALANCE SHEET
Discretely Presented Component Units
December 31, 2009

	Total discretely presented component units	Local Development Finance Authority I	Local Development Finance Authority II	Local Development Finance Authority III	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority
ASSETS							
Cash and investments	\$ 325,080	\$ -	\$ -	\$ 13,765	\$ 289,526	\$ 21,789	\$ -
Property taxes receivable	518,573	-	-	71,360	390,662	40,634	15,917
Total assets	<u>\$ 843,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,125</u>	<u>\$ 680,188</u>	<u>\$ 62,423</u>	<u>\$ 15,917</u>
LIABILITIES AND FUND BALANCES (DEFICITS)							
Liabilities							
Due to primary government	\$ 10,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,214
Deferred revenue	518,573	-	-	71,360	390,662	40,634	15,917
Total liabilities	528,787	-	-	71,360	390,662	40,634	26,131
Fund balances (deficits)							
Unreserved	314,866	-	-	13,765	289,526	21,789	(10,214)
Total liabilities and fund balances (deficits)	<u>\$ 843,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,125</u>	<u>\$ 680,188</u>	<u>\$ 62,423</u>	<u>\$ 15,917</u>

City of Muskegon
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS (DEFICITS)
Discretely Presented Component Units
December 31, 2009

Total fund balance—governmental funds \$ 314,866

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Capital assets	\$ 4,198,258
Accumulated depreciation	<u>(1,050,276)</u>
	3,147,982

Bond issuance costs are not capitalized and amortized in the governmental funds.

Bond issuance costs	141,966
Accumulated amortization	<u>(43,207)</u>
	98,759

Accrued interest in governmental activities is not reported in the governmental funds.

(42,400)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

(7,954,848)

Net assets of governmental activities in the Statement of Net Assets (Deficits)

\$ (4,435,641)

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
 Discretely Presented Component Units
 For the year ended December 31, 2009

	Total discretely presented component units	Local			Local Development Finance Authority III	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority
		Development Finance Authority I	Development Finance Authority II	Development Finance Authority III				
REVENUES								
Property taxes	\$ 783,528	\$ -	\$ -	\$ 91,281	\$ 614,632	\$ 67,664	\$ 9,951	
Intergovernmental revenues - Local	120,000	-	-	120,000	-	-	-	
Investment earnings	1,462	-	143	179	998	142	-	
Other	75,000	-	-	75,000	-	-	-	
Total revenues	979,990	-	143	286,460	615,630	67,806	9,951	
EXPENDITURES								
Current								
Community and economic development	87,884	347	25,235	-	-	60,000	2,302	
Debt service								
Principal	300,000	-	-	80,000	220,000	-	-	
Interest and fees	322,171	-	-	201,448	120,723	-	-	
Total expenditures	710,055	347	25,235	281,448	340,723	60,000	2,302	
Net change in fund balances	269,935	(347)	(25,092)	5,012	274,907	7,806	7,649	
Fund balances (deficit) at January 1, 2009	44,931	347	25,092	8,753	14,619	13,983	(17,863)	
Fund balances (deficit) at December 31, 2009	\$ 314,866	\$ -	\$ -	\$ 13,765	\$ 289,526	\$ 21,789	\$ (10,214)	

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

Discretely Presented Component Units
 For the year ended December 31, 2009

Net change in fund balances—total governmental funds	\$ 269,935
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities, these costs are depreciated and amortized over their estimated useful lives, respectively.	
Depreciation and amortization expense	(178,820)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	1,300
Change in net assets of governmental activities	\$ 391,855

SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

December 31, 2009

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity			Annual Interest Payable
					2008	2009	
Business-Type Activities Bonds and Loans Payable:							
Water supply system bonds (\$6,093 unamortized discount)	10/1/1993	\$ 5,465,000	0.00%	05/01/09	\$ -	\$ -	-
			0.00%	05/01/10	-	-	40,500
			0.00%	05/01/11	-	-	40,500
			4.50%	05/01/12	450,000	450,000	30,375
			4.50%	05/01/13	450,000	450,000	10,121
						<u>900,000</u>	<u>900,000</u>
Water supply system bonds (\$34,372 unamortized discount)	3/2/1999	\$ 9,575,000	4.10%	05/01/09	510,000	-	-
			4.20%	05/01/10	535,000	535,000	246,660
			4.30%	05/01/11	555,000	555,000	223,493
			4.35%	05/01/12	130,000	130,000	208,733
			4.40%	05/01/13	155,000	155,000	202,495
			4.50%	05/01/14	635,000	635,000	184,798
			4.55%	05/01/15	665,000	665,000	155,381
			4.60%	05/01/16	695,000	695,000	124,268
			4.65%	05/01/17	730,000	730,000	91,310
			4.75%	05/01/18	765,000	765,000	56,169
			4.75%	05/01/19	800,000	800,000	19,000
			<u>6,175,000</u>	<u>5,665,000</u>	<u>1,512,307</u>		
Drinking Water State Revolving Fund (DWSRF)	3/2/2004	\$ 13,900,000	2.13%	10/01/09	600,000	-	-
			2.13%	10/01/10	615,000	615,000	245,863
			2.13%	10/01/11	630,000	630,000	232,794
			2.13%	10/01/12	640,000	640,000	219,406
			2.13%	10/01/13	655,000	655,000	205,806
			2.13%	10/01/14	670,000	670,000	191,888
			2.13%	10/01/15	685,000	685,000	177,650
			2.13%	10/01/16	695,000	695,000	163,094
			2.13%	10/01/17	710,000	710,000	148,325
			2.13%	10/01/18	725,000	725,000	133,238
			2.13%	10/01/19	745,000	745,000	117,831
			2.13%	10/01/20	760,000	760,000	102,000
			2.13%	10/01/21	775,000	775,000	85,850
			2.13%	10/01/22	790,000	790,000	69,382
			2.13%	10/01/23	810,000	810,000	52,594
2.13%	10/01/24	825,000	825,000	35,381			
2.13%	10/01/25	840,000	840,000	17,850			
			<u>12,170,000</u>	<u>11,570,000</u>	<u>2,198,952</u>		
TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE					<u>\$ 19,245,000</u>	<u>\$ 18,135,000</u>	<u>\$ 3,832,755</u>

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2009

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity			Annual Interest Payable
					2008	2009	
Governmental Activities Bonds and Loans Payable:							
Installment purchase contract of 2005 (firetrucks)	7/26/2005	\$ 605,824	3.83%	04/01/09	\$ 56,471	\$ -	\$ -
			3.83%	04/01/10	58,894	58,894	13,944
			3.83%	04/01/11	61,420	61,420	11,639
			3.83%	04/01/12	64,055	64,055	9,236
			3.83%	04/01/13	66,803	66,803	6,731
			3.83%	04/01/14	69,669	69,669	4,117
			3.83%	04/01/15	72,658	72,658	1,391
				449,970	393,499	47,058	
Special assessment improvement bonds of 1998 (sidewalks)	10/1/1998	\$ 1,495,000	4.00%	04/01/09	60,000	-	-
					60,000	-	-
Special assessment improvement bonds of 2000 (sidewalks)	12/1/2000	\$ 825,000	4.90%	04/01/09	85,000	-	-
			5.00%	04/01/10	70,000	70,000	1,746
				155,000	70,000	1,746	
Capital improvement bonds of 2003 (sidewalks)	3/1/2003	\$ 1,575,000	3.13%	06/01/09	115,000	-	-
			3.50%	06/01/10	120,000	120,000	33,005
			3.50%	06/01/11	120,000	120,000	28,805
			3.70%	06/01/12	125,000	125,000	24,393
			3.80%	06/01/13	130,000	130,000	19,610
			3.90%	06/01/14	135,000	135,000	14,508
			4.00%	06/01/15	145,000	145,000	8,975
			4.05%	06/01/16	150,000	150,000	3,038
				1,040,000	925,000	132,333	
Capital improvement bonds of 2006 (fire station, recreation) (\$14,676 unamortized discount)	10/24/2006	\$ 5,400,000	4.00%	10/01/09	50,000	-	-
			4.00%	10/01/10	70,000	70,000	215,345
			4.00%	10/01/11	70,000	70,000	212,545
			4.00%	10/01/12	70,000	70,000	209,745
			4.00%	10/01/13	70,000	70,000	206,945
			4.00%	10/01/14	70,000	70,000	204,145
			4.00%	10/01/15	70,000	70,000	201,345
			4.00%	10/01/16	70,000	70,000	198,545
			4.00%	10/01/17	70,000	70,000	195,745
			4.00%	10/01/18	70,000	70,000	192,945
			4.00%	10/01/19	295,000	295,000	190,145
			4.00%	10/01/20	305,000	305,000	178,345
			4.00%	10/01/21	315,000	315,000	166,145
			4.00%	10/01/22	315,000	315,000	153,545
			4.00%	10/01/23	320,000	320,000	140,945
			4.00%	10/01/24	340,000	340,000	128,145
			4.00%	10/01/25	345,000	345,000	114,545
			4.00%	10/01/26	345,000	345,000	100,745
			4.10%	10/01/27	345,000	345,000	86,945
			4.10%	10/01/28	350,000	350,000	72,800
4.10%	10/01/29	350,000	350,000	58,450			
4.20%	10/01/30	350,000	350,000	44,100			
4.20%	10/01/31	350,000	350,000	29,400			
4.20%	10/01/32	350,000	350,000	14,700			
	5,355,000	5,305,000	3,316,260				

