

City of Muskegon,
Michigan

Comprehensive Annual Financial Report



For The Fiscal Year Ended June 30, 2014

**CITY OF MUSKEGON,
MICHIGAN**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2014**

**Prepared By
FINANCIAL SERVICES DIVISION**

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Director of Finance**

**Elizabeth Lewis
Assistant Finance Director**

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City Treasurer/Income Tax Administrator**

**James Maurer
Information Systems Director**

**Kathy Coleman
Finance & Payroll Coordinator**

Cover Photo: Farmers Market Clock

City of Muskegon

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City of Muskegon

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Affirmative
Action
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FAX (231)722-
1214

Cemetery
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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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October 17, 2014

To the Honorable Mayor, Members of the City Commission and Citizens of the City of Muskegon:

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Brickley Delong, PC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Muskegon's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

The City of Muskegon operates under a commission-manager form of government and provides a full range of traditional municipal services. Policy-making and legislative authority are vested in the governing board (Commission) consisting of the mayor and six commissioners. Two commissioners are elected at large and each of the four ward commissioners is elected by the voters of their respective wards. Commission members serve four-year terms, with the two at large members elected every four years in odd years and the four ward commissioners elected every four years in even years. The Mayor is also elected for a four-year term. The Mayor and Commission appoint the City of Muskegon's manager.

City of Muskegon, 933 Terrace Street, P.O. Box 536, Muskegon, MI 49443-0536
<http://www.shorelinecity.com>



The City of Muskegon provides a full range of services, including police and fire protection; solid waste collection; parks and recreation activities; the construction and maintenance of streets and roadways; street snowplowing; traffic control; building inspections; licenses and permits; water distribution and sewer disposal services; community development; and general administrative support services. The City also provides treated water to several surrounding communities.

The Commission is required to adopt an initial budget for the fiscal year no later than the last regular meeting in June preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City of Muskegon's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager and department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Commission.

Local economy

The City of Muskegon is located in Western Michigan on the shores of Lake Michigan. The City covers eighteen square miles and, with a 2010 census population of 38,401, 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 Metropolitan Statistical Area (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.
- Muskegon is the eastern terminus for the high speed cross-lake ferry. Connecting Muskegon with Milwaukee, Wisconsin, the *Lake Express* service ferries 100,000-plus passengers each season between the two cities. 2014 marks the ferry service's eleventh 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 thousands of visitors to the community. These include the *Bike Time* festival which attracts motorcycle enthusiasts to the City each July, the *Unity Christian Music Festival* in August and *Irish Fest* in September.
- 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 age. The Fire Barn Museum takes visitors back to a 1890's 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
 - *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 has a diverse local economy. The manufacturing sector is strong in the areas of aerospace, chemicals, plastics, defense, 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. Even though these institutions are exempt from paying property taxes, local income tax withholdings remitted by these employers provide stability to City finances.

Consumers Energy, the City's largest property taxpayer, has announced it plans to close its sixty-five year-old B.C. Cobb electric generating facility in spring 2016 due to age, federal pollution regulations and slowing electric demand. The closure will have a significant impact on City revenues and municipal operations. The City is actively planning longer-term strategies to deal with the scheduled closure of the plant.

On a more positive note, the local economy has seen improvement as reflected in higher employment levels. According to the September 2014 Business Outlook prepared by the *W.E. Upjohn Institute for Employment Research*:

"The area's economic indicators are positive, suggesting job growth will return next quarter. While county employment by place of work declined, employment by place of residency inched up this quarter, suggesting Muskegon residents are finding work outside the county. The unemployment rate dropped half a point to 7.2 from 7.7 percent. This is exactly in line with the drop of 1.5 points over the previous three quarters; the unemployment rate from the second quarter of 2013 was 9.2 percent."

The City fully recognizes the magnitude of financial challenges it faces due to the pending loss of its largest property tax payer. We have positioned ourselves to be in as strong position as possible to face this challenge: the City's General Fund balance has never been healthier, pension and retiree healthcare costs are under control and debt levels are moderate.

MUSKEGON



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Long-term financial planning and major initiatives

Unrestricted fund balance (the total of the assigned and unassigned components of fund balance) in the general fund at year end was 30 percent of total general fund revenues. This amount was well above the policy guidelines set by the Commission for budgetary and planning purposes (i.e., 13% of total actual general fund revenues for the preceding year). Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns.

The City incorporates a five-year fiscal forecast into its yearly budget process. The forecast is a macro-level projection of major revenue sources, expenses and fund balances, taking into account identifiable factors, recent trends and management's judgment as to future developments.

The current five-year forecast is focused on the projected financial impact from the announced closure of the B.C Cobb electric generation facility. As noted earlier, this facility is the City's single largest taxpayer and is scheduled to close in the spring of 2016. The City is actively planning for the revenue loss that will accompany this closure and has already made numerous budget adjustments to ensure that high-quality municipal services will continue to be provided.

Among the City's major initiatives and accomplishments in fiscal year 2013-14 were the following:

- Construction was completed on the new \$4 million Farmers' Market facility in downtown Muskegon. The new market was open for business in spring 2014, anchoring a key entrance into the downtown area. The facility was financed through private donations and grants and will soon be deeded to the City, who is responsible for its operation. The first season of operations of the new facility has drawn significantly increased crowds to the market;
- Under a development agreement with the City, Harris Hospitality Group opened The Deck, a food and entertainment facility at Pere Marquette beach, in June 2014;
- The City applied for and received a grant from the State of Michigan to demolish the former Bluffton Elementary School building. With the demolition now being complete, this highly-desirable residential area property has the potential to bring a number of high-end homes to the City's west side. The City continues work to encourage Muskegon Public Schools to require a development plan for the site as part of any potential sale;
- The City entered into an agreement with Heritage Square Townhomes Development with the owner to build and sell two townhomes using a City investment not to exceed \$500,000. The \$500,000 investment will be returned to the City upon the sale of the two townhomes;
- The City entered into an agreement with SAFEbuilt of Michigan, Inc. to provide rental program and environmental code compliance services to the City of Muskegon. It is anticipated that the



contract will save the City on costs associated with the rental program and environmental code compliance services;

- The City was successful in reaching agreements with several of its bargaining units. This gives the City some means of stability in projecting labor costs for the next few years.

Relevant financial policies

The City of Muskegon has adopted a comprehensive set of financial policies used to ensure adequate protection of the City's assets from loss, theft, or misuse, and provide adequate accounting data to allow for preparation of financial statements in conformity with generally accepted accounting principles.

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.

Awards and Acknowledgements

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 (CAFR) for the fiscal year ended June 30, 2013. This was the twenty-eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

MUSKEGON



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The preparation of this report would not have been possible without the skill, effort, and dedication of the staff of the Financial Services Division. We wish to thank all City departments for their assistance in providing the data necessary to prepare this report. Credit is also due the mayor and the Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Muskegon's finances.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Frank Peterson".

Frank Peterson
City Manager

A handwritten signature in dark ink, appearing to read "Derrick Smith".

Derrick Smith
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

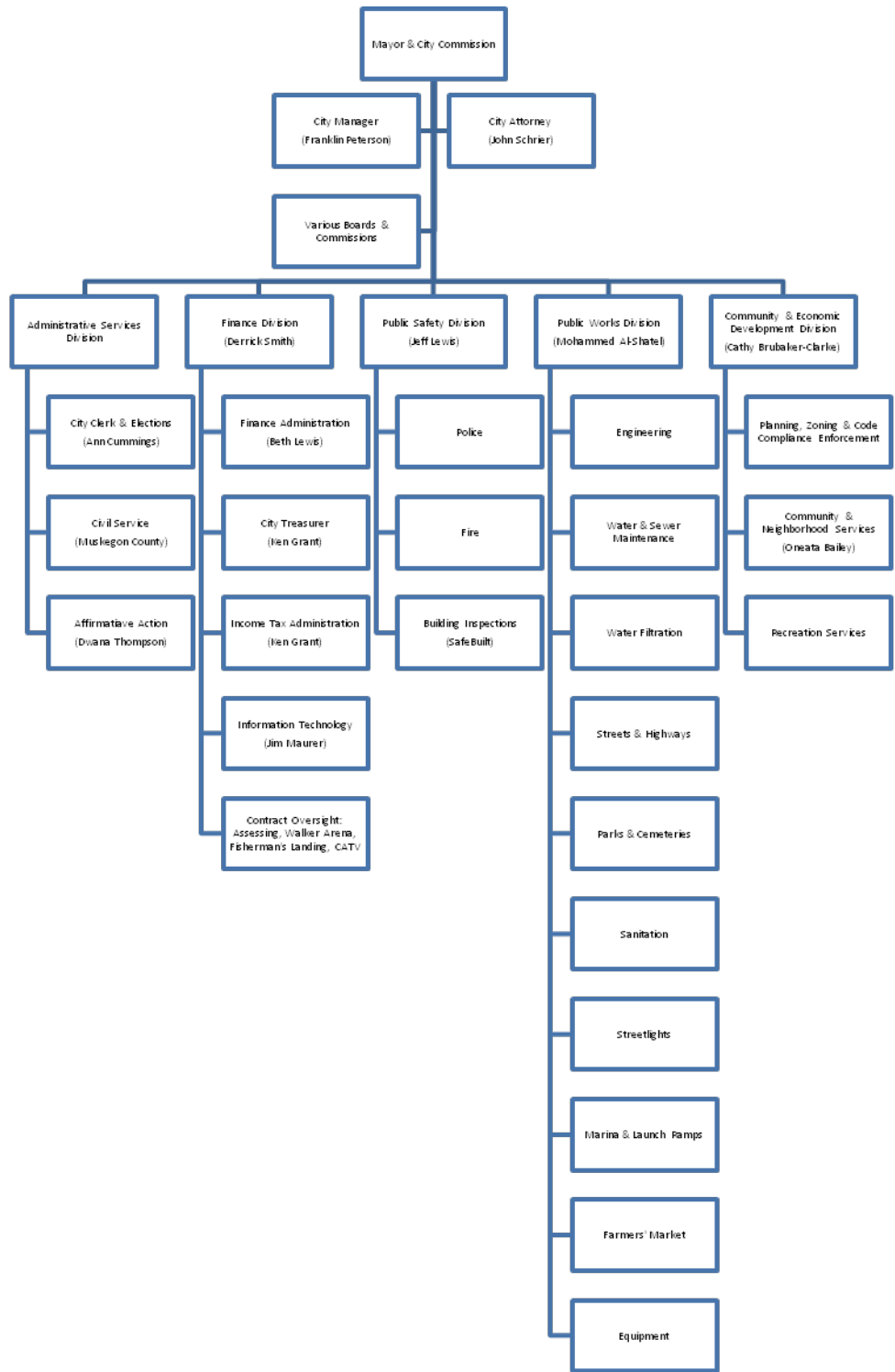
**City of Muskegon
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF MUSKEGON



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

June 30, 2014

ELECTED OFFICIALS

Mayor. Stephen J. Gawron
At Large

Vice Mayor-Commissioner. Lawrence O. Spataro
Ward 3

Commissioner. Eric Hood
Ward 1

Commissioner. Willie German
Ward 2

Commissioner. Byron Turnquist
Ward 4

Commissioner. Ken Johnson
At Large

Commissioner. Dan Rinsema-Sybenga
At Large

APPOINTED OFFICIALS

City Manager. Frank Peterson

City Attorney. John C. Schrier

Director of Finance. Derrick Smith

FINANCIAL SECTION

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

October 17, 2014

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, Michigan as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

City Commission
October 17, 2014
Page 2

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, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 20 through 32 and 72 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskegon's basic financial statements. 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 basic financial statements. The 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 basic financial statements.

City Commission
October 17, 2014
Page 3

Other Matters—Continued

Other Supplemental Information—Continued

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 records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor funds, schedule of indebtedness, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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.

Muskegon, Michigan

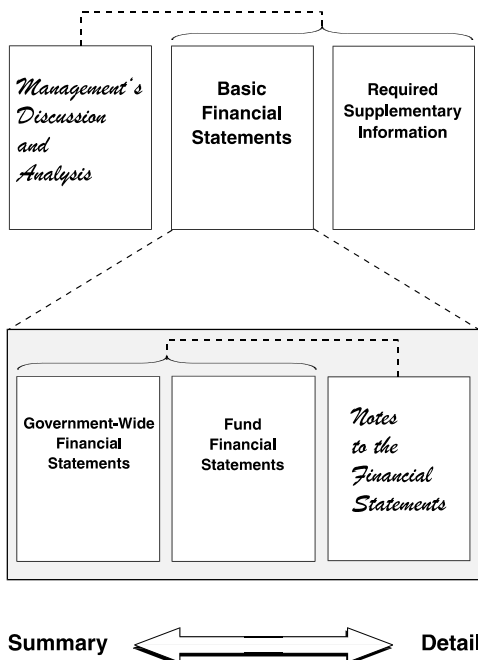
2014 MANAGEMENT'S DISCUSSION AND ANALYSIS

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 June 30, 2014. 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 \$128,908,638 as of June 30, 2014. Of the City's total net position, \$21,188,945 (16.4%) was unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total combined net position decreased by \$1,930,031 during the year ended June 30, 2014.
- The City's governmental funds reported combined ending fund balance of \$12,987,232, a decrease of \$668,826 (4.9%) from the prior year.
- The City's General Fund reported a total fund balance of \$7,496,097, an increase of \$142,539 from the prior year balance of \$7,353,558. The favorable increase is the result of slightly higher than anticipated income taxes, licenses and permit fees revenues and tight budget controls.

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. The figure above shows how the required parts of this annual report are arranged and related to one another.

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 position includes all of the government's assets/deferred outflows of resources and liabilities/deferred inflows of resources. 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 position and how they have changed. Net position—the difference between the City's assets/deferred outflows of resources and liabilities/deferred inflow of resources—is one way to measure the City's overall financial health or *position*. Over time, increases or decreases in the City's net position 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 public representation services, administrative services, financial services, public safety, public

works, highways, streets and bridges, community and economic development, culture and recreation, general administration, 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.

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 and are intended to be self-supporting are generally reported in proprietary funds. The City uses three proprietary funds: water, sewer, and marina and launch ramp. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- The City uses *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 position and a statement of changes in fiduciary net position. 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 five component units: the Downtown Development Authority (DDA), the Tax Increment Finance Authority (TIFA), the Local Development Finance Authority (LDFA) and, the Brownfield Redevelopment Authority (BRA 1 and BRA 2). 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 position. The Statement of Net Position provides an overview of the City's assets/deferred outflows of resources, liabilities/deferred inflow of resources and net position. Over time this can provide a good indicator of the City's fiscal health. The total net position of the City was \$128,908,638 as of June 30, 2014. This is a decrease of \$1,930,031 from reported net position for the prior year. An overview of the City's net position follows:

City's Net Position							
(In Thousands of Dollars)							
	Governmental		Business-Type		Total		Percentage
	Activities		Activities				
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013	Change
Current and other assets	\$20,248	\$21,670	\$10,038	\$10,227	\$30,286	\$31,897	-5.05%
Capital assets	70,798	71,311	52,026	54,014	122,824	125,325	-2.00%
Total Assets	91,046	92,981	62,064	64,241	153,110	157,222	-2.62%
Long-term liabilities	7,572	7,940	11,441	12,790	19,013	20,730	-8.28%
Other liabilities	2,907	3,326	2,281	2,327	5,188	5,653	-8.23%
Total Liabilities	10,479	11,266	13,722	15,117	24,201	26,383	-8.27%
Net Position							
Net investment in capital assets	63,731	63,842	39,365	40,033	103,096	103,875	-0.75%
Restricted	4,024	4,573	600	599	4,624	5,172	-10.59%
Unrestricted	12,812	13,300	8,377	8,492	21,189	21,792	-2.77%
Total Net Position	\$80,567	\$81,715	\$48,342	\$49,124	\$128,909	\$130,839	-1.48%

The bulk of the City's net position (\$103,096,298 or 80%) represents investments in capital assets net of accumulated depreciation, less the remaining balance of debt issued to acquire those assets. These infrastructure assets are used to provide public services to citizens and are not available for spending.

Another 4.0% (\$4,623,395) of the City's net position are legally restricted as to use. Unrestricted net position (\$21,188,945) represents assets that may be used to meet the City's operating needs and ongoing obligations. The City's unrestricted net position decreased (\$602,426) during the year.

Changes in net position. The City's total revenues were \$44,012,045 for the year ended June 30, 2014. This represents a 1.3% increase over total revenues collected during the prior fiscal year. About 41% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 11% came from grants from the state and federal governments and 34% 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 for the year ended June 30, 2014 was \$45,942,076. This represents a 2% increase from reported expenses for the last fiscal year ended June 30, 2013. 69% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 31% represents the costs of the City's business-type activities, specifically, water, sewer and marina operations.

The table on the following page (*Changes in City's Net Position*) further breaks down the change in total net position into period-to-period changes in individual revenue and expense categories.

As can be seen, net position for governmental activities decreased \$1,147,461 while net position for business-type activities decreased by \$782,570. These changes represent the impact of the City enduring a sluggish economic recovery while being faced with higher costs along with demographic and fiscal realities.

Changes in City's Net Position							
(In thousands of dollars)							
	Governmental		Business-Type		Total		Percentage
	Activities		Activities				
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013	Change
Program revenues							
Charges for services	\$5,007	\$4,651	\$12,962	\$13,183	\$17,969	\$17,834	0.76%
Operating grants and contributions	4,664	4,681	-	6	4,664	4,687	-0.49%
Capital grants and contributions	1,408	886	327	88	1,735	974	78.13%
General revenues							
Property taxes	7,383	7,593	-	-	7,383	7,593	-2.77%
Income taxes	7,763	8,057	-	-	7,763	8,057	-3.65%
State shared revenues	3,813	3,701	-	-	3,813	3,701	3.03%
All other	654	580	31	33	685	613	11.75%
Total revenues	30,692	30,149	13,320	13,310	44,012	43,459	1.27%
Governmental activities expenses							
Public representation	1,030	894	-	-	1,030	894	15.21%
Administrative services	544	565	-	-	544	565	-3.72%
Financial services	2,171	2,241	-	-	2,171	2,241	-3.12%
Public safety	12,947	12,988	-	-	12,947	12,988	-0.32%
Public works	3,361	3,202	-	-	3,361	3,202	4.97%
Highways, streets and bridges	7,053	6,672	-	-	7,053	6,672	5.71%
Community and economic development	2,418	2,499	-	-	2,418	2,499	-3.24%
Culture and recreation	1,671	1,593	-	-	1,671	1,593	4.90%
General administration	368	322	-	-	368	322	14.29%
Interest on long-term debt	277	292	-	-	277	292	-5.14%
Business-type activities expenses							
Sewer	-	-	7,582	7,227	7,582	7,227	4.91%
Water	-	-	6,016	6,229	6,016	6,229	-3.42%
Marina and Launch Ramp	-	-	504	426	504	426	18.31%
Total expenses	31,840	31,268	14,102	13,882	45,942	45,150	1.75%
Change in net position	(1,148)	(1,119)	(782)	(572)	(1,930)	(1,691)	14.13%
Net position at beginning of year	81,715	82,834	49,124	49,696	130,839	132,530	-1.28%
Net position at end of year	\$80,567	\$81,715	\$48,342	\$49,124	\$128,909	\$130,839	-1.48%

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 the year ended June 30, 2014 was \$31,839,285.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was \$15,145,955, or about 48% 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		
	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>% Change</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>% Change</u>
Governmental activities						
Public safety	\$12,947	\$12,988	-0.32%	\$11,344	\$11,723	-3.23%
Public works	3,361	3,202	4.97%	2,563	2,527	1.42%
Highways, streets and bridges	7,053	6,672	5.71%	2,292	2,484	-7.73%
Community and economic development	2,418	2,499	-3.24%	561	655	-14.35%
Culture and recreation	1,671	1,592	4.96%	1,123	968	16.01%
All other	4,389	4,315	1.71%	2,877	2,693	6.83%
Total governmental activities	\$31,839	\$31,268	1.83%	\$20,760	\$21,050	-1.38%

Business-Type Activities

The financial goal of the City's business-type activities (i.e. water, sewer and marina and launch ramp operations) is to operate on a self-supporting basis without making significant profit or needing general tax subsidies. For the fiscal year ended June 30, 2014, the City's total business-type activities realized an overall decrease in net position of \$782,570.

Sewer Fund net position decreased \$760,650 primarily as result of an increase in County wastewater treatment rates. The Water Fund saw a net position increase of \$121,972. This is primarily attributable to a water rate increase of 10% that was effective October 1, 2013. Marina and Launch Ramp Fund net position decreased \$65,165 due to dredging costs incurred to keep launch ramps accessible.

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 the fiscal year ended June 30, 2014 were the General Fund and the Major Street and Trunkline Fund.

General Fund Highlights

The General Fund receives 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 taking 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 Ended	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=13%)
6/30/2014	\$7,496,097	1.94%	\$22,708,901	33.01%
6/30/2013	7,353,558	17.95%	23,617,448	31.14%
6/30/2012*	6,234,397	3.71%	25,556,758	24.39%
6/30/2011	6,011,382	-0.45%	24,850,082	24.19%
6/30/2010**	6,038,454	268.50%	24,850,082	24.30%

*As restated ** Six-month fiscal period

The City changed its fiscal year transitioning with a six-month fiscal period ended June 30, 2010. This change resulted in a large one-time increase to the General Fund fund balance due to the fact that annual property taxes are collected in full during this period.

For the year ended June 30, 2014, General Fund revenues were \$502,874 higher than the final amended budget estimate. This variance is primarily due to higher than expected local income tax and licenses and permits revenues.

General Fund expenditures were \$562,197 lower than projected in the final amended budget. Most city departments spent less than expected due to a combination of 1) tight budget controls, 2) conservative budget projections and, 3) cost savings realized from budget cuts made in the prior year.

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. For the year ended June 30, 2014, the fund balance of the Major Street and Trunkline Fund decreased \$800,762 which is attributable to the scheduled use of fund balance reserves for street projects as well as additional maintenance costs due to harsh winter season.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the City and its component units had invested \$122,824,111 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is a decrease of \$2,500,424 from capital assets reported as of June 30, 2013. The decrease is due to normal depreciation of assets offset by current year additions. Note D of the notes to the basic financial statements provides detailed information on the City's capital asset investment.

Long-Term Debt

At June 30, 2014, the City had \$20,968,122 in bonds and other long-term obligations outstanding. This represents a 7.3% decrease from the prior year. The City did not issue any new debt during the fiscal year.

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

Bond Ratings

The City's limited full faith and credit bonds (bonds guaranteed by the City's taxing powers) are rated "A+" by Standard & Poor's. The City's Water System revenue bonds carry the "AA-" S&P rating.

City's Long Term Debt – Bonds and Other Obligations (In thousands of dollars)							
	Governmental		Business-Type		Total		Percentage
	<u>Activities</u>		<u>Activities</u>				<u>Change</u>
	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	
Due within one year	\$603	\$582	\$1,352	\$1,316	\$1,955	\$1,898	3.00%
Due in more than one year	<u>7,572</u>	<u>7,940</u>	<u>11,441</u>	<u>12,789</u>	<u>19,013</u>	<u>20,729</u>	-8.28%
Total bonds & other obligations	\$8,175	\$8,522	\$12,793	\$14,105	\$20,968	\$22,627	-7.33%

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 \$6,282,300 at year-end as shown in the table below. This represents a decrease of 8.5% from the prior year.

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 F 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 Authority		Local Development Finance Authority		Total		Percentage
	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Change</u>
Due within one year	\$285	\$280	\$320	\$260	\$605	\$540	12.04%
Due in more than one year	<u>1,960</u>	<u>2,249</u>	<u>3,718</u>	<u>4,076</u>	<u>5,678</u>	<u>6,325</u>	-10.23%
Total bonds & other obligations	\$2,245	\$2,529	\$4,038	\$4,336	\$6,283	\$6,865	-8.48%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2014-15 capital budget anticipates spending \$7,460,000 for capital projects, consisting of street improvements, water and sewer system improvements, and scheduled equipment replacements. These improvements will be funded by anticipated grants (\$3,921,000) and revenues generated from operations. No new debt issuance is anticipated.

From an operating standpoint, the City's 2014-15 budget will be relatively stable while the City is attempting to maintain a healthy fund balance and plan for and address long term financial challenges:

- The full-time personnel complement will be increased from 227 positions to 228 positions for a net gain of 1.
- With the previous success of outsourcing building and trade inspection functions to SAFEbuilt, environmental and rental registration services have now also been contracted out, resulting in the reduction of three full-time positions.
- One clerical position to be shared between the manager's office and planning department has been added.
- Three career firefighter positions were added with a reduction in contractual services for part-time firefighters.

City operations depend 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 revenues.

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 not-for-profit hospitals, churches, government agencies, colleges and other institutions that are traditionally exempt from paying local property taxes. This is particularly important for Muskegon since it is the regional center for many such institutions.

Income tax revenues increased 4.3% from \$7,506,472 for the year ended June 30, 2013 to \$7,831,423 for the year ended June 30, 2014. For 2014-15, the City has estimated income tax revenue to be \$7,650,000.

Year	City Income Tax Revenues	Percent Change
6/30/2014	\$7,831,423	4.3%
6/30/2013	7,506,472	1.3%
6/30/2012	7,412,804	12.3%
6/30/2011	6,599,753	96.0%
12/31/2010*	3,368,057	-48.0%

** Six-month fiscal period*

Local Property Tax

City charter and state law authorize the City to levy a general operating millage up to 10 mills and 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 2014-15, the City tax levy will be at 10 mills for general operations and 3 mills for sanitation service. We project that \$7,199,000 in total property tax revenue will be collected during fiscal year 2014-15.

In December 2012, the State approved a complicated plan leading to elimination of personal property taxes over the next several years. Successful implementation of the plan required several steps to be taken including passage of a statewide referendum in August 2014, which was approved by the voters. If everything goes according to the State's plan, the City estimates a loss of personal property tax revenue of approximately \$70,000 annually. The complexity of the issue will require continued monitoring by the City.

It should be noted that several significant property tax appeals are pending. The impact of these appeals on City finances is being monitored closely.

State Shared Revenues

State shared sales tax revenues represent about 16% 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 non-constitutional component is determined by a complex formula and is subject to adjustment through the State's annual budget process. Both 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
6/30/2014	\$3,813,221	3.0%
6/30/2013	3,700,871	3.4%
6/30/2012	3,577,848	-7.0%
6/30/2011	3,846,859	110.0%
6/30/2010*	1,832,066	-52.3%

* Six-month fiscal period

Erosion of state shared revenues (both from economic factors and from legislative action) constitutes a major on-going concern for City finances.

For 2014-15, the City projects \$4,072,893 in state shared revenues.

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 been more stable than general state sales tax state-shared revenues have been:

Year	Street Revenues from State	Percent Change
6/30/2014	\$3,556,507	10.8%
6/30/2013	3,208,769	1.0%
6/30/2012	3,176,984	-2.4%
6/30/2011	3,256,430	87.0%
6/30/2010*	1,741,233	-45.2%

* Six-month fiscal period

The State is considering a major overhaul of the transportation funding system. However, at this time, the City is not projecting any significant change in street revenues for fiscal year 2014-15.

Water and Sewer Fees

From a government-wide entity perspective, combined water and sewer fees represent one of the City's largest income streams, totaling \$12,333,404 during the year ended June 30, 2014. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. Water rates are currently planned to remain unchanged. The City will begin providing treated water to the City of Norton Shores and Fruitport Charter Township in May 2015. The addition of these two new large municipal customers will allow the spreading of water treatment costs over a larger customer base while remaining well within the plant's rated treatment capacity.

Sewer rates may need to be increased during the year, however, depending on the impact of Muskegon of County's increase in its wastewater treatment charges.