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2009

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity			Annual Interest Payable
					2008	2009	
Governmental Activities Bonds and Loans Payable:							
State of Michigan urban land assembly loan	12/15/1999	\$ 1,276,900	0.00%	10/31/09	276,900	-	-
					276,900	-	-
State of Michigan urban land assembly loan	8/1/2005	\$ 700,000	0.00%	09/01/09	20,000	-	-
			0.00%	09/01/10	20,000	20,000	-
			0.00%	09/01/11	120,000	120,000	-
			0.00%	09/01/12	120,000	120,000	-
			0.00%	09/01/13	120,000	120,000	-
			0.00%	09/01/14	120,000	120,000	-
			0.00%	09/01/15	120,000	120,000	-
				640,000	620,000	-	
State of Michigan environmental assessment loan	8/1/2005	\$ 500,000	0.00%	03/18/10	54,572	54,572	-
			2.00%	03/18/11	45,663	45,663	8,909
			2.00%	03/18/12	46,577	46,577	7,995
			2.00%	03/18/13	47,508	47,508	7,064
			2.00%	03/18/14	48,458	48,458	6,114
			2.00%	03/18/15	49,427	49,427	5,144
			2.00%	03/18/16	50,416	50,416	4,156
			2.00%	03/18/17	51,424	51,424	3,148
			2.00%	03/18/18	52,453	52,453	2,119
			2.00%	03/18/19	53,502	53,502	1,070
				500,000	500,000	45,718	
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					\$ 8,476,870	\$ 7,813,499	\$ 3,543,115
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					\$ 27,721,870	\$ 25,948,499	\$ 7,375,870

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

December 31, 2009

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity			Annual Interest Payable
					2008	2009	
Discretely Presented Component Unit Bonds and Loans Payable:							
Downtown Development Authority promissory note to Muskegon County	8/10/1989	\$ 1,000,000	0.00%	08/30/19	\$ 1,000,000	\$ 1,000,000	\$ -
					1,000,000	1,000,000	-
Downtown Development Authority refunding bonds	9/1/2001	\$ 4,005,000	4.20%	06/01/09	220,000	-	-
			4.25%	06/01/10	230,000	230,000	110,964
			4.35%	06/01/11	240,000	240,000	100,857
			4.45%	06/01/12	245,000	245,000	90,187
			4.55%	06/01/13	260,000	260,000	78,821
			4.65%	06/01/14	270,000	270,000	66,628
			4.75%	06/01/15	280,000	280,000	53,700
			4.85%	06/01/16	300,000	300,000	39,775
			5.00%	06/01/17	315,000	315,000	24,625
			5.00%	06/01/18	335,000	335,000	8,375
					2,695,000	2,475,000	573,932
Local Development Finance Authority Smartzone Bonds (\$5,152 unamortized discount)	11/1/2002	\$ 4,725,000	3.63%	11/01/09	80,000	-	-
			3.88%	11/01/10	80,000	80,000	196,847
			3.88%	11/01/11	80,000	80,000	193,747
			4.00%	11/01/12	180,000	180,000	190,647
			3.90%	11/01/13	240,000	240,000	183,447
			4.05%	11/01/14	305,000	305,000	174,087
			4.05%	11/01/15	325,000	325,000	161,736
			4.15%	11/01/16	340,000	340,000	148,572
			4.25%	11/01/17	355,000	355,000	134,462
			4.35%	11/01/18	375,000	375,000	119,376
			4.45%	11/01/19	395,000	395,000	103,062
			4.60%	11/01/20	400,000	400,000	85,486
			4.60%	11/01/21	255,000	255,000	67,086
			4.60%	11/01/22	265,000	265,000	55,356
			4.85%	11/01/23	280,000	280,000	43,166
			4.85%	11/01/24	295,000	295,000	29,586
			4.85%	11/01/25	315,000	315,000	15,278
					4,565,000	4,485,000	1,901,941
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					\$ 8,260,000	\$ 7,960,000	\$ 2,475,873
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					\$ 35,981,870	\$ 33,908,499	\$ 9,851,743

Statistical Section

This part of the City of Muskegon's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	120
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.	126
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 and to help make comparisons over time and with other governments.	130
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	132

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Muskegon

NET ASSETS BY COMPONENT

Last Seven Fiscal Years

	2003	2004	2005 (a)	2006	2007	2008	2009
Governmental Activities							
Invested in Capital Assets, net of related debt	\$ 32,120,134	\$ 40,663,844	\$ 67,119,658	\$ 68,189,021	\$ 68,059,626	\$ 69,564,935	\$ 69,064,800
Restricted	5,674,787	5,209,654	5,420,482	5,378,669	5,485,703	3,557,678	2,956,449
Unrestricted	9,286,551	7,407,355	7,811,489	8,778,786	10,162,425	10,708,529	8,920,621
Total Governmental Net Assets	\$ 47,081,472	\$ 53,280,853	\$ 80,351,629	\$ 82,346,476	\$ 83,707,754	\$ 83,831,142	\$ 80,941,870
Business-type Activities							
Invested in Capital Assets, net of related debt	\$ 27,808,792	\$ 31,609,016	\$ 36,742,669	\$ 39,441,912	\$ 39,356,966	\$ 40,876,621	\$ 41,876,507
Restricted	822,559	822,559	822,559	822,559	822,559	822,559	672,000
Unrestricted	10,488,022	8,647,716	6,663,563	6,910,247	7,980,823	6,775,508	5,983,935
Total Business-type Activities Net Assets	\$ 39,119,373	\$ 41,079,291	\$ 44,228,791	\$ 47,174,718	\$ 48,160,348	\$ 48,474,688	\$ 48,532,442
Primary Government							
Invested in Capital Assets, net of related debt	\$ 59,928,926	\$ 72,272,860	\$ 103,862,327	\$ 107,630,933	\$ 107,416,592	\$ 110,441,556	\$ 110,941,307
Restricted	6,497,346	6,032,213	6,243,041	6,201,228	6,308,262	4,380,237	3,628,449
Unrestricted	19,774,573	16,055,071	14,475,052	15,689,033	18,143,248	17,484,037	14,904,556
Total Primary Government Net Assets	\$ 86,200,845	\$ 94,360,144	\$ 124,580,420	\$ 129,521,194	\$ 131,868,102	\$ 132,305,830	\$ 129,474,312

(a) In 2005, the City began reporting historic infrastructure assets as required by GASB 34.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon
CHANGES IN NET ASSETS
 Last Seven Fiscal Years