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 POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and investments	\$ 13,926,593	\$ 5,770,359	\$ 19,696,952	\$ 253,633
Receivables	2,245,240	1,904,085	4,149,325	-
Due from other governmental units	1,588,056	312,338	1,900,394	-
Internal balances	(1,238,850)	1,238,850	-	-
Inventories	13,102	118,348	131,450	-
Prepaid items	595,294	94,972	690,266	-
Total current assets	17,129,435	9,438,952	26,568,387	253,633
Noncurrent assets				
Restricted cash and investments	-	599,500	599,500	-
Advances to component units	1,447,632	-	1,447,632	-
Special assessments receivable, less amounts due within one year	106,292	-	106,292	-
Notes receivable, less amounts due within one year	117,558	-	117,558	-
Net pension asset	1,446,253	-	1,446,253	-
Capital assets, net				
Nondepreciable	13,970,727	1,218,736	15,189,463	400,000
Depreciable	56,827,613	50,807,035	107,634,648	1,971,066
Total noncurrent assets	73,916,075	52,625,271	126,541,346	2,371,066
Total assets	91,045,510	62,064,223	153,109,733	2,624,699
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	2,177,520	310,004	2,487,524	24,166
Due to other governmental units	47,386	619,093	666,479	-
Unearned revenues - unused Farmers Market tokens	39,709	-	39,709	-
Unearned revenues - expenditure-driven grants	39,261	-	39,261	-
Bonds and other obligations, due within one year	602,600	1,352,200	1,954,800	605,000
Total current liabilities	2,906,476	2,281,297	5,187,773	629,166
Noncurrent liabilities				
Advances from primary government	-	-	-	1,447,632
Bonds and other obligations, less amounts due within one year	7,572,032	11,441,290	19,013,322	5,677,300
Total noncurrent liabilities	7,572,032	11,441,290	19,013,322	7,124,932
Total liabilities	10,478,508	13,722,587	24,201,095	7,754,098
NET POSITION				
Net investment in capital assets	63,731,255	39,365,043	103,096,298	(1,666,458)
Restricted				
Highways, streets and bridges	2,348,446	-	2,348,446	-
Debt service	-	599,500	599,500	-
Law enforcement	189,410	-	189,410	-
Perpetual care				
Expendable	45,685	-	45,685	-
Non-expendable	1,439,198	-	1,439,198	-
Other purposes	1,156	-	1,156	-
Unrestricted	12,811,852	8,377,093	21,188,945	(3,462,941)
Total net position	\$ 80,567,002	\$ 48,341,636	\$ 128,908,638	\$ (5,129,399)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
Public representation services	\$ 1,030,006	\$ 189,444	\$ -	\$ -	\$ (840,562)	\$ -	\$ (840,562)	\$ -
Administrative services	543,425	325,937	25,000	-	(192,488)	-	(192,488)	-
Financial services	2,171,958	871,632	50,000	-	(1,250,326)	-	(1,250,326)	-
Public safety	12,946,466	1,407,722	97,882	97,339	(11,343,523)	-	(11,343,523)	-
Public works	3,361,422	796,739	-	1,697	(2,562,986)	-	(2,562,986)	-
Highways, streets and bridges	7,053,326	351,962	3,395,966	1,012,949	(2,292,449)	-	(2,292,449)	-
Community and economic development	2,417,518	477,486	1,082,697	296,439	(560,896)	-	(560,896)	-
Culture and recreation	1,671,185	535,211	12,553	-	(1,123,421)	-	(1,123,421)	-
General administration	366,634	50,728	-	-	(315,906)	-	(315,906)	-
Interest on long-term debt	277,345	-	-	-	(277,345)	-	(277,345)	-
Total governmental activities	31,839,285	5,006,861	4,664,098	1,408,424	(20,759,902)	-	(20,759,902)	-
Business-type activities								
Sewer	7,582,602	6,633,911	-	118,946	-	(829,745)	(829,745)	-
Water	6,016,192	6,099,480	-	-	-	83,288	83,288	-
Marina and Ramp	503,997	228,339	-	208,294	-	(67,364)	(67,364)	-
Total business-type activities	14,102,791	12,961,730	-	327,240	-	(813,821)	(813,821)	-
Total primary government	<u>\$ 45,942,076</u>	<u>\$ 17,968,591</u>	<u>\$ 4,664,098</u>	<u>\$ 1,735,664</u>	(20,759,902)	(813,821)	(21,573,723)	-
Component units								
Local Development Finance Authority - SmartZone	\$ 259,033	\$ -	\$ -	\$ 260,000	-	-	-	967
Downtown Development Authority	47,125	-	-	-	-	-	-	(47,125)
Tax Increment Finance Authority	50,000	-	-	-	-	-	-	(50,000)
Brownfield Redevelopment Authority I	49,685	-	-	-	-	-	-	(49,685)
Brownfield Redevelopment Authority II	79,922	-	-	-	-	-	-	(79,922)
Total component units	<u>\$ 485,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,000</u>	-	-	-	(225,765)
General revenues								
Property taxes					7,383,236	-	7,383,236	638,632
Income taxes					7,762,719	-	7,762,719	-
Cable franchise agreement					358,754	-	358,754	-
Grants and contributions not restricted to specific programs					3,813,221	-	3,813,221	-
Unrestricted investment earnings					146,590	31,251	177,841	1,684
Miscellaneous					124,085	-	124,085	-
Gain on sale of capital asset					23,836	-	23,836	-
Total general revenues					19,612,441	31,251	19,643,692	640,316
Change in net position					(1,147,461)	(782,570)	(1,930,031)	414,551
Net position at July 1, 2013					81,714,463	49,124,206	130,838,669	(5,543,950)
Net position at June 30, 2014					<u>\$ 80,567,002</u>	<u>\$ 48,341,636</u>	<u>\$ 128,908,638</u>	<u>\$ (5,129,399)</u>

The accompanying notes are an integral part of this statement.

City of Muskegon
BALANCE SHEET
Governmental Funds
June 30, 2014

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 6,350,162	\$ 959,516	\$ 3,657,636	\$ 10,967,314
Receivables				
Accounts and loans	183,009	439	219,921	403,369
Property taxes	79,411	-	-	79,411
Income taxes	1,606,223	-	-	1,606,223
Special assessments	-	163,646	105,647	269,293
Due from other governmental units	657,622	427,388	503,046	1,588,056
Due from other funds	466,012	-	-	466,012
Advances to component units	-	-	482,544	482,544
Prepaid items	290,952	16,838	4,461	312,251
Total assets	\$ 9,633,391	\$ 1,567,827	\$ 4,973,255	\$ 16,174,473
LIABILITIES				
Accounts payable	\$ 1,161,229	\$ 44,709	\$ 202,351	\$ 1,408,289
Accrued liabilities	221,199	6,550	9,958	237,707
Due to other governmental units	35,157	-	-	35,157
Due to other funds	-	-	466,012	466,012
Unearned revenues - unused Farmers Market tokens	39,709	-	-	39,709
Unearned revenues - expenditure-driven grants	-	-	39,262	39,262
Total liabilities	1,457,294	51,259	717,583	2,226,136
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - income taxes	680,000	-	-	680,000
Unavailable revenues - special assessments	-	163,646	105,750	269,396
Unavailable revenues - other long-term receivables	-	-	11,709	11,709
Total deferred inflows of resources	680,000	163,646	117,459	961,105
FUND BALANCES				
Nonspendable				
Prepaid items	290,952	16,838	4,461	312,251
Long-term loans receivable	-	-	105,850	105,850
Perpetual care	10,000	-	1,429,198	1,439,198
Restricted				
Highways, streets and bridges	-	1,336,084	733,050	2,069,134
Law enforcement	-	-	189,410	189,410
Perpetual care	-	-	45,685	45,685
Other purposes	-	-	1,156	1,156
Assigned for capital projects and public improvements	1,700,000	-	1,729,457	3,429,457
Unassigned	5,495,145	-	(100,054)	5,395,091
Total fund balances	7,496,097	1,352,922	4,138,213	12,987,232
Total liabilities, deferred inflows of resources and fund balances	\$ 9,633,391	\$ 1,567,827	\$ 4,973,255	\$ 16,174,473

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 POSITION**
June 30, 2014

Total fund balance—governmental funds	\$ 12,987,232
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Amounts reported for governmental activities in the Statement of Net Position are different because:

The net pension asset is not an available resource and, therefore, is not reported in the governmental funds.	1,446,253
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$ 133,934,383	
Accumulated depreciation	<u>(65,436,703)</u>	68,497,680

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.

Income taxes	680,000	
Special assessments	269,396	
Other long-term receivables	<u>11,709</u>	961,105

Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	(59,073)	
Bonds and notes payable	(7,067,085)	
Compensated absences	<u>(1,024,715)</u>	(8,150,873)

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 Position.

Net position of the internal service funds	6,064,455	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(1,238,850)</u>	<u>4,825,605</u>
Net position of governmental activities		<u>\$ 80,567,002</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 June 30, 2014

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 14,954,904	\$ -	\$ -	\$ 14,954,904
Licenses and permits	1,570,137	-	-	1,570,137
Intergovernmental revenues				
Federal	83,324	1,005,475	1,075,697	2,164,496
State	3,827,778	2,795,957	1,106,834	7,730,569
Local	50,000	-	-	50,000
Charges for services	2,219,898	59,696	289,741	2,569,335
Fines and forfeitures	402,748	-	15,943	418,691
Interest and rental income	290,234	16,390	45,529	352,153
Other	561,735	94,237	259,371	915,343
Total revenues	23,960,758	3,971,755	2,793,115	30,725,628
EXPENDITURES				
Current				
Public representation services	1,031,984	-	-	1,031,984
Administrative services	497,025	-	-	497,025
Financial services	2,197,651	-	-	2,197,651
Public safety	12,987,898	-	-	12,987,898
Public works	2,918,305	-	-	2,918,305
Highways, streets and bridges	-	4,540,103	1,380,304	5,920,407
Community and economic development	1,171,291	-	-	1,171,291
Culture and recreation	1,308,151	-	330	1,308,481
Other governmental functions	643,666	-	-	643,666
Debt service				
Principal	70,000	180,000	152,492	402,492
Interest and fees	206,257	52,414	19,741	278,412
Capital outlay	20,980	-	2,164,703	2,185,683
Total expenditures	23,053,208	4,772,517	3,717,570	31,543,295
Excess of revenues over (under) expenditures	907,550	(800,762)	(924,455)	(817,667)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	176,887	176,887
Transfers in	3,035	-	740,000	743,035
Transfers out	(768,046)	-	(3,035)	(771,081)
Total other financing sources (uses)	(765,011)	-	913,852	148,841
Net change in fund balances	142,539	(800,762)	(10,603)	(668,826)
Fund balances at July 1, 2013	7,353,558	2,153,684	4,148,816	13,656,058
Fund balances at June 30, 2014	\$ 7,496,097	\$ 1,352,922	\$ 4,138,213	\$ 12,987,232

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 June 30, 2014

Net change in fund balances—total governmental funds \$ (668,826)

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (4,522,425)	
Capital outlay	<u>3,577,837</u>	(944,588)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining undepreciated cost of the capital assets sold. (36,550)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (466,618)

The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt		402,492
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	1,981	
Amortization of premiums and discounts	<u>(914)</u>	1,067

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in net pension asset	452,960	
Change in compensated absences	<u>(53,906)</u>	399,054

The internal service funds are used by management to charge the costs of certain activities used to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.

Change in net position of the internal service funds	87,781	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>78,727</u>	<u>166,508</u>
Change in net position of governmental activities		<u><u>\$ (1,147,461)</u></u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Ramp	Total	
ASSETS					
Current assets					
Cash and investments	\$ 3,545,607	\$ 2,057,111	\$ 167,641	\$ 5,770,359	\$ 2,959,277
Accounts receivable	902,555	989,305	12,225	1,904,085	110,796
Due from other governmental units	118,946	38,955	154,437	312,338	-
Inventories	27,743	90,605	-	118,348	13,102
Prepaid items	40,957	51,929	2,086	94,972	283,043
Total current assets	4,635,808	3,227,905	336,389	8,200,102	3,366,218
Noncurrent assets					
Restricted cash and investments	-	599,500	-	599,500	-
Advances to component units	-	-	-	-	965,088
Capital assets					
Land	16,188	103,500	22,562	142,250	65,000
Land improvements	-	-	1,888,965	1,888,965	301,715
Buildings, improvements and systems	21,201,158	66,334,692	2,322,488	89,858,338	1,559,334
Machinery and equipment	83,643	2,842,951	-	2,926,594	8,046,959
Construction in progress	112,125	964,361	-	1,076,486	-
Less accumulated depreciation	(8,858,011)	(32,320,137)	(2,688,714)	(43,866,862)	(7,672,348)
Net capital assets	12,555,103	37,925,367	1,545,301	52,025,771	2,300,660
Total noncurrent assets	12,555,103	38,524,867	1,545,301	52,625,271	3,265,748
Total assets	17,190,911	41,752,772	1,881,690	60,825,373	6,631,966
LIABILITIES					
Current liabilities					
Accounts payable	94,455	92,381	20,098	206,934	450,762
Accrued liabilities	8,822	93,893	355	103,070	21,688
Due to other governmental units	619,093	-	-	619,093	12,229
Bonds and other obligations, due within one year	7,300	1,344,600	300	1,352,200	13,800
Total current liabilities	729,670	1,530,874	20,753	2,281,297	498,479
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	36,263	11,403,796	1,231	11,441,290	69,032
Total liabilities	765,933	12,934,670	21,984	13,722,587	567,511
NET POSITION					
Net investment in capital assets	12,555,103	25,264,639	1,545,301	39,365,043	2,300,660
Restricted for debt service	-	599,500	-	599,500	-
Unrestricted	3,869,875	2,953,963	314,405	7,138,243	3,763,795
Total net position	<u>\$ 16,424,978</u>	<u>\$ 28,818,102</u>	<u>\$ 1,859,706</u>	47,102,786	<u>\$ 6,064,455</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				1,238,850	
Net position of business-type activities				<u>\$ 48,341,636</u>	

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Proprietary Funds
For the year ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Ramp	Total	
OPERATING REVENUES					
Charges for services	\$ 6,501,812	\$ 5,831,592	\$ 217,563	\$ 12,550,967	\$ 8,004,495
Other	132,099	267,888	10,776	410,763	451,733
Total operating revenues	6,633,911	6,099,480	228,339	12,961,730	8,456,228
OPERATING EXPENSES					
Administration	291,653	516,566	3,632	811,851	362,748
Insurance premiums and claims	-	-	-	-	4,133,641
Wastewater treatment	5,679,994	-	-	5,679,994	-
Wastewater maintenance	1,124,966	-	-	1,124,966	-
Filtration plant operations	-	1,368,868	-	1,368,868	-
Water distribution	-	1,626,043	-	1,626,043	-
Other operations	-	-	385,807	385,807	3,679,073
Depreciation	437,278	2,154,685	113,562	2,705,525	394,955
Total operating expenses	7,533,891	5,666,162	503,001	13,703,054	8,570,417
Operating income (loss)	(899,980)	433,318	(274,662)	(741,324)	(114,189)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	20,384	9,664	1,203	31,251	47,070
Gain on sale of capital assets	-	-	-	-	29,515
Interest expense	-	(321,010)	-	(321,010)	-
Total nonoperating revenue (expenses)	20,384	(311,346)	1,203	(289,759)	76,585
Income (loss) before contributions and transfers	(879,596)	121,972	(273,459)	(1,031,083)	(37,604)
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	118,946	-	208,294	327,240	97,339
Transfers in	-	-	-	-	28,046
Total capital contributions and transfers	118,946	-	208,294	327,240	125,385
Change in net position	(760,650)	121,972	(65,165)	(703,843)	87,781
Net position at July 1, 2013	17,185,628	28,696,130	1,924,871		5,976,674
Net position at June 30, 2014	\$ 16,424,978	\$ 28,818,102	\$ 1,859,706		\$ 6,064,455
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(78,727)	
Change in net position of business-type activities				\$ (782,570)	

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 6,575,626	\$ 5,898,314	\$ 144,594	\$ 12,618,534	\$ 427,118
Receipts from interfund services provided	11,820	122,814	-	134,634	8,004,495
Payments to suppliers	(6,049,627)	(1,731,979)	(363,218)	(8,144,824)	(5,846,737)
Payments to employees	(420,094)	(1,248,729)	(19,756)	(1,688,579)	(1,415,596)
Payments for interfund services used	(479,006)	(722,908)	(9,483)	(1,211,397)	(881,360)
Net cash provided by (used for) operating activities	(361,281)	2,317,512	(247,863)	1,708,368	287,920
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	28,046
Advances to component units	-	-	-	-	71,930
Net cash provided by noncapital financing activities	-	-	-	-	99,976
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	118,946	-	208,294	327,240	97,339
Purchases of capital assets	(391,411)	(326,105)	-	(717,516)	(865,955)
Principal paid on capital debt	-	(1,295,000)	-	(1,295,000)	-
Interest paid on capital debt	-	(352,634)	-	(352,634)	-
Proceeds from sale of capital assets	-	-	-	-	31,792
Net cash provided by (used for) capital and related financing activities	(272,465)	(1,973,739)	208,294	(2,037,910)	(736,824)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	20,384	9,664	1,203	31,251	47,070
Net increase (decrease) in cash and investments	(613,362)	353,437	(38,366)	(298,291)	(301,858)
Cash and investments July 1, 2013	4,158,969	2,303,174	206,007	6,668,150	3,261,135
Cash and investments at June 30, 2014	\$ 3,545,607	\$ 2,656,611	\$ 167,641	\$ 6,369,859	\$ 2,959,277
Reconciliation of cash and investments to the Statement of Net Position					
Cash and investments	\$ 3,545,607	\$ 2,057,111	\$ 167,641	\$ 5,770,359	\$ 2,959,277
Restricted cash and investments	-	599,500	-	599,500	-
	\$ 3,545,607	\$ 2,656,611	\$ 167,641	\$ 6,369,859	\$ 2,959,277
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (899,980)	\$ 433,318	\$ (274,662)	\$ (741,324)	\$ (114,189)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	437,278	2,154,685	113,562	2,705,525	394,955
Bad debt expense	24,535	18,376	-	42,911	-
Change in assets and liabilities					
Receivables	(71,000)	(96,728)	(83,745)	(251,473)	(24,615)
Inventories	7,648	8,536	-	16,184	7,475
Prepaid items	891	2,810	169	3,870	103,772
Accounts payable	137,905	(215,384)	(3,569)	(81,048)	(82,045)
Accrued liabilities	1,442	11,899	382	13,723	2,567
Net cash provided by (used for) operating activities	\$ (361,281)	\$ 2,317,512	\$ (247,863)	\$ 1,708,368	\$ 287,920

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 395,193
Accounts receivable	<u>1,867</u>
Total assets	<u>\$ 397,060</u>
LIABILITIES	
Accounts payable	\$ 96,463
Due to other governmental units	245,855
Deposits held for others	<u>54,742</u>
Total liabilities	<u>\$ 397,060</u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2014

	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Total
ASSETS						
Current assets						
Cash and investments	\$ 42,847	\$ 93,778	\$ 829	\$ 116,179	\$ -	\$ 253,633
Noncurrent assets						
Capital assets, net						
Nondepreciable	400,000	-	-	-	-	400,000
Depreciable	1,971,066	-	-	-	-	1,971,066
Total noncurrent assets	2,371,066	-	-	-	-	2,371,066
Total assets	2,413,913	93,778	829	116,179	-	2,624,699
LIABILITIES						
Current liabilities						
Accrued liabilities	20,450	3,716	-	-	-	24,166
Bonds and other obligations, due within one year	320,000	285,000	-	-	-	605,000
Total current liabilities	340,450	288,716	-	-	-	629,166
Noncurrent liabilities						
Advances from primary government	-	-	-	1,447,632	-	1,447,632
Bonds and other obligations, less amounts due within one year	3,717,524	1,959,776	-	-	-	5,677,300
Total noncurrent liabilities	3,717,524	1,959,776	-	1,447,632	-	7,124,932
Total liabilities	4,057,974	2,248,492	-	1,447,632	-	7,754,098
NET POSITION						
Net investment in capital assets	(1,666,458)	-	-	-	-	(1,666,458)
Unrestricted	22,397	(2,154,714)	829	(1,331,453)	-	(3,462,941)
Total net position	\$ (1,644,061)	\$ (2,154,714)	\$ 829	\$ (1,331,453)	\$ -	\$ (5,129,399)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
Discretely Presented Component Units
For the year ended June 30, 2014

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position					Total
		Capital Grants and Contributions	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	
Local Development Finance Authority - SmartZone								
Community and economic development	\$ 172,648	\$ -	\$ (172,648)	\$ -	\$ -	\$ -	\$ -	\$ (172,648)
Interest on long-term debt	86,385	260,000	173,615	-	-	-	-	173,615
Total Local Development Finance Authority - SmartZone	259,033	260,000	967	-	-	-	-	967
Downtown Development Authority								
Interest on long-term debt	47,125	-	-	(47,125)	-	-	-	(47,125)
Tax Increment Finance Authority								
Community and economic development	50,000	-	-	-	(50,000)	-	-	(50,000)
Brownfield Redevelopment Authority I								
Interest on long-term debt	49,685	-	-	-	-	(49,685)	-	(49,685)
Brownfield Redevelopment Authority II								
Community and economic development	79,922	-	-	-	-	-	(79,922)	(79,922)
Total discretely presented component units	<u>\$ 485,765</u>	<u>\$ 260,000</u>	967	(47,125)	(50,000)	(49,685)	(79,922)	(225,765)
General revenues								
Property taxes			137,742	257,660	36,624	126,684	79,922	638,632
Unrestricted investment income			139	928	42	575	-	1,684
Total general revenues			<u>137,881</u>	<u>258,588</u>	<u>36,666</u>	<u>127,259</u>	<u>79,922</u>	<u>640,316</u>
Change in net position			138,848	211,463	(13,334)	77,574	-	414,551
Net position at July 1, 2013			<u>(1,782,909)</u>	<u>(2,366,177)</u>	<u>14,163</u>	<u>(1,409,027)</u>	<u>-</u>	<u>(5,543,950)</u>
Net position at June 30, 2014			<u>\$ (1,644,061)</u>	<u>\$ (2,154,714)</u>	<u>\$ 829</u>	<u>\$ (1,331,453)</u>	<u>\$ -</u>	<u>\$ (5,129,399)</u>

The accompanying notes are an integral part of this statement.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 City and its component units, entities for which the government is considered to be financially accountable. Blended component units, are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. 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 City.

Discretely Presented Component Units

Downtown Development Authority (DDA). The DDA'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 TIFA'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 (SmartZone). Currently only the SmartZone is active. 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.

Brownfield Redevelopment Authority (BRA). There are two separate designated areas under the aegis of the BRA – the Betten-Henry Street site and former downtown mall site. 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 areas are presented as governmental fund types.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reporting Entity—Continued

Discretely Presented Component Units—Continued

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 June 30, 2014, 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, 2012, the date of its latest audited financial statements is as follows:

Total assets	\$ 5,121,807
Total liabilities	(187,464)
Total net assets	<u><u>\$ 4,934,343</u></u>
 Total operating income	 \$ 1,360,098
Total operating expenses	(1,874,034)
Total nonoperating revenues	2,951
Capital contributions	11,915
Change in net assets	<u><u>\$ (499,070)</u></u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. 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.

As discussed earlier, the City's discretely presented component units are reported in a separate column in the government-wide financial statements.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions 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.

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

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 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.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable 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.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash 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.

Investments for the City are reported at fair value (generally based on quoted market prices).

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.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Cash and Investments—Continued

The component unit's cash and investments are maintained within the City's investment pool.

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.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased in the business-type activities.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years.

In the case of 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.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets—Continued

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	5-25
Leasehold improvements	10-25
Buildings and improvements	25-50
Utility buildings, improvements and systems	40-100
Furniture, vehicles and equipment	5-20
Infrastructure	15-50
Shared improvements	20

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Policies—Continued

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission has by resolution authorized the city manager to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City has a minimum fund balance policy requiring unassigned fund balance be at least 13 percent of prior year actual revenues.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

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 and lien on 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. Uncollected 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 of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2013 state taxable value for real/personal property of the City totaled approximately \$586,848,000 of which approximately \$8,039,000 was captured by the component units. The ad valorem taxes levied consisted of 9.5, 2.5 and .0865 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 SmartZone, DDA, BRA I, and BRA II component units.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—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.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 enterprise funds and internal service 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.

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 2013 financial statements have been reclassified to conform to the 2014 presentation.

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 special revenue funds.

The appropriated budget is prepared by fund, function and department. The City Manager and department heads may make transfers of appropriations within a department. 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.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations

During the year ended June 30, 2014, actual expenditures exceeded appropriations for:

	<u>Final Budget</u>	<u>Actual</u>
General Fund		
Public representation services		
City attorney	\$ 342,000	\$ 388,362
Public safety		
Fire department	3,684,420	3,794,247
Fire safety inspections	563,435	588,172
Public works		
Cemeteries maintenance	351,510	386,829
Major Street and Trunkline Fund		
Highways, streets and bridges	4,484,024	4,540,103

These overexpenditures were funded with available fund balance.

Fund Deficits

As of June 30, 2014, the Neighborhood Stabilization Fund had an unassigned fund deficit of \$100,054. The deficit will be eliminated through future operations.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2014, the City had the following investments:

	<u>Fair value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Investment Type				
Money market funds	\$ 1,886,601	1	AAA	26.6 %
Negotiable certificates of deposit	250,300	23	not rated	3.5
US Agency obligations	4,951,138	113	AA+	69.9
Total fair value	<u><u>\$ 7,088,039</u></u>			<u><u>100.0 %</u></u>
Portfolio weighted average maturity		<u><u>80</u></u>		

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks

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 percent of the City's total portfolio must be in instruments maturing in 30 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 percent each of the total portfolio. More than 5 percent of the City's investments are in various U.S. Agency obligations including Financial Home Loan Mortgage Corporation, Federal Home Loan Bank System, Government National Mortgage Association, and Federal National Mortgage Association obligations. These investments are 33 percent, 21 percent, 9 percent and 7 percent, respectively, of the City's investments.

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 June 30, 2014, \$13,676,590 of the City's bank balance of \$14,176,590 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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 June 30, 2014, restricted cash and investments in the Water Fund of \$599,500 were restricted by bond ordinance.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,216,535	\$ -	\$ 36,550	\$ 12,179,985
Construction in progress	6,209,305	2,908,797	7,327,360	1,790,742
Total capital assets, not being depreciated	18,425,840	2,908,797	7,363,910	13,970,727
Capital assets, being depreciated:				
Land improvements	4,356,868	87,508	-	4,444,376
Leasehold improvements	534,821	-	-	534,821
Buildings and improvements	22,169,325	17,152	-	22,186,477
Furniture, vehicle and equipment	12,582,904	1,430,336	359,938	13,653,302
Infrastructure	76,213,428	6,969,451	-	83,182,879
Shared improvements	5,576,901	357,908	-	5,934,809
Total capital assets, being depreciated	121,434,247	8,862,355	359,938	129,936,664
Less accumulated depreciation:				
Land improvements	1,154,009	147,924	-	1,301,933
Leasehold improvements	303,904	55,232	-	359,136
Buildings and improvements	14,972,602	489,946	-	15,462,548
Furniture, vehicle and equipment	10,308,787	497,632	357,661	10,448,758
Infrastructure	38,916,100	3,447,801	-	42,363,901
Shared improvements	2,893,930	278,845	-	3,172,775
Total accumulated depreciation	68,549,332	4,917,380	357,661	73,109,051
Total capital assets, being depreciated, net	52,884,915	3,944,975	2,277	56,827,613
Capital assets, net	\$ 71,310,755	\$ 6,853,772	\$ 7,366,187	\$ 70,798,340
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 142,250	\$ -	\$ -	\$ 142,250
Construction in progress	1,208,538	683,955	816,007	1,076,486
Total capital assets, not being depreciated	1,350,788	683,955	816,007	1,218,736
Capital assets, being depreciated:				
Land improvements	1,888,965	-	-	1,888,965
Buildings, improvements and systems	89,042,331	816,007	-	89,858,338
Machinery and equipment	2,893,033	33,561	-	2,926,594
Total capital assets, being depreciated	93,824,329	849,568	-	94,673,897
Less accumulated depreciation:				
Land improvements	1,739,579	20,589	-	1,760,168
Buildings, improvements and systems	37,329,210	2,376,818	-	39,706,028
Machinery and equipment	2,092,548	308,118	-	2,400,666
Total accumulated depreciation	41,161,337	2,705,525	-	43,866,862
Total capital assets, being depreciated, net	52,662,992	(1,855,957)	-	50,807,035
Capital assets, net	\$ 54,013,780	\$ (1,172,002)	\$ 816,007	\$ 52,025,771

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

Administrative services	\$ 52,454
Financial services	32,299
Public safety	141,183
Public works	28,156
Highways, streets and bridges	3,849,227
Community and economic development	75,717
Culture and recreation	320,422
General administration	22,967
Internal Service Fund depreciation	394,955
	\$ 4,917,380

Business-type activities:

Sewer	\$ 437,278
Water	2,154,685
Marina and Launch Ramp	113,562
	\$ 2,705,525

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
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:				
Building and improvements	1,654,544	172,648	-	1,827,192
Total capital assets, being depreciated, net	2,143,714	(172,648)	-	1,971,066
Capital assets, net	\$ 2,543,714	\$ (172,648)	\$ -	\$ 2,371,066

Depreciation

Depreciation expense was charged to economic development.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Fund	\$ 347,099
General Fund	State Grants Fund	20,076
General Fund	Neighborhood Stabilization Fund	98,837
		<u><u>\$ 466,012</u></u>

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

Component Unit Advance:

The Cemetery Perpetual Care Fund, Equipment Fund, and General Insurance Fund advanced the BRA I \$1,447,632 to enable the BRA I to retire a redevelopment commitment early. The advance will be repaid with future tax captures.

Interfund Transfers:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
		Nonmajor Governmental Funds	
General Fund	\$ 3,035	State Grants Fund	\$ 3,035
Nonmajor Governmental Funds			
Local Street Fund	740,000	General Fund	740,000
Internal Service Funds			
General Insurance Fund	28,046	General Fund	28,046
	<u><u>\$ 771,081</u></u>		<u><u>\$ 771,081</u></u>

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE F—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 June 30, 2014.

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
General obligation debt	\$ 7,350,000	\$ -	\$ 385,000	\$ 6,965,000	\$ 400,000
Discount	(11,379)	-	(914)	(10,465)	-
Intergovernmental obligations	130,042	-	17,492	112,550	18,000
Compensated absences	1,053,389	1,300,910	1,246,752	1,107,547	184,600
Governmental activities long-term liabilities	\$ 8,522,052	\$ 1,300,910	\$ 1,648,330	\$ 8,174,632	\$ 602,600
Business-type activities:					
Revenue obligations	\$ 13,890,000	\$ -	\$ 1,295,000	\$ 12,595,000	\$ 1,330,000
Premium	90,922	-	25,194	65,728	-
Compensated absences	124,160	156,648	148,046	132,762	22,200
Business-type activities long-term liabilities	\$ 14,105,082	\$ 156,648	\$ 1,468,240	\$ 12,793,490	\$ 1,352,200
Component units:					
Intergovernmental obligations	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
General obligation debt	5,605,000	-	540,000	5,065,000	605,000
Premium	259,869	-	42,569	217,300	-
Component unit long- term liabilities	\$ 6,864,869	\$ -	\$ 582,569	\$ 6,282,300	\$ 605,000

General Obligation Debt

The City has issued general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt is a direct obligation and pledges the full faith and credit of the City. This debt is generally issued as serial bonds with varying amounts of principal maturing each year. Certain debt issued by the City's component units is also backed by the full faith and credit of the City if there is a shortfall in tax increment revenues. General obligation debt outstanding as of June 30, 2014 is as follows:

	Original Borrowing	Interest Rate	Date of Maturity	Balance
General obligation debt:				
Governmental activities:				
2003 Capital Improvement Bonds	\$ 1,575,000	4% - 4.05%	June 2016	\$ 295,000
2006 Limited Tax General Obligation Bonds	5,400,000	4% - 4.2%	October 2032	5,025,000
2011 Capital Improvement Bonds	2,000,000	2.98%	September 2021	1,645,000
				\$ 6,965,000
Component units:				
2011 DDA Tax Increment Refunding Bonds	\$ 2,045,000	3.25% - 4%	June 2018	\$ 1,225,000
2012 LDFA Tax Increment Refunding Bonds	4,100,000	2% - 4%	November 2025	3,840,000
				\$ 5,065,000

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE F—LONG-TERM DEBT—Continued

General Obligation Debt—Continued

The LDFA Tax Increment Refunding Bonds 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 shortfalls, up to \$75,000 annually. This commitment extends through December 31, 2016.