	2003	2004	2005	2006	2007	2008	2009
EXPENSES							
Governmental Activities							
Public representation	\$ 887,496	\$ 866,669	\$ 885,365	\$ 904,109	\$ 925,124	\$ 986,696	\$ 923,911
Administrative services	1,227,407	1,132,229	803,783	732,715	783,713	782,362	698,022
Financial services	1,842,653	1,809,136	1,872,159	2,061,836	2,205,041	2,292,430	2,406,517
Public safety	11,583,282	12,164,389	12,481,826	13,059,358	12,802,488	13,955,811	13,614,112
Public works	2,947,194	2,847,755	2,853,497	3,089,522	2,989,433	3,019,411	2,986,747
Highways, streets and bridges	3,483,032	3,879,462	5,910,307	5,672,590	7,272,288	7,265,438	7,160,797
Community and economic development	3,371,472	2,652,497	3,693,187	3,383,157	3,054,087	3,174,508	4,139,765
Culture and recreation	3,042,315	2,468,059	2,504,692	2,464,567	2,433,020	2,623,501	2,463,375
General administration	1,601,112	1,725,225	1,608,108	1,143,963	358,225	574,955	451,651
Interest on long-term debt	223,717	193,021	170,814	206,768	343,106	324,076	288,073
Total Governmental Activities Expenses	30,209,680	29,738,442	32,783,738	32,718,585	33,166,525	34,999,188	35,132,970
Business-type Activities							
Water	4,538,186	4,122,822	4,181,855	4,500,578	5,795,279	5,800,977	6,080,230
Sewer	3,416,372	3,745,156	3,953,838	5,006,594	5,066,693	5,503,144	5,426,321
Marina and launch ramp	325,401	351,705	343,599	332,826	392,994	347,642	310,773
Total Business-type Activities Expenses	8,279,959	8,219,683	8,479,292	9,839,998	11,254,966	11,651,763	11,817,324
Total Primary Government Expenses	\$ 38,489,639	\$ 37,958,125	\$ 41,263,030	\$ 42,558,583	\$ 44,421,491	\$ 46,650,951	\$ 46,950,294
PROGRAM REVENUES							
Governmental Activities							
Charges for Services							
Public representation	\$ 204,435	\$ 210,238	\$ 195,316	\$ 202,939	\$ 199,759	\$ 188,467	\$ 213,885
Administrative services	292,665	314,028	311,529	306,964	287,011	257,850	271,117
Financial services	591,174	645,166	537,445	728,332	744,109	726,572	818,845
Public safety	1,162,175	1,098,793	1,116,755	1,134,686	1,224,062	1,217,616	1,117,476
Public works	266,045	452,606	467,849	588,566	407,569	382,072	383,733
Highways, streets and bridges	273,893	555,018	267,689	263,423	372,133	301,955	251,840
Community and economic development	977,448	414,543	815,980	762,220	356,051	297,854	249,241
Culture and recreation	1,026,822	1,151,687	1,141,865	809,228	454,154	405,520	445,891
General administration	122,447	200,434	314,658	170,240	64,366	99,494	123,426
Operating grants and contributions	5,613,628	6,008,978	6,017,421	5,093,355	5,229,279	5,367,152	6,443,223
Capital grants and contributions	10,494,617	5,785,604	5,894,358	5,360,014	3,347,680	3,444,957	2,105,557
Total Governmental Program Revenues	21,025,349	16,837,095	17,080,865	15,419,967	12,686,173	12,689,509	12,424,234
Business-type Activities							
Water	4,131,126	4,977,320	6,912,719	6,342,110	6,569,228	6,240,060	5,883,830
Sewer	4,057,743	4,083,591	4,149,187	4,803,702	5,179,095	5,326,787	5,720,171
Marina and launch ramp	274,258	266,981	248,460	267,412	281,679	250,266	242,055
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	256,612	657,521	100,373	710,641	-	-	5,179
Total Business-type program revenues	8,719,739	9,985,413	11,410,739	12,123,865	12,030,002	11,817,113	11,851,235
Total Primary Government program revenues	\$ 29,745,088	\$ 26,822,508	\$ 28,491,604	\$ 27,543,832	\$ 24,716,175	\$ 24,506,622	\$ 24,275,469
NET (EXPENSE) REVENUE							
Governmental Activities	(9,184,331)	(12,901,347)	(15,702,873)	(17,298,618)	(20,480,352)	(22,309,679)	(22,708,736)
Business-type Activities	439,780	1,765,730	2,931,447	2,283,867	775,036	165,350	33,911
Total Primary Government net expense	\$ (8,744,551)	\$ (11,135,617)	\$ (12,771,426)	\$ (15,014,751)	\$ (19,705,316)	\$ (22,144,329)	\$ (22,674,825)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS							
Governmental Activities							
Property taxes	\$ 7,029,393	\$ 6,962,453	\$ 7,670,384	\$ 7,846,707	\$ 8,014,102	\$ 8,349,341	\$ 8,492,507
Income taxes	6,644,708	7,326,811	7,238,552	7,673,696	7,757,707	8,117,566	6,628,365
Franchise fees	265,532	-	286,265	285,124	297,200	304,812	321,852
Grants and contributions not restricted for specific programs	4,938,861	4,645,348	4,627,915	4,674,157	4,475,462	4,487,698	3,841,922
Unrestricted investment earnings	281,492	170,094	420,595	832,300	1,247,520	730,142	185,436
Miscellaneous	109,620	68,405	70,402	64,645	88,035	160,460	226,124
Gain on sale of capital asset	62,992	70,886	300,037	81,372	1,604	323,048	123,258
Transfers	-	(142,420)	(80,000)	(540,000)	(40,000)	(40,000)	-
Total Governmental Program Revenues	19,332,598	19,101,577	20,534,150	20,918,001	21,841,630	22,433,067	19,819,464
Business-type Activities							
Unrestricted investment earnings	71,628	51,768	138,053	122,060	170,594	108,990	23,843
Gain on sale of capital asset	(88,767)	-	-	-	-	-	-
Transfers	-	142,420	80,000	540,000	40,000	40,000	-
Total Business-type program revenues	(17,139)	194,188	218,053	662,060	210,594	148,990	23,843
Total Primary Government program revenues	\$ 19,315,459	\$ 19,295,765	\$ 20,752,203	\$ 21,580,061	\$ 22,052,224	\$ 22,582,057	\$ 19,843,307
CHANGE IN NET ASSETS							
Governmental Activities	10,148,267	6,200,230	4,831,277	3,619,383	1,361,278	123,388	(2,889,272)
Business-type Activities	422,641	1,959,918	3,149,500	2,945,927	985,630	314,340	57,754
Total Primary Government	\$ 10,570,908	\$ 8,160,148	\$ 7,980,777	\$ 6,565,310	\$ 2,346,908	\$ 437,728	\$ (2,831,518)

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	\$ 78,998	\$ 75,337	\$ 173,696	\$ 110,642	\$ 74,349	\$ 79,356	\$ 177,076	\$ 180,410	\$ 214,819	\$ 187,633
Unreserved	2,872,737	3,087,031	2,634,300	2,320,776	2,370,842	2,440,249	2,512,963	2,740,222	2,168,906	1,451,029
Total general fund	\$ 2,951,735	\$ 3,162,368	\$ 2,807,996	\$ 2,431,418	\$ 2,445,191	\$ 2,519,605	\$ 2,690,039	\$ 2,920,632	\$ 2,383,725	\$ 1,638,662
All other governmental funds										
Reserved	\$ 2,562,867	\$ 2,533,419	\$ 2,309,214	\$ 1,159,364	\$ 1,187,662	\$ 2,915,106	\$ 7,044,394	\$ 4,130,995	\$ 4,382,118	\$ 3,613,858
Unreserved, reported in:										
Special revenue funds	4,900,500	4,579,430	3,785,857	3,254,746	2,692,431	2,910,285	3,030,096	4,462,015	2,768,886	2,060,117
Debt service	-	-	-	153,955	-	-	-	-	-	-
Capital project funds	2,361,991	2,143,770	1,614,636	3,849,868	2,187,667	1,239,763	390,282	635,676	675,898	554,273
Permanent funds	60,779	91,707	102,837	63,798	22,896	22,890	77,300	84,413	60,813	15,613
Total all other governmental funds	\$ 9,886,137	\$ 9,348,326	\$ 7,812,544	\$ 8,481,731	\$ 6,090,656	\$ 7,088,044	\$ 10,542,072	\$ 9,313,099	\$ 7,887,715	\$ 6,243,861

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year.

City of Muskegon

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 12,969,769	\$ 12,996,607	\$ 13,607,863	\$ 13,306,798	\$ 13,767,040	\$ 14,521,769	\$ 15,052,708	\$ 15,420,032	\$ 15,728,859	\$ 14,673,012
Intergovernmental	16,045,805	15,847,954	15,473,320	18,879,071	15,448,865	15,445,949	14,703,371	12,752,363	13,012,035	12,400,408
Charges for services	3,149,195	2,847,201	3,010,798	3,307,607	3,437,220	3,147,066	2,938,246	2,722,894	2,463,975	2,620,372
Other	4,528,702	4,965,889	3,872,459	3,629,983	3,828,223	4,134,604	3,758,956	4,618,149	3,624,579	3,177,522
Total revenues	<u>36,693,471</u>	<u>36,657,651</u>	<u>35,964,440</u>	<u>39,123,459</u>	<u>36,481,348</u>	<u>37,249,388</u>	<u>36,453,281</u>	<u>35,513,438</u>	<u>34,829,448</u>	<u>32,871,314</u>
Expenditures										
Public representation	807,496	903,378	985,107	889,188	869,342	886,717	903,895	927,320	987,229	923,923
Administrative services	759,653	717,680	816,581	785,966	704,667	748,588	669,789	644,913	632,513	549,833
Financial services	1,585,890	1,679,979	1,797,662	1,846,558	1,829,276	1,905,714	2,056,580	2,231,519	2,298,830	2,406,623
Public safety	11,110,085	11,136,752	11,514,151	11,439,487	12,277,677	12,624,532	13,002,233	12,902,815	13,754,394	13,567,101
Public works	2,668,788	2,678,089	2,680,695	2,731,241	2,543,512	2,661,073	2,730,415	2,768,906	2,831,177	2,860,510
Highways, streets and bridges	7,894,893	8,309,998	8,816,305	11,800,017	8,654,931	9,531,840	8,023,539	6,504,915	6,414,453	6,562,964
Community and economic development	931,336	948,756	971,335	987,097	797,072	784,396	763,211	894,879	1,077,312	939,895
Culture and recreation	2,345,712	2,637,586	2,610,935	2,624,275	2,259,699	2,197,276	2,190,835	2,254,117	2,394,031	2,196,186
Other governmental functions	1,252,351	1,441,234	1,798,345	1,589,572	1,708,868	1,603,292	1,139,148	350,385	562,341	438,292
Debt service										
Principal	1,420,462	1,425,741	1,345,000	1,270,000	1,335,000	1,115,000	1,189,785	1,241,921	999,148	663,371
Interest and issuance costs	380,123	367,317	316,255	230,907	201,447	166,071	271,233	324,577	310,432	282,174
Capital outlay	6,212,205	5,338,105	4,721,155	4,496,631	6,139,597	3,734,082	6,066,783	5,683,657	5,473,828	3,987,509
Total expenditure	<u>37,368,994</u>	<u>37,584,615</u>	<u>38,373,526</u>	<u>40,690,939</u>	<u>39,321,088</u>	<u>37,958,581</u>	<u>39,007,446</u>	<u>36,729,924</u>	<u>37,735,688</u>	<u>35,378,381</u>
Excess of revenues over (under) expenditures	(675,523)	(926,964)	(2,409,086)	(1,567,480)	(2,839,740)	(709,193)	(2,554,165)	(1,216,486)	(2,906,240)	(2,507,067)
Other financing sources (uses)										
Transfers in	2,367,561	2,713,591	2,059,336	2,740,742	3,342,612	1,839,631	2,358,509	1,926,538	1,477,717	1,359,608
Transfers out	(2,336,039)	(2,403,591)	(2,047,491)	(2,740,742)	(3,233,369)	(1,947,677)	(2,926,554)	(1,994,584)	(1,409,491)	(1,309,910)
Bonds issued	825,000	-	106,807	1,578,009	-	1,061,900	5,626,331	-	500,000	-
Sale of capital assets	356,299	289,786	400,280	282,080	483,544	827,141	1,120,341	286,152	375,723	68,452
Total other financing sources (uses)	<u>1,212,821</u>	<u>599,786</u>	<u>518,932</u>	<u>1,860,089</u>	<u>592,787</u>	<u>1,780,995</u>	<u>6,178,627</u>	<u>218,106</u>	<u>943,949</u>	<u>118,150</u>
Net change in fund balances	<u>\$ 537,298</u>	<u>\$ (327,178)</u>	<u>\$ (1,890,154)</u>	<u>\$ 292,609</u>	<u>\$ (2,246,953)</u>	<u>\$ 1,071,802</u>	<u>\$ 3,624,462</u>	<u>\$ (998,380)</u>	<u>\$ (1,962,291)</u>	<u>\$ (2,388,917)</u>
Debt service as a percentage of noncapital expenditures	5.78%	5.56%	4.94%	4.15%	4.63%	3.74%	4.44%	5.05%	4.06%	3.01%

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year.

City of Muskegon

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE

Last Ten Fiscal Years

Year	Property Tax		Income Tax		Intergovernmental		Charges for Service		Licenses and Permits		Fines and Fees		Interest and Rent		Other		% of Total		% Change
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	Total	Total	
2000	5,891,198	16.1%	7,078,571	19.3%	16,045,805	43.7%	3,149,195	8.6%	1,030,830	2.8%	338,677	0.9%	1,142,700	3.1%	2,016,495	5.5%	36,693,471	27.8%	
2001	6,176,436	16.8%	6,820,171	18.6%	15,847,954	43.2%	2,847,201	7.8%	1,014,598	2.8%	350,557	1.0%	914,214	2.5%	2,686,520	7.3%	36,657,651	-0.1%	
2002	6,915,254	19.2%	6,692,609	18.6%	15,473,320	43.0%	3,010,798	8.4%	947,428	2.6%	393,314	1.1%	662,513	1.8%	1,869,204	5.2%	35,964,440	-1.9%	
2003	6,764,443	17.3%	6,542,355	16.7%	18,879,071	48.3%	3,307,607	8.5%	1,108,780	2.8%	471,682	1.2%	516,482	1.3%	1,533,039	3.9%	39,123,459	8.8%	
2004	6,733,653	18.5%	7,033,387	19.3%	15,448,865	42.3%	3,437,220	9.4%	1,139,014	3.1%	622,165	1.7%	435,152	1.2%	1,631,892	4.5%	36,481,348	-6.8%	
2005	7,438,382	20.0%	7,083,023	19.0%	15,445,949	41.5%	3,147,066	8.4%	1,047,981	2.8%	648,300	1.7%	684,165	1.8%	1,754,158	4.7%	37,249,024	2.1%	
2006	7,627,535	20.9%	7,425,173	20.4%	14,703,371	40.3%	2,938,246	8.1%	1,009,023	2.8%	544,902	1.5%	1,139,466	3.1%	1,065,565	2.9%	36,453,281	-2.1%	
2007	7,801,571	22.0%	7,618,461	21.5%	12,752,363	35.9%	2,722,894	7.7%	1,115,518	3.1%	606,545	1.7%	1,348,819	3.8%	1,547,267	4.4%	35,513,438	-2.6%	
2008	8,034,079	23.1%	7,694,780	22.1%	13,012,035	37.4%	2,463,975	7.1%	1,089,187	3.1%	570,526	1.6%	861,515	2.5%	1,103,351	3.2%	34,829,448	-1.9%	
2009	8,190,722	24.9%	6,482,290	19.7%	12,400,408	37.7%	2,620,372	8.0%	1,032,681	3.1%	582,394	1.8%	400,900	1.2%	1,161,547	3.5%	32,871,314	-5.6%	

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year.

City of Muskegon

Taxable, Assessed and Equalized and Estimated Actual Valuation of Property

Last Ten Fiscal Years

Taxable Valuation of Property

Ad Valorem Assessment Roll

Industrial and Commercial Facilities Assessment Roll

Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT	Total Taxable Valuation	Taxable Value As a Percent Actual
2000	\$ 239,166,390	\$ 86,218	\$ 111,996,740	\$ 105,150,150	\$ 456,399,498	\$ 125,766,500	\$ 582,165,998	\$ 20,340,926	\$ 54,398,400	\$ -	\$ 74,739,326	\$ 656,905,324	90.85%
2001	259,245,700	160,831	117,380,175	104,812,046	481,598,752	150,081,900	631,680,652	15,928,671	61,421,700	-	77,350,371	709,031,023	87.40%
2002	277,504,213	163,166	129,199,142	103,473,256	510,339,777	125,589,450	635,929,227	10,786,400	61,521,500	-	72,307,900	708,237,127	86.36%
2003	295,311,699	163,844	124,679,713	101,987,394	522,142,650	124,833,198	646,975,848	9,114,034	51,183,000	-	60,297,034	707,272,882	85.80%
2004	309,291,380	167,357	123,303,933	103,175,554	535,938,224	115,456,493	651,394,717	7,564,826	51,056,856	-	58,621,682	710,016,399	87.00%
2005	322,359,014	164,935	126,046,550	104,163,650	552,734,149	109,273,769	662,007,918	7,235,276	47,488,411	-	54,693,687	716,701,605	87.62%
2006	341,365,730	-	132,415,743	105,982,619	579,764,092	103,282,670	683,046,762	6,062,774	44,389,891	-	50,452,665	733,499,427	87.46%
2007	364,789,125	-	143,991,195	109,089,684	617,870,004	111,824,925	729,694,929	5,433,443	31,408,300	-	36,841,743	766,536,672	87.21%
2008	376,414,856	160,219	140,833,691	109,931,336	627,340,102	114,100,484	741,440,586	5,747,358	24,617,400	-	30,364,758	771,805,344	86.71%
2009	376,545,791	157,682	147,276,887	114,185,691	638,166,051	111,493,852	749,659,903	5,259,649	25,616,400	-	30,876,049	780,535,952	91.48%

Assessed and Equalized Valuation of Property

Ad Valorem Assessment Roll

Industrial and Commercial Facilities Assessment Roll

Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT	Total Assessed Valuation	Estimated Actual Value
2000	\$ 292,740,000	\$ 110,700	\$ 122,567,000	\$ 106,499,200	\$ 521,916,900	\$ 125,766,500	\$ 647,683,400	\$ 20,988,600	\$ 54,398,400	\$ -	\$ 75,387,000	\$ 723,070,400	\$ 1,446,140,800
2001	336,150,700	173,600	136,833,700	109,888,900	583,046,900	150,081,900	733,128,800	16,676,500	61,421,700	-	78,098,200	811,227,000	1,622,454,000
2002	358,727,850	173,600	152,324,900	110,440,500	621,666,850	125,597,200	747,264,050	11,272,200	61,521,500	-	72,793,700	820,057,750	1,640,115,500
2003	383,845,613	181,300	144,310,700	110,600,499	638,938,112	124,840,700	763,778,812	9,333,500	51,183,000	-	60,516,500	824,295,312	1,648,590,624
2004	384,783,400	184,800	141,579,300	114,496,500	641,044,000	115,591,300	756,635,300	7,717,000	51,785,000	-	59,502,000	816,137,300	1,632,274,600
2005	397,915,080	200,800	142,436,699	112,694,600	653,247,179	109,280,200	762,527,379	7,481,500	47,924,200	-	55,405,700	817,933,079	1,635,866,158
2006	420,608,600	-	149,948,800	113,890,900	684,448,300	103,288,100	787,736,400	6,454,200	44,470,600	-	50,924,800	838,661,200	1,677,322,400
2007	448,120,317	-	160,361,200	121,432,880	729,914,397	111,829,191	841,743,588	5,850,600	31,408,300	-	37,258,900	879,002,488	1,758,004,976
2008	466,633,100	194,800	156,596,000	121,810,900	745,234,800	114,104,600	859,339,400	6,162,900	24,617,400	-	30,780,300	890,119,700	1,780,239,400
2009	426,002,850	191,100	161,996,600	122,301,800	710,492,350	111,497,300	821,989,650	5,606,100	25,616,400	-	31,222,500	853,212,150	1,706,424,300

Property is assessed at 50% of true cash value. The assessed and equalized valuation of taxable property is determined as of December 31st of each year and is the basis upon which taxes are levied during the succeeding fiscal year. The passage of Proposal A in May, 1994 altered how tax values are determined. Beginning in the 1995-1996 fiscal year, property taxes are based on taxable value instead of state equalized value. Proposal A also capped taxable value of each parcel of property, adjusted for additions and losses, at the previous year's rate of inflation or 5% whichever is less, until the property is sold or transferred. When ownership of a parcel of property is transferred, the taxable value becomes 50% of true cash value, or the state equalized valuation. The industrial and Commercial Facilities Tax Acts permit certain property to be taxed at one-half the tax rate for a period up to twelve years.