Intergovernmental Obligations

The City has long-term contractual obligations with other governmental entities for program purposes. Intergovernmental contractual obligations outstanding as of June 30, 2014 are as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Intergovernmental Contractual Obligations:				
Governmental activities:				
2008 State of Michigan Brownfield Redevelopment Loan	\$ 500,000	2%	March 2020	<u>\$ 112,550</u>
Component units:				
1989 DDA Promissory Note to Muskegon County	\$ 1,000,000	0%	August 2019	<u>\$ 1,000,000</u>

Revenue Obligations

The City has issued bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue obligations outstanding as of June 30, 2014 are as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Business-type activities:				
Revenue obligations:				
2004 Drinking Water State Revolving Fund	\$ 13,900,000	2.13%	October 2025	\$ 9,030,000
2010 Water Supply System Refunding Bonds	5,995,000	3.5% - 4.25%	May 2019	<u>3,565,000</u>
				<u>\$ 12,595,000</u>

The City has pledged future water customer revenues, net of specified operating expenses, to repay the 2004 Drinking Water State Revolving Fund Loan and 2010 Water Supply System Refunding Bonds. Proceeds from both issuances were used to make improvements to the City's water supply system. The bonds are payable solely from water customer net revenues and are payable through 2025 and 2019, respectively. Annual principal and interest payments on the bonds are expected to require less than 63 percent of net revenues through 2019 and less than 33 percent after 2019 through 2025. The total principal and interest remaining to be paid on the bonds is \$14,228,990. Principal and interest paid for the year ended June 30, 2014 and total customer net revenues were \$1,647,635 and \$2,597,667, respectively.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2014.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE F—LONG-TERM DEBT—Continued

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

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 June 30, 2014 was approximately \$4,428,000. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2014 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 417,842	\$ 263,136	\$ 1,330,000	\$ 320,857	\$ 605,000	\$ 164,088
2016	428,199	248,591	1,370,000	283,360	635,000	148,276
2017	283,563	233,616	1,405,000	246,434	655,000	129,251
2018	288,934	224,559	1,450,000	203,106	685,000	107,125
2019	299,313	215,271	1,495,000	158,259	375,000	81,100
2020-2024	2,234,699	828,692	3,880,000	386,433	2,550,000	202,550
2025-2029	1,725,000	468,333	1,665,000	35,541	560,000	16,950
2030-2033	1,400,000	117,425	-	-	-	-
	\$ 7,077,550	\$ 2,599,623	\$ 12,595,000	\$ 1,633,990	\$ 6,065,000	\$ 849,340

Annual debt service requirements to maturity by type of debt as of June 30, 2014 follow:

Year Ending June 30,	General Obligation Debt		Revenue Obligations	Intergovernmental	
	Governmental Activities	Component Units	Business-type Activities	Governmental Activities	Component Units
2015	\$ 660,885	\$ 769,088	\$ 1,650,857	\$ 20,093	\$ -
2016	656,697	783,276	1,653,360	20,093	-
2017	497,086	784,251	1,651,434	20,093	-
2018	493,400	792,125	1,653,106	20,093	-
2019	494,491	456,100	1,653,259	20,093	-
2020-2024	3,043,298	1,752,550	4,266,433	20,093	1,000,000
2025-2029	2,193,333	576,950	1,700,541	-	-
2030-2033	1,517,425	-	-	-	-
	\$ 9,556,615	\$ 5,914,340	\$ 14,228,990	\$ 120,558	\$ 1,000,000

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE G—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 \$150,000 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 2014 and 2013 were as follows:

<u>Year Ended</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
June 30, 2014	\$ 65,972	\$ 67,645	\$ 28,717	\$ 104,900
June 30, 2013	124,721	70,391	129,140	65,972

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 up to \$500,000 per covered individual's lifetime. As of June 30, 2014, the claims liability including incurred but not reported claims was \$47,960. 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 2014 and 2013 were as follows:

<u>Year Ended</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
June 30, 2014	\$ 12,005	\$ 1,100,557	\$ 1,064,602	\$ 47,960
June 30, 2013	81,702	844,407	914,104	12,005

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE G—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

The City has various contract agreements for street projects as of June 30, 2014 of approximately \$374,000. The cost of the projects will be paid with available fund balance in the Major Street and Trunkline Fund. The City also has various contract agreements for wastewater and storm water management plans and improvements as of June 30, 2014 of approximately \$2,000,000. The cost of these projects will be paid with a grant in the Sewer Fund.

Leases

The City leases an office facility under a noncancelable operating lease that expires June 2017 with the option by the tenant to renew the term of the lease for four successive periods of five years each. The City received rental income (including pro-rata utility usage) of \$46,782 for the year ended June 30, 2014. The future minimum rental income for this lease is as follows:

Year Ending June 30,	Amount
2015	\$ 34,202
2016	33,864
2017	33,841
	<u>\$ 101,907</u>

NOTE H—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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE H—PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

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 5.11 to 16.09 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 the City depending on the MERS contribution program adopted by the City.

Annual Pension Cost and Net Pension Asset

For the year ended June 30, 2014, the City's annual pension cost was \$1,024,745. Due to early funding in prior years, the City's required contribution was \$977,705. The City's actual contribution was \$1,477,705. The following table shows the components of the City's annual pension cost for the year, the amount actually contributed, and changes in the City's net pension asset:

Annual required contribution	\$ 977,705
Interest on net pension asset	(79,463)
Adjustment to annual required contribution	<u>126,503</u>
Annual pension cost	1,024,745
Contributions made	<u>1,477,705</u>
Increase in net pension asset	452,960
Net pension asset at beginning of year	<u>993,293</u>
Net pension asset at end of year	<u><u>\$ 1,446,253</u></u>

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 2012	\$ 1,161,996	100 %	\$ (996,641)
June 30, 2013	1,192,282	100	(993,293)
June 30, 2014	1,024,745	144	(1,446,253)

The required contribution was determined as part of the December 31, 2011 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 13 percent, and (c) 1 percent to 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 ten-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, 2011 was 17 years.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE H—PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 91 percent funded. The actuarial accrued liability for benefits was approximately \$98,938,000, and the actuarial value of assets was approximately \$90,200,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$8,738,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,199,000, and the ratio of the UAAL to the covered payroll was 95 percent.

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. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. 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 June 30, 2014, City and employee contributions were approximately \$209,000 and \$116,000, 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. Payments from the deferred compensation plan are not available to participants until termination, retirement, death, or unforeseeable emergency. Active participants are allowed to borrow from their accumulated assets for limited purposes such as family education costs, medical costs, or down payment for a new home. The City must approve program loans.

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
June 30, 2014

NOTE I—OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

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 3.82 to 7.44 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 depending on the benefits program adopted by the City.

Annual OPEB Cost

For the year ended June 30, 2014, the City's OPEB cost (expense) of \$696,634 was equal to the City's ARC and actual contribution.

Trend Information

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 832,891	100 %	\$ -
June 30, 2013	728,863	100	-
June 30, 2014	696,634	100	-

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—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, 2011 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 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates 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, 2011 is 26 years.

Funded Status and Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 87 percent funded. The actuarial accrued liability for benefits was approximately \$21,102,000, and the actuarial value of assets was approximately \$18,261,000, resulting in an unfunded actuarial liability (UAAL) of approximately \$2,841,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,005,000, and the ratio of the UAAL to the covered payroll was 28 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.

Healthcare Saving Plan

The City also maintains a defined contribution Health Care Savings Plan offered by MERS. In this plan, post-employment healthcare benefits depend solely on amounts contributed to the plan plus investment earnings. Depending on employee group, the Plan covers all City employees hired after January 2009 to December 2012 in lieu of the traditional retiree healthcare 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 1 or 2 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are also required to contribute 1 or 2 percent of annual compensation. Additionally, some employees, regardless of hire date, may make voluntary contributions to the HCSP. For the year ended June 30, 2014, City and employee contributions were approximately \$17,000 and \$142,000, respectively.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE J—SUBSEQUENT EVENTS

Subsequent to year-end, the City entered into contracts for street improvements of approximately \$295,000. The projects will be paid with available fund balance in the Local Street Fund.

NOTE K—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 68—*Accounting and Financial Reporting for Pensions* was issued by the GASB in June 2012 and will be effective for the City's 2015 fiscal year. The statement requires governments that participate in defined benefit pension plans to report in their Statement of Net Position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2014
 (with comparative actual amounts for the year ended June 30, 2013)

	2014			2013	
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
REVENUES					
Taxes					
City income taxes	\$ 7,600,000	\$ 7,600,000	\$ 7,831,423	\$ 231,423	\$ 7,506,472
Property taxes	6,859,131	6,896,169	6,938,304	42,135	7,171,122
Industrial facilities taxes	76,421	76,421	91,292	14,871	58,087
Payments in lieu of taxes	95,000	95,000	93,885	(1,115)	96,346
Delinquent chargeback collected	200	200	-	(200)	-
Total taxes	14,630,752	14,667,790	14,954,904	287,114	14,832,027
Licenses and permits					
Business licenses	29,500	29,500	38,200	8,700	31,623
Liquor licenses	60,000	66,720	63,084	(3,636)	53,005
Cable TV fees	350,000	350,000	358,754	8,754	358,785
Rental property registration	168,000	131,000	196,269	65,269	163,300
Burial permits	110,000	110,000	89,459	(20,541)	89,170
Building permits	255,000	460,000	488,041	28,041	278,166
Electrical permits	82,000	90,000	108,657	18,657	67,128
Plumbing permits	31,000	45,000	48,221	3,221	26,519
Mechanical permits	60,000	65,000	72,051	7,051	62,305
Vacant building fees	100,000	100,000	105,751	5,751	108,284
Police gun registration	-	2,500	1,650	(850)	-
Total licenses and permits	1,245,500	1,449,720	1,570,137	120,417	1,238,285
Intergovernmental revenues					
Federal grants	42,675	83,324	83,324	-	117,324
State					
Grants	15,000	15,000	14,557	(443)	13,819
State shared revenue	3,776,201	3,806,443	3,813,221	6,778	3,700,871
Total intergovernmental revenues - State	3,791,201	3,821,443	3,827,778	6,335	3,714,690
Local	50,000	50,000	50,000	-	50,000

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2014
 (with comparative actual amounts for the year ended June 30, 2013)

	2014				2013
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Charges for services					
Tax administration fees	\$ 245,300	\$ 245,300	\$ 259,755	\$ 14,455	\$ 267,293
Utility administration fees	250,000	250,000	250,000	-	250,000
Reimbursement for elections	15,500	13,300	13,341	41	329
Brownfield authority admin fee	79,249	79,249	79,922	673	52,995
Indirect cost reimbursements	984,445	984,445	983,104	(1,341)	1,171,536
Site plan review fee	3,500	3,500	2,700	(800)	3,600
Sale of cemetery lots	26,000	26,000	28,817	2,817	33,207
Police miscellaneous	69,525	87,525	109,104	21,579	92,624
Police impound fees	42,000	37,000	34,700	(2,300)	38,844
Fire protection-state property	84,970	82,500	82,526	26	117,776
Zoning fees	11,000	11,000	12,515	1,515	11,164
Muskegon Heights zoning	-	1,600	2,958	1,358	-
Clerk fees	2,800	2,800	2,445	(355)	2,827
Clerk fees - passport fees	3,500	4,800	5,565	765	4,160
Tax abatement application fees	6,000	6,000	750	(5,250)	5,904
Treasurer fees	65,000	60,000	62,639	2,639	58,648
False alarm fees	13,000	10,000	14,220	4,220	5,265
Miscellaneous cemetery income	20,000	20,000	16,288	(3,712)	17,369
Senior transit program fees	-	-	-	-	8,382
Fire miscellaneous	2,200	6,500	10,191	3,691	2,843
Sanitation stickers	81,300	81,300	75,938	(5,362)	81,116
Lot cleanup fees	35,000	24,000	27,826	3,826	32,462
Reimbursements - lot mowing and demolitions	50,000	45,000	47,760	2,760	43,648
Special events reimbursements	75,000	75,000	90,233	15,233	66,596
Recreation program fees	6,500	6,500	6,601	101	6,667
Total charges for services	2,171,789	2,163,319	2,219,898	56,579	2,375,255
Fines and forfeitures					
Income tax - penalty and interest	175,000	175,000	173,321	(1,679)	174,801
Late fees on current taxes	40,000	40,000	47,975	7,975	30,872
Interest on late invoices	2,000	2,000	2,086	86	2,318
Parking fines	90,000	70,000	75,451	5,451	77,803
Court fines	130,000	130,000	102,465	(27,535)	125,184
Civil infractions	-	-	1,450	1,450	-
Total fines and forfeitures	437,000	417,000	402,748	(14,252)	410,978
Interest and rental income					
Interest income	50,000	50,000	27,049	(22,951)	69,568
Net increase (decrease) in the fair value of investments	-	-	15,907	15,907	(123,263)
Flea market	35,000	35,000	26,410	(8,590)	30,935
Farmers' market	40,000	40,000	58,440	18,440	42,599
City right of way rental	6,800	6,800	6,800	-	6,800
Fire station lease - Central Dispatch	45,000	45,000	46,782	1,782	44,938
Great Lakes Naval Memorial lease	15,000	15,000	15,000	-	15,000
McGraft park rentals	46,000	46,000	47,651	1,651	61,053
Other park rentals	64,200	64,200	46,195	(18,005)	38,344
Total interest and rental income	302,000	302,000	290,234	(11,766)	185,974

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2014
 (with comparative actual amounts for the year ended June 30, 2013)