City of Muskegon

Principal Property Taxpayers

December 31, 2009

Taxpayer	2009			2000		
	Taxable Valuation	Rank	Percent of Total Taxable Valuation	Taxable Valuation	Rank	Percent of Total Taxable Valuation
Consumers Energy	\$ 78,615,856	1	10.1%	\$ 67,248,351	1	10.2%
Sappi/S.D. Warren Company	31,205,687	2	4.0%	54,094,785	2	8.2%
Johnson Technology	7,679,263	3	1.0%	8,950,262	4	1.4%
ADAC Plastics Inc	7,379,563	4	0.9%	7,147,253	8	1.1%
ESCO Company	6,578,855	5	0.8%	-	-	0.0%
DTE Energy (formerly MichCon)	5,852,200	6	0.7%	9,142,300	3	1.4%
Glen Oaks Apartments LLC	4,776,500	7	0.6%	-	-	0.0%
Honeywell Inc	4,738,900	8	0.6%	-	-	0.0%
Faram Muskegon LLC	4,570,300	9	0.6%	-	-	0.0%
Lorin Industries	4,318,889	10	0.6%	8,564,530	6	1.3%
Brunswick Corp	-	-	0.0%	8,634,000	5	1.3%
Neway Anchorlok International	-	-	0.0%	8,370,668	7	1.3%
Anglo-American Clays Corporation	-	-	0.0%	6,876,300	9	1.0%
Muskegon Properties Company	-	-	0.0%	6,392,900	10	1.0%
Total - 10 Largest	155,716,013		19.9%	185,421,349		28.2%
Total - All Other	624,819,939		80.1%	472,356,912		71.8%
	\$ 780,535,952		100.0%	\$ 657,778,261		100.0%

Source: Muskegon County Equalization Department; City of Muskegon Treasurer's Office

City of Muskegon

Property Tax Rates - Direct and Overlapping Government Units
 Property Tax Rates Per \$1,000 Taxable Valuation
 Last Ten Fiscal Years

City-Wide Rates

Year	Operating	Promotion	Sanitation	Total City	Library District
2000	7.0000	0.0859	3.0000	10.0859	0.9947
2001	7.0000	0.0792	3.0000	10.0792	2.4000
2002	7.0000	0.0786	3.0000	10.0786	2.4000
2003	7.5000	0.0774	2.5000	10.0774	2.4000
2004	8.5000	0.0768	2.5000	11.0768	2.4000
2005	8.5000	0.0755	2.5000	11.0755	2.4000
2006	8.5000	0.0732	2.5000	11.0732	2.4000
2007	8.5000	0.0685	2.5000	11.0685	2.4000
2008	8.5000	0.0682	2.5000	11.0682	2.4000
2009	8.9000	0.0680	2.1000	11.0680	2.4000

Overlapping - County-Wide Rates

Year	Muskegon County	Intermediate School	Special Education	Vocational Education	Community College
2000	6.6256	0.4675	2.3374	-	2.2417
2001	6.5799	0.4640	2.3202	-	2.2233
2002	6.6957	0.4599	2.2997	1.0000	2.2037
2003	6.7957	0.4597	2.2983	1.0000	2.2037
2004	6.7957	0.4597	2.2983	1.0000	2.2037
2005	6.7757	0.4597	2.2983	1.0000	2.2037
2006	6.7557	0.4597	2.2987	0.9996	2.2037
2007	6.7357	0.4597	2.2987	0.9996	2.2037
2008	6.6957	0.4597	2.2987	0.9996	2.2037
2009	6.6957	0.4597	2.2987	0.9996	2.2037

Overlapping - School District

Year	Operating	Debt	Total	State Education
2000	18.0000	7.0000	25.0000	6.0000
2001	18.0000	7.0000	25.0000	6.0000
2002	18.0000	7.0000	25.0000	6.0000
2003	18.0000	7.0000	25.0000	5.0000
2004	18.0000	7.0000	25.0000	6.0000
2005	18.0000	7.0000	25.0000	6.0000
2006	18.0000	7.0000	25.0000	6.0000
2007	18.0000	7.0000	25.0000	6.0000
2008	18.0000	5.5000	23.5000	6.0000
2009	18.0000	5.6000	23.6000	6.0000

Grand Total

Homestead	Non-Homestead
35.7528	53.7528
37.0666	55.0666
38.1376	56.1376
37.2348	55.2348
39.2342	57.2342
39.2129	57.2129
39.1906	57.1906
39.1659	57.1659
37.6256	55.6256
37.7254	55.7254

City of Muskegon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as % of Levy	Charge backs			Outstanding Delinquent Specific	Outstanding Delinquent Personal	Percent of Delinquent Taxes to Levy
							On Uncollected Delinquent Taxes	Outstanding Delinquent Taxes	Outstanding Delinquent Specific			
2000	\$ 7,378,653	\$ 6,631,358	89.9%	\$ 382,839	\$ 7,014,197	95.1%	\$ 47,117	\$ 60,847	\$ 7,845	1.57%		
2001	7,449,191	6,625,670	88.9%	88,768	6,714,438	90.1%	24,866	184,894	5,496	2.89%		
2002	7,922,898	7,036,846	88.8%	123,906	7,160,752	90.4%	30,056	168,666	15,700	2.71%		
2003	8,095,194	7,201,599	89.0%	710,353	7,911,952	97.7%	27,338	154,843	20,856	2.51%		
2004	8,292,451	7,230,231	87.2%	772,545	8,002,776	96.5%	36,179	82,305	22,655	1.70%		
2005	8,121,734	6,920,960	85.2%	1,027,932	7,948,892	97.9%	28,156	78,641	21,100	1.57%		
2006	8,207,019	7,231,508	88.1%	885,675	8,117,183	98.9%	13,461	65,297	24,539	1.26%		
2007	8,542,477	7,509,102	87.9%	949,754	8,458,856	99.0%	-	67,586	20,748	1.03%		
2008	8,466,096	7,219,540	85.3%	1,135,738	8,355,278	98.7%	36,917	73,430	37,388	1.75%		
2009	8,700,017	7,522,462	86.5%	1,102,891	8,625,353	99.1%	25,755	73,440	34,758	1.54%		

SOURCE: City of Muskegon Treasurer' Office

City of Muskegon
SEGMENTED DATA ON INCOME TAX FILERS, RATES AND LIABILITY

Most recent Year and Nine Years Previous

Fiscal Year 2009

Fiscal Year 2000

Taxable Income per Return <i>Individual and Joint Returns</i>	Fiscal Year 2009			Fiscal Year 2000		
	# of Returns	% of Total Returns Filed	Total Taxable Income Tax Dollars	% of Total Returns Filed	Total Taxable Income Tax Dollars	% of Total Tax Dollars
Resident Taxpayers: (City resident income, after exemptions, exclusions and deductions is taxed at a flat rate of 1%.)						
\$2,500 or less	1,138	5%	\$ 864,100	5%	\$ 1,029,474	0%
\$2,501-\$7,500	770	4%	5,078,700	1%	6,827,297	1%
\$7,501-\$25,000	2,020	10%	41,502,900	6%	52,426,935	7%
\$25,001-\$50,000	1,683	8%	79,903,500	12%	101,907,814	14%
\$50,001-\$100,000	989	5%	85,195,400	13%	88,566,998	13%
More than \$100,000	178	1%	41,650,500	6%	40,253,382	6%
Subtotal	6,788	32%	\$ 254,195,100	33%	\$ 291,011,900	41%

Non-Residents Taxpayers:
(Non-residents are taxed at a rate of 0.5% on income earned within the City.)

\$2,500 or less	1,893	9%	\$ 1,016,800	0%	\$ 1,428,558	0%
\$2,501-\$7,500	1,143	5%	5,521,406	1%	7,901,142	1%
\$7,501-\$25,000	2,914	14%	47,512,234	5%	68,958,300	6%
\$25,001-\$50,000	3,316	16%	121,177,000	12%	177,165,226	17%
\$50,001-\$100,000	2,539	12%	168,325,400	17%	135,900,236	13%
More than \$100,000	628	3%	126,125,200	13%	118,501,368	11%
Subtotal	12,433	59%	\$ 469,678,040	48%	\$ 509,854,830	48%
All Other Returns (Mostly corporate returns which pay at a rate of 1% on income earned in City and partnerships which pay based on partners residence status.)						
Subtotal	1,850	9%	\$ 833,510	13%	\$ 769,276	11%
Total	21,071	100%	\$ 6,482,290	100%	\$ 7,078,571	100%

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

SOURCE: City of Muskegon Income Tax Department. The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information starting that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percent of Personal Income	Per Capita
	General Obligation Limited Tax Bonds	Special Assessment Bonds	State Loans	Total Governmental Activities	Revenue Bonds	Intergovernmental Contactual Debt	State Loans	Total Business-Type Activities	Total Primary Government				
2000	\$ 5,335,741	\$ 2,910,000	\$ 1,276,900	\$ 9,522,641	\$ 10,510,000	\$ 9,235,090	\$ -	\$ 19,745,090	\$ 29,267,731	5.0%	\$ 730		
2001	4,425,000	2,395,000	1,276,900	8,096,900	10,140,000	8,262,203	-	18,402,203	26,499,103	4.4%	661		
2002	3,735,000	1,835,000	1,276,900	6,846,900	9,750,000	7,038,014	-	16,788,014	23,634,914	3.8%	589		
2003	4,565,000	1,460,000	1,126,900	7,151,900	9,345,000	5,886,923	-	15,231,923	22,383,823	3.6%	562		
2004	3,700,000	1,140,000	976,900	5,816,900	8,925,000	4,779,656	8,483,766	22,188,422	28,005,322	4.4%	703		
2005	3,615,824	865,000	1,282,976	5,763,800	8,490,000	3,606,017	13,900,000	25,996,017	31,759,817	4.8%	797		
2006	8,246,039	615,000	1,356,900	10,217,939	8,035,000	2,454,101	13,335,000	23,824,101	34,042,040	5.0%	855		
2007	7,444,118	395,000	1,136,900	8,976,018	7,565,000	1,221,207	12,760,000	21,546,207	30,522,225	4.5%	766		
2008	6,844,970	215,000	1,416,900	8,476,870	7,075,000	-	12,170,000	19,245,000	27,721,870	4.1%	696		
2009	6,623,499	70,000	1,120,000	7,813,499	6,565,000	-	11,570,000	18,135,000	25,948,499	3.8%	659		

NOTE: None of the debt issued by the City is payable through the levy of property tax millages.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year.

City of Muskegon

DIRECT AND OVERLAPPING DEBT

December 31, 2009

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	City General Taxes
<u>Direct Debt</u>			
City of Muskegon:			
Revenue Bonds	\$ 18,135,000	\$ 18,135,000	\$ -
Special Assessment Bonds	70,000	70,000	-
Capital Improvement Bonds	6,230,000	-	6,230,000
Intergovernmental Bonds	1,120,000	-	1,120,000
Act 99 Installment Purchase	393,499	-	393,499
Component Unit Debt:			
Downtown Development Authority	3,475,000	3,475,000	-
Local Development Finance Authority	4,485,000	4,485,000	-
Total City Direct Debt	\$ 33,908,499	\$ 26,165,000	\$ 7,743,499
	Gross	City Share as Percent of Gross	Net
<u>Overlapping Debt</u>			
Muskegon School District	\$ 37,469,736	94.48%	\$ 35,401,407
Orchard View School District	46,682,934	25.95%	12,114,221
Reeths Puffer School District	63,090,640	10.65%	6,719,153
Muskegon Intermediate School District	-	15.65%	-
Muskegon County	19,040,000	15.66%	2,981,664
Muskegon Community College	15,720,000	15.66%	2,461,752
Total Overlapping Debt	\$ 182,003,310		59,678,197
Total City Direct and Overlapping Debt			\$ 67,421,696

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

SOURCE: Municipal Advisory Council of Michigan and City of Muskegon Finance Department. The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year.

City of Muskegon

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 64,768,340	\$ 73,312,880	\$ 74,726,405	\$ 76,377,881	\$ 75,663,530	\$ 76,252,738	\$ 78,773,640	\$ 84,174,359	\$ 85,933,940	\$ 82,198,965
Total net debt applicable to limit	3,502,641	7,232,900	11,066,900	9,726,900	9,191,900	9,918,800	16,142,939	15,591,018	15,481,870	14,778,499
Legal debt margin	\$ 61,265,699	\$ 66,079,980	\$ 63,659,505	\$ 66,650,981	\$ 66,471,630	\$ 66,333,938	\$ 62,630,701	\$ 68,583,341	\$ 70,452,070	\$ 67,420,466
Total net debt applicable to the limit as a percentage of debt limit	5.41%	9.87%	14.81%	12.74%	12.15%	13.01%	20.49%	18.52%	18.02%	17.98%

Legal Debt Margin Calculation for 2009:

Assessed Valuation:	\$ 821,989,650
Legal Debt Limit (10%)	82,198,965
Total Indebtedness:	\$ 33,908,499
Debt not Subject to Limitation:	
Paid by Special Assessment	(995,000)
Revenue Bonds	(18,135,000)
Debt Subject to Limitation	14,778,499
Legal Debt Margin	\$ 67,420,466

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon
REVENUE BOND COVERAGE
Water Supply System

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000	\$ 3,936,337	\$ 2,576,864	\$ 1,359,473	\$ 350,000	\$ 494,206	\$ 844,206	1.61
2001	4,263,107	3,203,080	1,060,027	370,000	471,301	841,301	1.26
2002	4,051,015	3,030,959	1,020,056	390,000	453,666	843,666	1.21
2003	4,183,015	3,539,690	643,325	405,000	417,559	822,559	0.78
2004	5,016,267	3,186,067	1,830,200	420,000	411,867	831,867	2.20
2005	7,017,844	3,197,232	3,820,612	435,000	418,549	853,549	4.48
2006	6,424,971	3,172,882	3,252,089	1,020,000	662,774	1,682,774	1.93
2007	6,705,739	3,404,649	3,301,090	1,045,000	632,036	1,677,036	1.97
2008	6,336,135	3,407,903	2,928,232	1,080,000	600,377	1,680,377	1.74
2009	5,906,313	3,498,263	2,408,050	1,110,000	567,462	1,677,462	1.44

Sewage Disposal System

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage	
				Principal	Interest	Total		
2000	\$ 4,089,381	\$ 2,236,111	\$ 1,853,270	\$ 421,516	\$ 216,776	\$ 638,292	2.90	
2001	3,991,295	2,656,382	1,334,913	399,933	197,169	597,102	2.24	
2002	4,039,448	2,726,975	1,312,473	458,918	137,622	596,540	2.20	
2003	4,077,482	2,649,454	1,428,028	473,329	132,214	605,543	2.36	
2004	4,096,412	3,038,939	1,057,473	455,179	110,520	565,699	1.87	
2005	4,182,115	3,128,119	1,053,996	522,956	114,388	637,344	1.65	
2006	4,842,901	4,270,296	572,605	511,626	63,233	574,859	1.00	
2007	5,213,140	4,435,211	777,929	506,822	25,221	532,043	1.46	
2008	5,338,647	4,979,343	359,304	546,278	12,550	558,828	0.64	
2009			No System Indebtedness					

For years in which "revenue bond coverage" is less than 1.00, the shortfall was made up either by use of net assets or by transfer in.

- (a) "Gross Revenue" equals total operating revenues plus interest income.
- (b) "Direct Operating Expenses" equal total operating expenses net of depreciation expense.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information start that year. Certain other information has not been presented previously. Reported numbers begin with the year for which information believed to be accurate is available.

City of Muskegon
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	Public School Enrollment	Building Permits		Unemployment
						Number	Value	
2000	40,105	\$ 587,140,208	\$ 14,640	32.3	6,788	859	\$ 39,494,923	6.1%
2001	40,105	601,818,713	15,006	32.3	6,761	893	26,052,549	9.3%
2002	40,105	616,864,181	15,381	32.3	6,603	1,008	39,705,174	12.1%
2003	39,825	627,871,373	15,766	32.3	6,327	1,061	21,369,545	13.9%
2004	39,825	643,568,157	16,160	32.3	6,088	1,152	37,963,075	11.1%
2005	39,825	659,657,361	16,564	32.3	5,862	966	30,041,025	9.0%
2006	39,825	676,148,795	16,978	32.3	5,625	1,063	27,328,144	8.6%
2007	39,825	693,052,515	17,402	32.3	5,534	941	36,129,064	9.5%
2008	39,825	710,378,828	17,838	32.3	5,361	946	23,001,998	11.5%
2009	39,401	720,386,117	18,283	32.8	5,931	909	18,417,289	16.2%

SOURCE: US Census Bureau, Muskegon Area Intermediate School District (MAISD), City of Muskegon Inspections Department

**City of Muskegon
PRINCIPAL EMPLOYERS**

Current Year and Nine Years Ago

Employer	2009			2000		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Mercy General Health Partners	3,227	1	17.9%	1,300	1	7.1%
County of Muskegon	980	2	5.4%	650	5	3.6%
State of Michigan	772	3	4.3%	901	3	4.9%
Muskegon Public Schools	697	4	3.9%	550	6	3.0%
Johnson Technology	474	5	2.6%	550	6	3.0%
Knoll Group	450	6	2.5%	-	-	0.0%
Baker College	430	7	2.4%	-	-	0.0%
ADAC Plastics	400	8	2.2%	480	7	2.6%
Verizon	325	9	1.8%	350	9	1.9%
City of Muskegon	281	10	1.6%	-	-	0.0%
Brunswick	180	-	0.0%	400	8	2.2%
Hackley Hospital	-	-	0.0%	1,000	2	5.5%
Sappi Fine Paper	-	-	0.0%	740	4	4.1%

SOURCE: City of Muskegon; Muskegon Area First; Michigan Department of Energy, Labor & Economic Growth