	2014				2013
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Other					
Sale of land and assets	\$ 1,000	\$ 1,000	\$ 2,000	\$ 1,000	\$ -
Police sale and auction proceeds	2,000	2,000	-	(2,000)	6,058
CDBG program reimbursements	336,288	334,288	330,129	(4,159)	344,568
Fisherman's Landing reimbursement	16,500	18,000	18,196	196	17,471
Contributions	33,000	35,000	11,355	(23,645)	10,485
Contributions - Veteran's Park maintenance	16,500	19,000	64,387	45,387	16,155
Community Foundation for Muskegon County	15,000	15,000	30,198	15,198	14,800
Miscellaneous and sundry	69,000	79,000	105,470	26,470	73,339
Total other	489,288	503,288	561,735	58,447	482,876
Total revenues	23,160,205	23,457,884	23,960,758	502,874	23,407,409
EXPENDITURES					
Current					
Public representation services					
City commission	95,778	95,778	101,102	(5,324)	93,509
City promotions and public relations	9,350	9,350	9,252	98	9,832
City manager	271,636	321,400	300,159	21,241	269,910
Contributions to outside agencies	240,369	240,369	233,109	7,260	197,926
City attorney	342,000	342,000	388,362	(46,362)	320,936
Total public representation services	959,133	1,008,897	1,031,984	(23,087)	892,113
Administrative services					
Administration	-	-	12	(12)	-
City clerk	336,940	336,940	332,828	4,112	337,252
Civil service	88,350	88,350	91,492	(3,142)	88,439
Affirmative action	85,015	83,668	72,693	10,975	82,439
Total administrative services	510,305	508,958	497,025	11,933	508,130
Financial services					
Finance administration	371,291	367,840	358,074	9,766	364,146
Assessing	326,200	326,200	302,478	23,722	330,190
Arena administration	239,550	284,550	283,572	978	238,961
Income tax administration	422,303	417,303	404,230	13,073	388,767
Information systems	387,036	414,752	415,115	(363)	391,345
City treasurer	474,822	426,427	434,182	(7,755)	483,508
Total financial services	2,221,202	2,237,072	2,197,651	39,421	2,196,917
Public safety					
Police department	8,797,547	8,794,947	8,605,479	189,468	8,642,294
Fire department	3,636,270	3,684,420	3,794,247	(109,827)	3,472,038
Fire safety inspections	444,467	563,435	588,172	(24,737)	472,933
Total public safety	12,878,284	13,042,802	12,987,898	54,904	12,587,265

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2014
 (with comparative actual amounts for the year ended June 30, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
Public works					
Street lighting	\$ 655,000	\$ 655,000	\$ 647,680	\$ 7,320	\$ 655,118
Community event support	20,800	21,200	22,370	(1,170)	19,270
Senior citizen transit	43,771	23,771	8,379	15,392	41,816
General sanitation	1,693,558	1,701,514	1,608,483	93,031	1,541,931
Storm water management	15,000	10,000	11,444	(1,444)	12,994
City hall maintenance	285,542	287,275	233,120	54,155	244,296
Cemeteries maintenance	351,510	351,510	386,829	(35,319)	362,903
Total public works	3,065,181	3,050,270	2,918,305	131,965	2,878,328
Community and economic development					
Planning, zoning and economic development	355,111	326,671	335,127	(8,456)	300,222
Environmental services	604,889	714,689	676,164	38,525	541,493
Edison Landing subsidy	160,000	160,000	160,000	-	160,000
Total community and economic development	1,120,000	1,201,360	1,171,291	30,069	1,001,715
Culture and recreation					
Parks maintenance	1,134,379	1,136,879	1,066,259	70,620	1,009,455
McGraft park maintenance	45,195	66,750	51,232	15,518	23,461
General and inner city recreation programs	95,900	95,900	105,498	(9,598)	95,944
Graffiti removal	8,861	8,861	2,162	6,699	3,854
Parking operations	5,200	5,200	6,282	(1,082)	5,266
Farmers' market and flea market	61,358	73,800	76,718	(2,918)	63,266
Total culture and recreation	1,350,893	1,387,390	1,308,151	79,239	1,201,246
Other governmental functions					
Insurance premiums	251,656	251,656	244,653	7,003	233,873
Other	250,000	250,000	99,013	150,987	65,939
Additional contribution to MERS pension plan	-	300,000	300,000	-	-
Total other governmental functions	501,656	801,656	643,666	157,990	299,812
Debt service					
Principal	70,000	70,000	70,000	-	70,000
Interest and fees	210,000	210,000	206,257	3,743	209,678
Total debt service	280,000	280,000	276,257	3,743	279,678
Capital outlay	121,000	97,000	20,980	76,020	105,651
Total expenditures	23,007,654	23,615,405	23,053,208	562,197	21,950,855
Excess of revenues over (under) expenditures	152,551	(157,521)	907,550	1,065,071	1,456,554

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2014
 (with comparative actual amounts for the year ended June 30, 2013)

	2014			2013	
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 23,000	\$ 23,000	\$ 3,035	\$ (19,965)	\$ 420,653
Transfers out	(768,046)	(768,046)	(768,046)	-	(758,046)
Total other financing sources (uses)	(745,046)	(745,046)	(765,011)	(19,965)	(337,393)
Net change in fund balance	<u>\$ (592,495)</u>	<u>\$ (902,567)</u>	142,539	<u>\$ 1,045,106</u>	1,119,161
Fund balance at beginning of year			7,353,558		6,234,397
Fund balance at end of year			<u>\$ 7,496,097</u>		<u>\$ 7,353,558</u>

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 June 30, 2014

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues				
Federal	\$ 1,005,000	\$ 1,005,000	\$ 1,005,475	\$ 475
State	2,682,945	2,771,945	2,795,957	24,012
Charges for services	-	-	59,696	59,696
Investment earnings	25,000	25,000	16,390	(8,610)
Other	140,000	140,000	94,237	(45,763)
Total revenues	3,852,945	3,941,945	3,971,755	29,810
EXPENDITURES				
Current				
Highways, streets and bridges	4,684,024	4,484,024	4,540,103	(56,079)
Debt service				
Principal	180,000	180,000	180,000	-
Interest	51,703	51,703	52,414	(711)
Total expenditures	4,915,727	4,715,727	4,772,517	(56,790)
Net change in fund balance	<u>\$ (1,062,782)</u>	<u>\$ (773,782)</u>	(800,762)	<u>\$ (26,980)</u>
Fund balance at July 1, 2013			2,153,684	
Fund balance at June 30, 2014			<u>\$ 1,352,922</u>	

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 June 30, 2014

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/11	\$ 89,501	\$ 92,614	\$ 3,113	97 %	\$ 10,651	29 %
12/31/12	89,199	95,220	6,021	94	10,185	59
12/31/13	90,200	98,938	8,738	91	9,199	95

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 Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	\$ 13,260	\$ 24,024	\$ 10,764	55 %	\$ 13,293	81 %
12/31/11	15,331	20,168	4,837	76	12,365	39
12/31/13	18,261	21,102	2,841	87	10,005	28

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.

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 assets 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.

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.

**DESCRIPTION OF
OTHER GOVERNMENTAL FUNDS—CONTINUED**

Capital Projects Funds—Continued

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

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.

Economic Development - Sappi Fund – to account for funds contributed to the City for economic redevelopment of vacated industrial property sites.

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
June 30, 2014

	Total Other Governmental Funds	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	\$ 3,657,636	\$ 925,110	\$ 1,741,005	\$ 991,521
Receivables				
Accounts and loans (net of allowance for uncollectibles)	219,921	6,197	212,906	818
Special assessments	105,647	94,367	11,280	-
Due from other governmental units	503,046	109,461	393,585	-
Advances to component units	482,544	-	-	482,544
Prepaid items	4,461	4,461	-	-
Total assets	\$ 4,973,255	\$ 1,139,596	\$ 2,358,776	\$ 1,474,883
LIABILITIES				
Accounts payable	\$ 202,351	\$ 111,745	\$ 90,606	\$ -
Accrued liabilities	9,958	5,407	4,551	-
Due to other funds	466,012	-	466,012	-
Unearned revenues - expenditure-driven grants	39,262	-	39,262	-
Total liabilities	717,583	117,152	600,431	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - special assessments	105,750	94,367	11,383	-
Unavailable revenues - other long-term receivables	11,709	-	11,709	-
Total deferred inflows of resources	117,459	94,367	23,092	-
FUND BALANCES				
Nonspendable				
Prepaid items	4,461	4,461	-	-
Long-term loans receivable	105,850	-	105,850	-
Perpetual care	1,429,198	-	-	1,429,198
Restricted				
Highways, streets and bridges	733,050	733,050	-	-
Law enforcement	189,410	189,410	-	-
Perpetual care	45,685	-	-	45,685
Other purposes	1,156	1,156	-	-
Assigned for capital projects and public improvements	1,729,457	-	1,729,457	-
Unassigned	(100,054)	-	(100,054)	-
Total fund balances	4,138,213	928,077	1,735,253	1,474,883
Total liabilities, deferred inflows of resources and fund balances	\$ 4,973,255	\$ 1,139,596	\$ 2,358,776	\$ 1,474,883

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended June 30, 2014

	Total Other Governmental Funds	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	\$ 1,075,697	\$ -	\$ 1,075,697	\$ -
State	1,106,834	880,714	226,120	-
Charges for services	289,741	24,949	234,475	30,317
Fines and forfeitures	15,943	15,943	-	-
Investment earnings	45,529	10,206	15,454	19,869
Other	259,371	40,683	218,688	-
Total revenues	2,793,115	972,495	1,770,434	50,186
EXPENDITURES				
Current				
Highways, streets and bridges	1,380,304	1,380,304	-	-
Culture and recreation	330	330	-	-
Debt service				
Principal	152,492	-	152,492	-
Interest and fees	19,741	-	19,741	-
Capital outlay	2,164,703	-	2,164,703	-
Total expenditures	3,717,570	1,380,634	2,336,936	-
Excess of revenues over (under) expenditures	(924,455)	(408,139)	(566,502)	50,186
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	176,887	-	176,887	-
Transfers in	740,000	740,000	-	-
Transfers out	(3,035)	-	(3,035)	-
Total other financing sources (uses)	913,852	740,000	173,852	-
Net change in fund balances	(10,603)	331,861	(392,650)	50,186
Fund balances at July 1, 2013	4,148,816	596,216	2,127,903	1,424,697
Fund balances at June 30, 2014	\$ 4,138,213	\$ 928,077	\$ 1,735,253	\$ 1,474,883

City of Muskegon
COMBINING BALANCE SHEET
Other Special Revenue Funds
June 30, 2014

	Total Other Special Revenue Funds	Local Street	Criminal Forfeitures	Tree Replacement
ASSETS				
Cash and investments	\$ 925,110	\$ 734,544	\$ 189,410	\$ 1,156
Receivables				
Accounts	6,197	6,197	-	-
Special assessments	94,367	94,367	-	-
Due from other governmental units	109,461	109,461	-	-
Prepaid items	4,461	4,461	-	-
Total assets	\$ 1,139,596	\$ 949,030	\$ 189,410	\$ 1,156
LIABILITIES				
Accounts payable	\$ 111,745	\$ 111,745	\$ -	\$ -
Accrued liabilities	5,407	5,407	-	-
Total liabilities	117,152	117,152	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - special assessments	94,367	94,367	-	-
FUND BALANCES				
Nonspendable - prepaid items	4,461	4,461	-	-
Restricted				
Highways, streets and bridges	733,050	733,050	-	-
Law enforcement	189,410	-	189,410	-
Other purposes	1,156	-	-	1,156
Total fund balances	928,077	737,511	189,410	1,156
Total liabilities, deferred inflows of resources and fund balances	\$ 1,139,596	\$ 949,030	\$ 189,410	\$ 1,156

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Special Revenue Funds
For the year ended June 30, 2014

	Total Other Special Revenue Funds	Local Street	Criminal Forfeitures	Tree Replacement
REVENUES				
Intergovernmental revenues - State	\$ 880,714	\$ 880,714	\$ -	\$ -
Charges for services	24,949	24,949	-	-
Fines and forfeitures	15,943	-	15,943	-
Investment earnings	10,206	9,310	889	7
Other	40,683	40,683	-	-
Total revenues	972,495	955,656	16,832	7
EXPENDITURES				
Current				
Highways, streets and bridges	1,380,304	1,380,304	-	-
Culture and recreation	330	-	-	330
Total expenditures	1,380,634	1,380,304	-	330
Excess of revenues over (under) expenditures	(408,139)	(424,648)	16,832	(323)
OTHER FINANCING SOURCES				
Transfers in	740,000	740,000	-	-
Net change in fund balances	331,861	315,352	16,832	(323)
Fund balances at July 1, 2013	596,216	422,159	172,578	1,479
Fund balances at June 30, 2014	\$ 928,077	\$ 737,511	\$ 189,410	\$ 1,156

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
Other Special Revenue Funds
For the year ended June 30, 2014

	Local Street			Criminal Forfeitures		
	Final Budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
REVENUES						
Intergovernmental revenues						
Federal	\$ 32,000	\$ -	\$ (32,000)	\$ -	\$ -	\$ -
State	880,698	880,714	16	-	-	-
Charges for services	-	24,949	24,949	-	-	-
Fines and forfeitures	-	-	-	18,000	15,943	(2,057)
Investment earnings	20,000	9,310	(10,690)	700	889	189
Other	105,000	40,683	(64,317)	-	-	-
Total revenues	1,037,698	955,656	(82,042)	18,700	16,832	(1,868)
EXPENDITURES						
Current						
Public safety	-	-	-	7,530	-	7,530
Highways, streets and bridges	1,652,549	1,380,304	272,245	-	-	-
Total expenditures	1,652,549	1,380,304	272,245	7,530	-	7,530
Excess of revenues over (under) expenditures	(614,851)	(424,648)	190,203	11,170	16,832	5,662
OTHER FINANCING SOURCES						
Transfers in	740,000	740,000	-	-	-	-
Net change in fund balances	<u><u>\$ 125,149</u></u>	315,352	<u><u>\$ 190,203</u></u>	<u><u>\$ 11,170</u></u>	16,832	<u><u>\$ 5,662</u></u>
Fund balances at July 1, 2013		<u>422,159</u>			<u>172,578</u>	
Fund balances at June 30, 2014		<u><u>\$ 737,511</u></u>			<u><u>\$ 189,410</u></u>	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 Other Special Revenue Funds
 For the year ended June 30, 2014

	Tree Replacement		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES			
Intergovernmental revenues - State	\$ -	\$ -	\$ -
Charges for services	1,500	-	(1,500)
Investment earnings	50	7	(43)
Total revenues	1,550	7	(1,543)
EXPENDITURES			
Current			
Culture and recreation	1,000	330	670
Net change in fund balances	<u>\$ 550</u>	(323)	<u>\$ (873)</u>
Fund balance at July 1, 2013		<u>1,479</u>	
Fund balance at June 30, 2014		<u>\$ 1,156</u>	

City of Muskegon
COMBINING BALANCE SHEET
Other Capital Projects Funds
June 30, 2014