City of Muskegon

BUDGETED FULL-TIME CITY GOVERNMENT POSITIONS BY DEPARTMENT

Last Ten Fiscal Years

Department	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administration	1.70	1.70	1.50	1.50	1.50	1.50	1.50	1.50	1.50	-
Affirmative Action	1.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Cemetaries	3.52	3.52	3.52	3.52	3.52	3.00	3.00	3.25	3.25	3.25
City Assessors Office	-	-	-	-	-	-	-	-	-	-
City Clerk & Elections	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
City Commission	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Hall Maintenance	1.20	1.20	1.25	1.20	1.00	1.00	1.00	1.00	1.00	1.00
City Manager's Office	2.05	3.05	2.75	1.75	1.75	1.75	1.75	1.75	1.75	3.25
City Treasurer's Office	6.00	6.00	6.00	6.00	5.00	5.00	5.00	4.00	5.00	5.00
Civil Service	2.00	2.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Community Event Support	-	0.60	0.20	-	-	-	-	-	-	-
Environmental Services	5.00	4.00	4.00	4.00	3.50	2.00	2.00	2.00	2.00	2.00
Farmers Market	0.12	0.12	0.12	0.12	0.12	-	-	-	-	0.05
Finance Administration	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fire	44.00	44.00	44.00	43.00	41.00	40.00	38.00	38.00	38.00	38.00
Fire Safety Inspections	13.00	13.00	12.00	13.00	12.00	10.00	12.00	12.00	12.00	12.00
Forestry	2.68	2.68	2.18	1.93	0.93	-	-	-	-	-
General Recreation	0.78	0.78	0.78	2.24	1.24	1.00	1.17	1.33	1.66	1.66
Income Tax Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Information Systems	3.00	3.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Inner City Recreation	1.46	1.46	1.46	-	-	-	-	-	-	-
Parking	0.30	0.30	0.30	0.30	-	-	-	-	-	-
Parks	10.03	11.53	11.53	10.53	9.68	8.48	8.25	8.15	8.15	7.99
Planning, Zoning & Economic Development	8.00	7.50	7.50	7.50	6.50	6.00	6.00	6.00	6.00	6.00
Police	102.00	102.00	102.00	96.00	94.00	94.00	94.00	94.00	94.00	94.00
Sanitation	2.10	1.10	1.25	1.25	1.10	1.10	1.00	1.00	1.00	1.00
MVH-Major Streets	13.35	13.75	14.70	15.30	15.45	15.25	16.00	17.75	15.75	13.75
MVH-Local Streets	7.20	7.40	7.20	7.20	7.00	7.00	7.00	7.00	6.00	8.00
MVH-State Trunklines	1.60	1.60	1.60	1.60	2.00	2.00	2.00	-	-	-
Highway Non-Chargeables	0.20	-	-	-	-	-	-	-	-	-
Street Lighting	0.10	0.10	0.10	-	-	-	-	-	-	-
Walker Arena	0.12	0.12	0.12	0.12	0.12	-	-	-	-	-
Community Development	6.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Home Program	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sewer Maintenance	14.40	14.40	14.40	15.15	14.55	15.05	16.00	16.20	15.20	13.20
Water Filtration	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Water Maintenance	16.15	15.65	15.65	15.65	15.15	14.65	13.00	12.50	13.50	15.40
Hartshorn Marina Fund	0.79	0.79	0.79	0.79	0.79	0.67	0.73	0.67	0.34	0.05
Public Service Building	3.30	3.30	3.30	3.30	3.65	3.85	3.45	3.45	3.45	3.70
Engineering	8.90	9.40	9.35	9.40	7.70	7.70	7.45	7.45	7.45	7.45
Equipment	7.70	7.70	7.70	7.70	8.00	8.00	8.95	8.25	8.25	8.50
	314.00	314.00	315.00	308.00	294.00	284.00	284.00	282.00	280.00	280.00

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administrative Services										
Elections										
Number of registered voters	23,100	23,457	23,931	23,904	25,261	25,918	26,028	26,345	27,678	26,136
Number of votes cast:										
Last general election	12,054	12,054	8,916	8,916	14,169	14,169	10,410	10,410	15,271	15,271
Last city election	3,069	3,840	3,840	4,325	4,325	4,022	4,022	1,101	1,101	2,254
Percentage of registered voters voting:										
Last general election	52%	51%	37%	37%	56%	55%	40%	40%	55%	58%
Last city election	13%	16%	16%	18%	17%	16%	15%	4%	4%	9%
Financial Services										
Property Tax Bills	15,854	15,804	15,586	15,428	15,403	15,404	15,354	15,376	15,350	15,435
Income Tax Returns	N/A	N/A	25,135	25,043	24,378	23,884	23,493	23,141	22,598	21,071
Paper Check Issued to Vendors	3,850	3,922	4,012	3,784	3,405	3,205	3,248	3,347	3,346	3,113
Electronic Payments to Vendors	571	662	651	746	752	828	800	772	763	963
Public Safety										
Fire Protection										
Number of firefighter and officer positions	45	45	44	42	41	41	41	41	41	37
Number of emergency calls	3,693	3,818	3,878	3,656	4,116	4,206	4,092	4,171	4,298	4,220
Police Protection										
Number of sworn officer positions	91	91	85	83	83	83	84	84	84	79
Part I (Major) Crimes	3,537	3,429	3,504	2,971	3,360	3,303	3,495	2,997	3,107	3,071
Public Works										
Refuse Collected (Tons per Year)	12,211	11,718	11,420	11,780	11,925	11,074	11,192	10,375	10,401	10,526
Recyclables Collected (Tons per Year)	897	838	808	775	779	588	559	629	626	309
Water & Sewer										
Number of consumers	14,917	14,917	14,917	14,917	14,917	14,455	14,412	14,364	13,131	12,987
Average daily water consumption (GPD)	8,488,000	9,877,000	9,453,000	9,453,000	8,870,000	9,582,000	8,998,000	9,314,000	8,879,000	7,976,000
Water main breaks repaired	13	12	12	19	10	5	13	21	34	17
Sewer flows (Millions Gallons per Year)	1,718	1,994	1,477	1,387	1,475	1,700	2,040	1,945	2,181	1,979
Sewer Service Calls	925	799	661	624	568	638	605	598	533	508

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Fire Protection										
Number of stations	3	3	3	3	3	3	3	3	3	3
Police Protection										
Number of stations	1	1	1	1	1	1	1	1	1	1
Highways, Streets and Bridges										
Miles of Streets	197.51	197.52	197.39	197.96	196.95	196.95	197.48	197.79	197.79	196.95
Number of streetlights	3,115	3,111	3,114	3,123	3,111	3,159	3,159	3,134	3,134	3,192
Culture and Recreation										
Number of parks (acres)	611	612	612	701	701	701	701	701	701	701
Lake Michigan beaches (acres)	119	119	119	119	119	119	119	119	119	119
Hockey/Entertainment Arena	1	1	1	1	1	1	1	1	1	1
Sewer										
Sanitary sewers (miles)	174.97	175.01	175.33	175.33	178.02	179.41	175.74	177.04	177.04	177.04
Storm sewers (miles)	177.97	178.29	178.57	178.57	178.61	179.23	180.48	183.25	183.60	184.35
Water										
Water mains (miles)	192.30	192.60	193.09	193.66	194.14	194.14	194.15	195.63	195.58	195.69

SOURCE: City of Muskegon Departments

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

April 5, 2010

City Commission
City of Muskegon
Muskegon, Michigan

We have audited the financial statements of the City of Muskegon as of and for the year ended December 31, 2009 and have issued our report thereon dated April 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Muskegon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Muskegon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Muskegon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Section II of the accompanying Schedule of Findings and Responses, as 2009 Finding No. 1, to be a material weakness.

BRICKLEY DELONG

City Commission
April 5, 2010
Page 2

Compliance

As part of obtaining reasonable assurance about whether the City of Muskegon’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Muskegon’s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City of Muskegon’s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brickley De Long, P.C.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

April 5, 2010

City Commission
City of Muskegon
Muskegon, Michigan

Compliance

We have audited the compliance of the City of Muskegon with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City of Muskegon's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Muskegon's management. Our responsibility is to express an opinion on the City of Muskegon's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Muskegon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Muskegon's compliance with those requirements.

As described in 2009 Finding No. 2 in Section III of the accompanying Schedule of Findings and Responses, the City of Muskegon, did not comply with requirements regarding allowable costs/cost principles that are applicable to its Community Development Block Grant and Lead-Based Paint Hazard Control in Privately-Owned Housing Grant. Compliance with such requirements is necessary, in our opinion, for the City of Muskegon, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Muskegon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

City Commission
April 5, 2010
Page 2

Internal Control Over Compliance

The management of the City of Muskegon is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Muskegon's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Muskegon's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in Section III of the accompanying Schedule of Findings and Responses, as 2009 Finding No. 2 to be a material weakness.

The City of Muskegon's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Muskegon's responses and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City of Muskegon as of and for the year ended December 31, 2009 and have issued our report thereon dated April 5, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brickley De Long, P.C.

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended December 31, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue January 1, 2009	Cash or payments in kind received (cash basis)	Amount of grant expenditures	Accrued (deferred) revenue December 31, 2009
U.S. Department of Housing and Urban Development						
Direct programs						
Community Development Block Grant	14.218					
B-08-MC-26-0026	\$	984,207	\$ 478,802	\$ 840,655	\$ 361,853	\$ -
B-09-MC-26-0026		999,443	-	406,507	891,374	484,867
Program Income		42,079	-	42,079	42,079	-
Passed through Michigan Department of Housing Development Authority						
Community Development Block Grant						
Neighborhood Stabilization Program	14.218					
NSP-2008-0280-ENT		570,460	-	69,579	265,221	195,642
Program Income		16,215	-	16,215	16,215	-
Total Community Development Block Grant		2,612,404	478,802	1,375,035	1,576,742	680,509
Direct programs						
Home Investment Partnership Program	14.239					
M-06-MC-26-0215		301,767	10,790	13,116	4,426	2,100
M-08-MC-26-0215		290,049	77,937	223,612	209,212	63,537
M-09-MC-26-0215		322,469	-	48,640	184,525	135,885
Program Income		26,957	-	26,957	26,957	-
Total Home Investment Partnership Program		941,242	88,727	312,325	425,120	201,522
Direct programs						
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900					
FR-5100-N-20A		2,079,492	217,669	1,384,902	1,168,171	938
Total U.S. Department of Housing and Urban Development		5,633,138	785,198	3,072,262	3,170,033	882,969

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended December 31, 2009

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue January 1, 2009	Cash or payments in kind received (cash basis)	Amount of grant expenditures	Accrued (deferred) revenue December 31, 2009
U.S Department of Justice						
Direct programs						
Bulletproof Vest Partnership Grant	16.607	\$ 7,788	\$ -	\$ 6,088	\$ 6,088	\$ -
2007 Grant						
Justice Assistance Grant	16.738	52,970	-	-	36,088	36,088
2009-DJ-BX-0692						
Passed through the Ottawa County						
WEMET Multi-Jurisdictional Drug Enforcement CO-OP	16.738	15,594	9,907	15,594	5,687	-
70834-109B						
Total U.S. Department of Justice						
		76,352	9,907	21,682	47,863	36,088
U.S Department of Energy						
Direct programs						
Energy Efficiency and Conservation Block Grant	81.128	181,600	-	181,600	320	(181,280)
041714125						
U.S Department of Health and Human Services						
Passed through the Michigan Department of State						
Voting Access for Individuals with Disabilities Program	93.617	16,750	-	-	16,750	16,750
TOTAL FEDERAL ASSISTANCE		\$ 5,907,840	\$ 795,105	\$ 3,275,544	\$ 3,234,966	\$ 754,527

City of Muskegon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended December 31, 2009

1. See the notes to the financial statements for significant accounting policies used in preparing this schedule.
2. The following is a reconciliation of federal revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of the City of Muskegon financial statements for the year ended December 31, 2009 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	
General Fund	\$ 64,613
Major Street and Trunkline Fund	1,593,425
Other governmental funds	3,085,102
	4,743,140
Plus program income	85,251
Less MIDOT contracted projects as shown below	(1,593,425)
	\$ 3,234,966

3. The Michigan Department of Transportation (MDOT) requires that cities report all federal and state grants pertaining to their city. During the year ended December 31, 2009, the federal aid received and expended by the City was \$1,593,425 for contracted projects as shown below. Contracted projects are defined as projects performed by private contractors and paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the City administers the grant and either performs the work or contracts it out.