	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	Neighborhood Stabilization	Economic Development - Sappi
ASSETS											
Cash and investments	\$ 1,741,005	\$ 369,368	\$ 343,859	\$ 219,726	\$ 233,677	\$ -	\$ -	\$ 32,477	\$ 30,007	\$ -	\$ 511,891
Receivables											
Accounts and loans (net of allowance for uncollectibles)	212,906	12,609	-	-	20,000	94,447	85,850	-	-	-	-
Special assessments	11,280	-	11,280	-	-	-	-	-	-	-	-
Due from other governmental units	393,585	-	-	-	-	291,433	92,865	9,287	-	-	-
Total assets	\$ 2,358,776	\$ 381,977	\$ 355,139	\$ 219,726	\$ 253,677	\$ 385,880	\$ 178,715	\$ 41,764	\$ 30,007	\$ -	\$ 511,891
LIABILITIES											
Accounts payable	\$ 90,606	\$ -	\$ -	\$ -	\$ -	\$ 34,788	\$ 11,400	\$ 41,206	\$ 1,995	\$ 1,217	\$ -
Accrued liabilities	4,551	-	-	-	-	3,993	-	558	-	-	-
Due to other funds	466,012	-	-	-	-	347,099	20,076	-	-	98,837	-
Unearned revenues - expenditure-driven grants	39,262	-	-	-	-	-	39,262	-	-	-	-
Total liabilities	600,431	-	-	-	-	385,880	70,738	41,764	1,995	100,054	-
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenues - special assessments	11,383	-	11,383	-	-	-	-	-	-	-	-
Unavailable revenues - other long-term receivables	11,709	11,709	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	23,092	11,709	11,383	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICITS)											
Nonspendable - long-term loans receivable	105,850	-	-	-	20,000	-	85,850	-	-	-	-
Assigned for capital projects and public improvements	1,729,457	370,268	343,756	219,726	233,677	-	22,127	-	28,012	-	511,891
Unassigned	(100,054)	-	-	-	-	-	-	-	-	(100,054)	-
Total fund balances (deficits)	1,735,253	370,268	343,756	219,726	253,677	-	107,977	-	28,012	(100,054)	511,891
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 2,358,776	\$ 381,977	\$ 355,139	\$ 219,726	\$ 253,677	\$ 385,880	\$ 178,715	\$ 41,764	\$ 30,007	\$ -	\$ 511,891

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
Other Capital Projects Funds
For the year ended June 30, 2014

	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	Neighborhood Stabilization	Economic Development - Sappi
REVENUES											
Intergovernmental revenues											
Federal	\$ 1,075,697	\$ -	\$ -	\$ -	\$ -	\$ 849,155	\$ -	\$ 226,542	\$ -	\$ -	\$ -
State	226,120	-	-	-	-	-	226,120	-	-	-	-
Charges for services	234,475	200,000	-	-	-	-	-	-	34,475	-	-
Investment earnings	15,454	3,846	3,974	1,095	1,004	671	1,813	-	501	-	2,550
Other	218,688	-	29,339	-	70,319	29,308	33,163	-	-	56,559	-
Total revenues	1,770,434	203,846	33,313	1,095	71,323	879,134	261,096	226,542	34,976	56,559	2,550
EXPENDITURES											
Debt service											
Principal	152,492	-	135,000	-	-	-	17,492	-	-	-	-
Interest and fees	19,741	-	17,140	-	-	-	2,601	-	-	-	-
Capital outlay	2,164,703	543,596	6,905	-	21,156	879,984	256,248	327,137	11,831	117,846	-
Total expenditures	2,336,936	543,596	159,045	-	21,156	879,984	276,341	327,137	11,831	117,846	-
Excess of revenues over (under) expenditures	(566,502)	(339,750)	(125,732)	1,095	50,167	(850)	(15,245)	(100,595)	23,145	(61,287)	2,550
OTHER FINANCING SOURCES (USES)											
Proceeds from sale of capital assets	176,887	32,161	-	-	-	850	-	143,876	-	-	-
Transfers out	(3,035)	-	-	-	-	-	(3,035)	-	-	-	-
Total other financing sources (uses)	173,852	32,161	-	-	-	850	(3,035)	143,876	-	-	-
Net change in fund balances	(392,650)	(307,589)	(125,732)	1,095	50,167	-	(18,280)	43,281	23,145	(61,287)	2,550
Fund balances (deficits) at July 1, 2013	2,127,903	677,857	469,488	218,631	203,510	-	126,257	(43,281)	4,867	(38,767)	509,341
Fund balances (deficits) at June 30, 2014	\$ 1,735,253	\$ 370,268	\$ 343,756	\$ 219,726	\$ 253,677	\$ -	\$ 107,977	\$ -	\$ 28,012	\$ (100,054)	\$ 511,891

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 POSITION
Internal Service Funds
June 30, 2014

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
ASSETS					
Current assets					
Cash and investments	\$ 2,959,277	\$ 79,207	\$ 802,987	\$ 1,509,014	\$ 568,069
Accounts receivable	110,796	17,003	20,931	72,862	-
Inventories	13,102	-	13,102	-	-
Prepaid items	283,043	2,492	62,084	212,937	5,530
Total current assets	3,366,218	98,702	899,104	1,794,813	573,599
Noncurrent assets					
Advances to component units	965,088	-	482,544	482,544	-
Capital assets					
Land	65,000	-	-	-	65,000
Land improvements	301,715	-	-	-	301,715
Buildings and improvements	1,559,334	-	-	-	1,559,334
Machinery and equipment	8,046,959	26,355	7,947,130	-	73,474
Less accumulated depreciation	(7,672,348)	(26,355)	(6,220,943)	-	(1,425,050)
Net capital assets	2,300,660	-	1,726,187	-	574,473
Total noncurrent assets	3,265,748	-	2,208,731	482,544	574,473
Total assets	6,631,966	98,702	3,107,835	2,277,357	1,148,072
LIABILITIES					
Current liabilities					
Accounts payable	450,762	1,039	26,460	415,001	8,262
Accrued liabilities	21,688	4,432	6,000	607	10,649
Due to other governmental units	12,229	12,229	-	-	-
Bonds and other obligations, due within one year	13,800	2,600	3,700	300	7,200
Total current liabilities	498,479	20,300	36,160	415,908	26,111
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	69,032	12,716	18,600	1,780	35,936
Total liabilities	567,511	33,016	54,760	417,688	62,047
NET POSITION					
Net investment in capital assets	2,300,660	-	1,726,187	-	574,473
Unrestricted	3,763,795	65,686	1,326,888	1,859,669	511,552
Total net position	\$ 6,064,455	\$ 65,686	\$ 3,053,075	\$ 1,859,669	\$ 1,086,025

City of Muskegon
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Internal Service Funds
For the year ended June 30, 2014

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	\$ 8,004,495	\$ 400,890	\$ 2,223,073	\$ 4,295,243	\$ 1,085,289
Other	451,733	40,969	70,315	340,449	-
Total operating revenues	8,456,228	441,859	2,293,388	4,635,692	1,085,289
OPERATING EXPENSES					
Administration	362,748	64,698	93,673	84,184	120,193
Insurance premiums and claims	4,133,641	-	-	4,133,641	-
Other operations	3,679,073	432,279	2,402,630	37,088	807,076
Depreciation	394,955	-	315,925	-	79,030
Total operating expenses	8,570,417	496,977	2,812,228	4,254,913	1,006,299
Operating income (loss)	(114,189)	(55,118)	(518,840)	380,779	78,990
NONOPERATING REVENUES					
Investment earnings	47,070	311	23,976	20,411	2,372
Gain on sale of capital assets	29,515	-	29,515	-	-
Total nonoperating revenues	76,585	311	53,491	20,411	2,372
Income (loss) before contributions and transfers	(37,604)	(54,807)	(465,349)	401,190	81,362
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	97,339	-	97,339	-	-
Transfers in	28,046	-	-	28,046	-
Total capital contributions and transfers	125,385	-	97,339	28,046	-
Change in net position	87,781	(54,807)	(368,010)	429,236	81,362
Net position at July 1, 2013	5,976,674	120,493	3,421,085	1,430,433	1,004,663
Net position at June 30, 2014	\$ 6,064,455	\$ 65,686	\$ 3,053,075	\$ 1,859,669	\$ 1,086,025

City of Muskegon
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended June 30, 2014

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 427,118	\$ 39,400	\$ 57,676	\$ 330,042	\$ -
Receipts from interfund services provided	8,004,495	400,890	2,223,073	4,295,243	1,085,289
Payments to suppliers	(5,846,737)	(134,054)	(1,692,157)	(3,699,356)	(321,170)
Payments to employees	(1,415,596)	(240,132)	(302,592)	(378,328)	(494,544)
Payments for interfund services used	(881,360)	(111,095)	(654,644)	(3,323)	(112,298)
Net cash provided by (used for) operating activities	287,920	(44,991)	(368,644)	544,278	157,277
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	28,046	-	-	28,046	-
Collections on advances to component units	71,930	-	35,965	35,965	-
Net cash provided by noncapital financing activities	99,976	-	35,965	64,011	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	97,339	-	97,339	-	-
Purchases of capital assets	(865,955)	-	(839,130)	-	(26,825)
Proceeds from sale of capital assets	31,792	-	31,792	-	-
Net cash used for capital and related financing activities	(736,824)	-	(709,999)	-	(26,825)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	47,070	311	23,976	20,411	2,372
Net increase (decrease) in cash and investments	(301,858)	(44,680)	(1,018,702)	628,700	132,824
Cash and investments at July 1, 2013	3,261,135	123,887	1,821,689	880,314	435,245
Cash and investments at June 30, 2014	\$ 2,959,277	\$ 79,207	\$ 802,987	\$ 1,509,014	\$ 568,069
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (114,189)	\$ (55,118)	\$ (518,840)	\$ 380,779	\$ 78,990
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	394,955	-	315,925	-	79,030
Change in assets and liabilities					
Receivables	(24,615)	(1,569)	(12,639)	(10,407)	-
Inventories	7,475	-	7,475	-	-
Prepaid items	103,772	246	(6,344)	110,027	(157)
Accounts payable	(82,045)	12,399	(157,404)	63,505	(545)
Accrued liabilities	2,567	(949)	3,183	374	(41)
Net cash provided by (used for) operating activities	\$ 287,920	\$ (44,991)	\$ (368,644)	\$ 544,278	\$ 157,277

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
 June 30, 2014

	Total Agency Funds	Collector	Current Tax	Rehab Loan Escrow
ASSETS				
Cash and investments	\$ 395,193	\$ 395,193	\$ -	\$ -
Accounts receivable	1,867	1,867	-	-
Total assets	\$ 397,060	\$ 397,060	\$ -	\$ -
LIABILITIES				
Accounts payable	\$ 96,463	\$ 96,463	\$ -	\$ -
Due to other governmental units	245,855	245,855	-	-
Deposits held for others	54,742	54,742	-	-
Total liabilities	\$ 397,060	\$ 397,060	\$ -	\$ -

City of Muskegon
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the year ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>COLLECTOR FUND</u>				
ASSETS				
Cash and investments	\$ 799,080	\$ 6,835,592	\$ 7,239,479	\$ 395,193
Accounts receivable	1,867	283,073	283,073	1,867
Total assets	\$ 800,947	\$ 7,118,665	\$ 7,522,552	\$ 397,060
LIABILITIES				
Accounts payable	\$ 352,700	\$ 3,283,560	\$ 3,539,797	\$ 96,463
Due to other governmental units	316,760	1,957,949	2,028,854	245,855
Deposits held for others	131,487	2,321,769	2,398,514	54,742
Total liabilities	\$ 800,947	\$ 7,563,278	\$ 7,967,165	\$ 397,060
<u>CURRENT TAX FUND</u>				
ASSETS				
Cash and investments	\$ -	\$ 27,408,453	\$ 27,408,453	\$ -
LIABILITIES				
Due to other governmental units	\$ -	\$ 19,217,766	\$ 19,217,766	\$ -
Due to other funds	-	7,286,488	7,286,488	-
Due to component units	-	638,632	638,632	-
Deposits held for others	-	108,350	108,350	-
Total liabilities	\$ -	\$ 27,251,236	\$ 27,251,236	\$ -
<u>REHAB LOAN ESCROW FUND</u>				
ASSETS				
Cash and investments	\$ -	\$ 1,713	\$ 1,713	\$ -
LIABILITIES				
Accounts payable	\$ -	\$ 1,713	\$ 1,713	\$ -
<u>ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 799,080	\$ 34,245,758	\$ 34,649,645	\$ 395,193
Accounts receivable	1,867	283,073	283,073	1,867
Total assets	\$ 800,947	\$ 34,528,831	\$ 34,932,718	\$ 397,060
LIABILITIES				
Accounts payable	\$ 352,700	\$ 3,285,273	\$ 3,541,510	\$ 96,463
Due to other governmental units	316,760	21,175,715	21,246,620	245,855
Due to other funds	-	7,286,488	7,286,488	-
Due to component units	-	638,632	638,632	-
Deposits held for others	131,487	2,430,119	2,506,864	54,742
Total liabilities	\$ 800,947	\$ 34,816,227	\$ 35,220,114	\$ 397,060

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 - SmartZone – to account for the collection of tax increment revenues and the construction of public facilities 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. Currently there are two designated brownfield areas capturing tax increments.

- Area I – Betten-Henry Street brownfield site.
- Area II – Former downtown mall brownfield site.

City of Muskegon
COMBINING BALANCE SHEET
Discretely Presented Component Units
June 30, 2014

	Total Discretely Presented Component Units	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II
ASSETS						
Cash and investments	\$ 253,633	\$ 42,847	\$ 93,778	\$ 829	\$ 116,179	\$ -
LIABILITIES						
Advances from primary government	\$ 1,447,632	\$ -	\$ -	\$ -	\$ 1,447,632	\$ -
FUND BALANCES (DEFICITS)						
Unassigned	(1,193,999)	42,847	93,778	829	(1,331,453)	-
Total liabilities and fund balances (deficits)	\$ 253,633	\$ 42,847	\$ 93,778	\$ 829	\$ 116,179	\$ -

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**
Discretely Presented Component Units
June 30, 2014

Total fund balances—governmental funds	\$ (1,193,999)
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

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

Cost of capital assets	\$ 4,198,258	
Accumulated depreciation	<u>(1,827,192)</u>	2,371,066

Long-term liabilities in governmental activities are not due and payable in the
current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	(24,166)	
Bonds and notes payable	<u>(6,282,300)</u>	<u>(6,306,466)</u>

Net position of governmental activities		<u><u>\$ (5,129,399)</u></u>
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City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
Discretely Presented Component Units
For the year ended June 30, 2014

	Total Discretely Presented Component Units	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II
REVENUES						
Property taxes	\$ 638,632	\$ 137,742	\$ 257,660	\$ 36,624	\$ 126,684	\$ 79,922
Intergovernmental revenues - Local	160,000	160,000	-	-	-	-
Investment earnings	1,684	139	928	42	575	-
Other	100,000	100,000	-	-	-	-
Total revenues	900,316	397,881	258,588	36,666	127,259	79,922
EXPENDITURES						
Current						
Community and economic development	129,922	-	-	50,000	-	79,922
Debt service						
Principal	540,000	260,000	280,000	-	-	-
Interest and fees	227,272	125,300	52,287	-	49,685	-
Total expenditures	897,194	385,300	332,287	50,000	49,685	79,922
Net change in fund balances (deficits)	3,122	12,581	(73,699)	(13,334)	77,574	-
Fund balances (deficits) at July 1, 2013	(1,197,121)	30,266	167,477	14,163	(1,409,027)	-
Fund balances (deficits) at June 30, 2014	\$ (1,193,999)	\$ 42,847	\$ 93,778	\$ 829	\$ (1,331,453)	\$ -