	Federal CFDA number	Revenue Recognized	Federal Expenditures
U.S. Department of Transportation, Federal Highway Administration (contracted projects)			
Passed through the Michigan Department of Transportation			
Highway Planning and Construction Program	20.205		
Proj ARRA0961 (138) Fed Item JJ3350 Contract 09-5253		\$ 800,000	\$ 800,000
Proj CMG0961 (127) Fed Item JJ3202 Contract 09-5110		165,399	165,399
Proj STP0961 (137) Fed Item HH5922 Contract 09-5252		240,000	240,000
Proj HPSL0961 (122) Fed Item RR6702 Contract 09-5066		200,000	200,000
Proj HPSL0961 (123) Fed Item RR6722 Contract 09-5087		188,026	188,026
Total U.S. Department of Transportation, Federal Highway Administration (contracted projects)		\$ 1,593,425	\$ 1,593,425

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
 Year ended December 31, 2009

SECTION I—SUMMARY OF AUDITORS' RESULTS

A. Financial Statements

1. Type of auditors' report issued: **Unqualified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

B. Federal Awards

1. Internal control over major programs:
 - Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
2. Type of auditors' report issued on compliance for major programs: **Qualified**
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program/Cluster</u>
14.218 14.900	U.S. Department of Housing and Urban Development Community Development Block Grant Lead-Based Paint Hazard Control in Privately-Owned Housing

5. Dollar threshold used to distinguish between type A and type B programs: **\$300,000**
6. Auditee qualified as low-risk auditee? yes X no

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended December 31, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

COMPLIANCE

NONE

SIGNIFICANT DEFICIENCIES

2009 Finding No. 1: MATERIAL WEAKNESS—Grant Revenue Recognition Procedures

Criteria: Reimbursements due for expenditure-driven grants should be accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Condition: Grant revenues were not properly recorded which caused grant revenues and receivables to be misstated as of the year end.

Cause: The City did not record all adjustments necessary to properly recognize grant revenues in the appropriate year.

Effect: City records required year end adjustments.

Recommendation: Year end procedures for reconciling grant receivables and associated revenues should be improved.

City Response: The City recognizes the need for better interdepartment coordination and communication between finance operations and the grant receiving department. Policies will be instituted to ensure grant receivable amounts are reconciled between departments on a regular basis.

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended December 31, 2009

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

COMPLIANCE

U.S. Department of Housing and Urban Development

2009 Finding No. 2: Community Development Block Grant

CFDA: 14.218

Award Number: B-08-MC-26-0026, B-09-MC-0026, NSP-2008-0280-ENT

Award Year End: December 31, 2009

Lead-Based Paint Hazard Control in Privately-Owned Housing Grant

CFDA: 14.900

Award Number: FR-5100-N-20A

Award Year End: December 31, 2009

Specific Requirement: Allowable Costs/Cost Principles

Criteria: The cost principle of OMB Circular A-87 requires, "...Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. ...Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports must be prepared at least monthly and must coincide with one or more pay periods and they must be signed by the employee."

Condition: During our detailed testing, we noted that none of the employees whose wages and benefits were charged to either grant had proper time and effort documentation.

Cause: The City became aware of time documentation requirements during the year but did not fully implement the requirements.

Questioned Costs: \$261,882 and \$36,176 for Community Development Block Grant and Lead-Based Paint Grant, respectively, which represents the portion of salaries and benefits charged to the grants for all employees that did not have adequate documentation.

Context: None of the employees, for which personnel activity reports or semi-annual certifications were required, had adequate documentation.

Effect: The salaries and benefits charged to the Community Development Block Grant and Lead-Based Paint Grant could be disallowed.

Recommendation: The City should require all employees, who fall under OMB Circular A-87 requirements for documenting time charged to federal award programs, to prepare the required documentation.

City Response: The City recognizes this federal requirement and will put in place procedures to better document employee time allocations.

SIGNIFICANT DEFICIENCIES

See Fiscal 2009 Finding No. 2 in Section III above, which is a material weakness.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

April 5, 2010

U.S. Department of Housing and Urban Development
Washington, D.C.

The City of Muskegon respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended December 31, 2008 dated April 8, 2009.

SECTION II – FINANCIAL STATEMENT FINDINGS

COMPLIANCE

There were *no* findings reported in relation to the financial statements for the year ended December 31, 2008.

SIGNIFICANT DEFICIENCIES

2008 Finding No. 1: MATERIAL WEAKNESS—Capital Asset Recordkeeping Procedures

Condition: During our detailed testing of capital outlay expenditures, we noted items which qualified as capital assets within the City's capitalization policy, which were not recorded in the City's detailed capital asset records. We also noted that some street infrastructure managed by the Michigan Department of Transportation (MDOT) was not recorded in the City's detailed capital asset records.

Recommendation: Capital assets for governmental activities should be more carefully identified and included in the government-wide (full accrual) financial statements.

Current Status: This recommendation was implemented during the year ended December 31, 2009. *No* similar finding was reported in the 2009 audit.

2008 Finding No. 2: MATERIAL WEAKNESS—Investment Function Segregation of Duties

Condition: During our testing of investment procedures, we noted that the same individual is responsible for oversight of investments, making day-to-day investment decisions, opening and reviewing investment statements, transferring funds between accounts, and participating in recording of investment activity in the City's accounting records.

Recommendation: Responsibilities within the investment function should be further segregated.

Current Status: This recommendation was implemented during the year ended December 31, 2009. *No* similar finding was reported in the 2009 audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

COMPLIANCE

U.S. Department of Housing and Urban Development

2008 Finding No. 3: Lead-Based Paint Hazard Control in Privately-Owned Housing

CFDA: 14.900

Award Number: FR-5100-N-20A

Award Year End: December 31, 2008

Specific Requirement: Allowable Costs/Cost Principles

Condition: During our detailed testing, we noted one employee whose wages and benefits were charged partially to the grant that did not have proper time and effort documentation.

Recommendation: The City should require all employees, who fall under OMB Circular A-87 requirements for documenting time charged to federal award programs, to prepare the required documentation.

Current Status: See 2009 Finding No. 2 for similar finding reported during the single audit for the year ended December 31, 2009.

SIGNIFICANT DEFICIENCIES

There were *no* significant deficiencies reported in relation to the major federal award programs during the single audit for the year ended December 31, 2008.

Sincerely,



Timothy J. Paul
Finance Director

CORRECTIVE ACTION PLAN

April 5, 2010

U.S. Department of Housing and Urban Development
Washington, D.C.

The City of Muskegon respectfully submits the following Corrective Action Plan for the year ended December 31, 2009.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: December 31, 2009

The findings from the Schedule of Findings and Responses for the year ended December 31, 2009 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

COMPLIANCE

There were *no* compliance findings reported in relation to the financial statements for the year ended December 31, 2009.

SIGNIFICANT DEFICIENCIES

2009 Finding No. 1: MATERIAL WEAKNESS—Grant Revenue Recognition Procedures

Recommendation: Year end procedures for reconciling grant receivables and associated revenues should be improved.

Action Taken: The City recognizes the need for better interdepartment coordination and communication between finance operations and the grant receiving department. Policies will be instituted to ensure grant receivable amounts are reconciled between departments on a regular basis.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

COMPLIANCE

U.S. Department of Housing and Urban Development

2009 Finding No. 2: Community Development Block Grant

CFDA: 14.218

Award Number: B-08-MC-26-0026, B-09-MC-0026, NSP-2008-0280-ENT

Award Year End: December 31, 2009

Lead-Based Paint Hazard Control in Privately-Owned Housing

CFDA: 14.900

Award Number: FR-5100-N-20A

Award Year End: December 31, 2009

Specific Requirement: Allowable Costs/Cost Principles

Recommendation: The City should require all employees, who fall under OMB Circular A-87 requirements for documenting time charged to federal award programs, to prepare the required documentation.

Action Taken: The City recognizes this federal requirement and will put in place procedures to better document employee time allocations.

SIGNIFICANT DEFICIENCIES

See 2009 Finding No. 2 in Section III above, which is a material weakness.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Timothy J. Paul at (231)724-6709.

Sincerely,



Timothy J. Paul
Finance Director