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES**
Discretely Presented Component Units
For the year ended June 30, 2014

Net change in fund balances—total governmental funds	\$	3,122
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense		(172,648)
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The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt		540,000
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Changes in accrual of interest and amortization of premiums and discounts

Change in accrued interest payable	\$ 1,508		
Amortization of premiums	42,569	44,077	

Change in net position of governmental activities		<u>\$ 414,551</u>	
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SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2014

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2013	6/30/2014	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Water supply system bonds	4/1/2010	\$ 5,995,000	2.77%	05/01/14	\$ 640,000	\$ -	\$ -
(\$65,728 unamortized premium)			3.50%	05/01/15	660,000	660,000	136,088
			3.25%	05/01/16	685,000	685,000	112,988
Type of debt: revenue bond			4.00%	05/01/17	710,000	710,000	90,725
Revenue pledged: water system net revenues			4.00%	05/01/18	740,000	740,000	62,325
			4.25%	05/01/19	770,000	770,000	32,725
					4,205,000	3,565,000	434,851
Drinking Water State Revolving Fund	3/2/2004	\$ 13,900,000	2.13%	10/01/13	655,000	-	-
			2.13%	10/01/14	670,000	670,000	184,769
			2.13%	10/01/15	685,000	685,000	170,372
Type of debt: state loan			2.13%	10/01/16	695,000	695,000	155,709
Revenue pledged: water system net revenues			2.13%	10/01/17	710,000	710,000	140,781
			2.13%	10/01/18	725,000	725,000	125,534
			2.13%	10/01/19	745,000	745,000	109,916
			2.13%	10/01/20	760,000	760,000	93,925
			2.13%	10/01/21	775,000	775,000	77,616
			2.13%	10/01/22	790,000	790,000	60,988
			2.13%	10/01/23	810,000	810,000	43,988
			2.13%	10/01/24	825,000	825,000	26,616
			2.13%	10/01/25	840,000	840,000	8,925
					9,685,000	9,030,000	1,199,139
TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE					\$ 13,890,000	\$ 12,595,000	\$ 1,633,990

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2014

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2013	6/30/2014	Annual Interest Payable
Governmental Activities Bonds and Loans Payable:							
Capital improvement bonds of 2003 (sidewalks)	3/1/2003	\$ 1,575,000	3.90%	06/01/14	\$ 135,000	\$ -	\$ -
			4.00%	06/01/15	145,000	145,000	11,875
			4.05%	06/01/16	150,000	150,000	6,075
Type of debt: limited G.O. bond					430,000	295,000	17,950
Revenue pledged: special assessments, general revenues							
Capital improvement bonds of 2006 (fire station, recreation) (\$10,465 unamortized discount)	10/24/2006	\$ 5,400,000	4.00%	10/01/13	70,000	-	-
			4.00%	10/01/14	70,000	70,000	202,745
			4.00%	10/01/15	70,000	70,000	199,945
			4.00%	10/01/16	70,000	70,000	197,145
Type of debt: limited G.O. bond			4.00%	10/01/17	70,000	70,000	194,345
Revenue pledged: general revenues			4.00%	10/01/18	70,000	70,000	191,545
			4.00%	10/01/19	295,000	295,000	184,245
			4.00%	10/01/20	305,000	305,000	172,245
			4.00%	10/01/21	315,000	315,000	159,845
			4.00%	10/01/22	315,000	315,000	147,245
			4.00%	10/01/23	320,000	320,000	134,545
			4.00%	10/01/24	340,000	340,000	121,345
			4.00%	10/01/25	345,000	345,000	107,645
			4.00%	10/01/26	345,000	345,000	93,845
			4.10%	10/01/27	345,000	345,000	79,873
			4.10%	10/01/28	350,000	350,000	65,625
			4.10%	10/01/29	350,000	350,000	51,275
			4.20%	10/01/30	350,000	350,000	36,750
			4.20%	10/01/31	350,000	350,000	22,050
			4.20%	10/01/32	350,000	350,000	7,350
					5,095,000	5,025,000	2,369,608
Capital improvement bonds of 2011 (streets)	9/30/2011	\$ 2,000,000	2.98%	09/01/13	180,000	-	-
			2.98%	09/01/14	185,000	185,000	46,265
			2.98%	09/01/15	190,000	190,000	40,677
Type of debt: limited G.O. bond			2.98%	09/01/16	195,000	195,000	34,941
Revenue pledged: gas tax, general revenues			2.98%	09/01/17	200,000	200,000	29,055
			2.98%	09/01/18	210,000	210,000	22,946
			2.98%	09/01/19	215,000	215,000	16,614
			2.98%	09/01/20	220,000	220,000	10,132
			2.98%	09/01/21	230,000	230,000	3,427
					1,825,000	1,645,000	204,057
State of Michigan environmental assessment loan	6/18/2010	\$ 500,000	2.00%	03/18/14	20,615	-	-
			2.00%	03/18/15	21,027	17,842	2,251
			2.00%	03/18/16	21,448	18,199	1,894
Type of debt: state loan			2.00%	03/18/17	21,877	18,563	1,530
Revenue pledged: general revenues			2.00%	03/18/18	22,314	18,934	1,159
			2.00%	03/18/19	22,761	19,313	780
			2.00%	03/18/20	-	19,699	394
					130,042	112,550	8,008
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					\$ 7,480,042	\$ 7,077,550	\$ 2,599,623
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					\$ 21,370,042	\$ 19,672,550	\$ 4,233,613

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2014

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2013	6/30/2014	Annual Interest Payable
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	-
Type of debt: intergovernmental note							
Revenue pledged: DDA tax increments							
Downtown Development Authority refunding bonds	3/22/2011	\$ 2,045,000	2.75%	06/01/14	280,000	-	-
			3.25%	06/01/15	285,000	285,000	44,588
(\$19,776 unamortized premium)			3.50%	06/01/16	300,000	300,000	35,326
			3.75%	06/01/17	310,000	310,000	24,826
Type of debt: limited G.O. bond			4.00%	06/01/18	330,000	330,000	13,200
Revenue pledged: DDA tax increments, general revenues					1,505,000	1,225,000	117,940
Local Development Finance Authority Smartzone Refunding Bonds	3/20/2012	\$ 4,100,000	2.00%	11/01/13	260,000	-	-
			2.00%	11/01/14	320,000	320,000	119,500
(\$197,524 unamortized premium)			2.00%	11/01/15	335,000	335,000	112,950
			3.00%	11/01/16	345,000	345,000	104,425
Type of debt: limited G.O. bond			3.00%	11/01/17	355,000	355,000	93,925
Revenue pledged: LDFA tax increments, general revenues			4.00%	11/01/18	375,000	375,000	81,100
			4.00%	11/01/19	390,000	390,000	65,800
			4.00%	11/01/20	395,000	395,000	50,100
			4.00%	11/01/21	245,000	245,000	37,300
			3.00%	11/01/22	255,000	255,000	28,575
			3.00%	11/01/23	265,000	265,000	20,775
			3.00%	11/01/24	275,000	275,000	12,675
			3.00%	11/01/25	285,000	285,000	4,275
					4,100,000	3,840,000	731,400
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					\$ 6,605,000	\$ 6,065,000	\$ 849,340
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					\$ 27,975,042	\$ 25,737,550	\$ 5,082,953

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.

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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.	110
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.	115
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.	121
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.	125
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.	127

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

City of Muskegon

NET ASSETS/NET POSITION BY COMPONENT

Last Ten Fiscal Years

	December 31					June 30				
	2005	2006	2007	2008	2009	2010	2011	2012	2013 (a)	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 67,119,658	\$ 68,189,021	\$ 68,059,626	\$ 69,564,935	\$ 69,064,800	\$ 67,809,630	\$ 67,944,957	\$ 66,862,806	\$ 63,842,092	\$ 63,731,255
Restricted	5,420,482	5,378,669	5,485,703	3,557,678	2,956,449	3,059,208	3,656,410	3,526,343	4,572,848	4,023,895
Unrestricted	7,811,489	8,778,786	10,162,425	10,708,529	8,920,621	13,828,231	12,598,197	12,836,573	13,299,523	12,811,852
Total Governmental Net Assets/Net Position	\$ 80,351,629	\$ 82,346,476	\$ 83,707,754	\$ 83,831,142	\$ 80,941,870	\$ 84,697,069	\$ 84,199,564	\$ 83,225,722	\$ 81,714,463	\$ 80,567,002
Business-type Activities										
Net Investment in Capital Assets	\$ 36,742,669	\$ 39,441,912	\$ 39,356,966	\$ 40,876,621	\$ 41,876,507	\$ 41,105,739	\$ 40,419,728	\$ 40,147,600	\$ 40,032,858	\$ 39,365,043
Restricted	822,559	822,559	822,559	822,559	672,000	672,000	672,000	672,000	599,500	599,500
Unrestricted	6,663,563	6,910,247	7,980,823	6,775,508	5,983,935	7,630,396	9,211,610	8,961,713	8,491,848	8,377,093
Total Business-type Activities Net Assets/Net Position	\$ 44,228,791	\$ 47,174,718	\$ 48,160,348	\$ 48,474,688	\$ 48,532,442	\$ 49,408,135	\$ 50,303,338	\$ 49,781,313	\$ 49,124,206	\$ 48,341,636
Primary Government										
Net Investment in Capital Assets	\$ 103,862,327	\$ 107,630,933	\$ 107,416,592	\$ 110,441,556	\$ 110,941,307	\$ 108,915,369	\$ 108,364,685	\$ 107,010,406	\$ 103,874,950	\$ 103,096,298
Restricted	6,243,041	6,201,228	6,308,262	4,380,237	3,628,449	3,731,208	4,328,410	4,198,343	5,172,348	4,623,395
Unrestricted	14,475,052	15,689,033	18,143,248	17,484,037	14,904,556	21,458,627	21,809,807	21,798,286	21,791,371	21,188,945
Total Primary Government Net Assets/Net Position	\$ 124,580,420	\$ 129,521,194	\$ 131,868,102	\$ 132,305,830	\$ 129,474,312	\$ 134,105,204	\$ 134,502,902	\$ 133,007,035	\$ 130,838,669	\$ 128,908,638

(a) In 2013, the City implemented GASB 63 and 65 which changed the elements of the financial statements.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Year Ended December 31,					Period Ended June 30	Year Ended June 30			
	2005	2006	2007	2008	2009	2010	2011	2012	2013 (a)	2014
EXPENSES										
<u>Governmental Activities</u>										
Public representation	\$ 885,365	\$ 904,109	\$ 925,124	\$ 986,696	\$ 923,911	\$ 445,251	\$ 854,249	\$ 866,809	\$ 893,981	\$ 1,030,006
Administrative services	803,783	732,715	783,713	782,362	698,022	317,873	645,585	566,161	565,307	543,425
Financial services	1,872,159	2,061,836	2,205,041	2,292,430	2,406,517	1,209,694	2,373,141	2,399,147	2,241,061	2,171,958
Public safety	12,481,826	13,059,358	12,802,488	13,955,811	13,614,112	6,332,728	13,390,888	13,213,251	12,987,842	12,946,466
Public works	2,853,497	3,089,522	2,989,433	3,019,411	2,986,747	1,640,946	3,471,051	2,958,367	3,201,806	3,361,422
Highways, streets and bridges	5,910,307	5,672,590	7,272,288	7,265,438	7,160,797	3,680,196	7,013,216	6,568,448	6,672,374	7,053,326
Community and economic development	3,693,187	3,383,157	3,054,087	3,174,508	4,139,765	1,275,026	2,830,867	2,447,373	2,499,404	2,417,518
Culture and recreation	2,504,692	2,464,567	2,433,020	2,623,501	2,463,375	759,392	1,524,331	1,601,316	1,592,358	1,671,185
General administration	1,608,108	1,143,963	358,225	574,955	451,651	210,117	794,115	791,197	322,348	366,634
Interest on long-term debt	170,814	206,768	343,106	324,076	288,073	139,006	272,940	283,186	291,535	277,345
Total Governmental Activities Expenses	<u>32,783,738</u>	<u>32,718,585</u>	<u>33,166,525</u>	<u>34,999,188</u>	<u>35,132,970</u>	<u>16,010,229</u>	<u>33,170,383</u>	<u>31,695,255</u>	<u>31,268,016</u>	<u>31,839,285</u>
<u>Business-type Activities</u>										
Water	4,181,855	4,500,578	5,795,279	5,800,977	6,080,230	2,958,795	5,869,241	5,974,173	6,228,788	6,016,192
Sewer	3,953,838	5,006,594	5,066,693	5,503,144	5,426,321	2,525,067	5,288,622	6,202,359	7,226,839	7,582,602
Marina and launch ramp	343,599	332,826	392,994	347,642	310,773	150,055	292,889	310,174	426,553	503,997
Total Business-type Activities Expenses	<u>8,479,292</u>	<u>9,839,998</u>	<u>11,254,966</u>	<u>11,651,763</u>	<u>11,817,324</u>	<u>5,633,917</u>	<u>11,450,752</u>	<u>12,486,706</u>	<u>13,882,180</u>	<u>14,102,791</u>
Total Primary Government Expenses	<u>\$ 41,263,030</u>	<u>\$ 42,558,583</u>	<u>\$ 44,421,491</u>	<u>\$ 46,650,951</u>	<u>\$ 46,950,294</u>	<u>\$ 21,644,146</u>	<u>\$ 44,621,135</u>	<u>\$ 44,181,961</u>	<u>\$ 45,150,196</u>	<u>\$ 45,942,076</u>
PROGRAM REVENUES										
<u>Governmental Activities</u>										
Charges for Services										
Public representation	\$ 195,316	\$ 202,939	\$ 199,759	\$ 188,467	\$ 213,885	\$ 100,177	\$ 196,886	\$ 196,886	\$ 173,739	\$ 189,444
Administrative services	311,529	306,964	287,011	257,850	271,117	129,630	263,473	270,886	268,535	325,937
Financial services	537,445	728,332	744,109	726,572	818,845	475,031	879,905	881,229	830,919	871,632
Public safety	1,116,755	1,134,686	1,224,062	1,217,616	1,117,476	536,419	1,109,659	1,136,942	1,133,666	1,407,722
Public works	467,849	588,566	407,569	382,072	383,733	209,203	642,082	480,487	671,494	796,739
Highways, streets and bridges	267,689	263,423	372,133	301,955	251,840	139,009	451,473	230,241	245,609	351,962
Community and economic development	815,980	762,220	356,051	297,854	249,241	186,572	457,952	617,379	432,240	477,486
Culture and recreation	1,141,865	809,228	454,154	405,520	445,891	129,025	300,367	315,010	606,818	535,211
General administration	314,658	170,240	64,366	99,494	123,426	59,373	116,690	116,690	287,729	50,728
Operating grants and contributions	6,017,421	5,093,355	5,229,279	5,367,152	6,443,223	3,131,811	5,425,165	4,651,576	4,681,345	4,664,098
Capital grants and contributions	5,894,358	5,360,014	3,347,680	3,444,957	2,105,557	255,234	2,257,163	1,568,005	886,108	1,408,424
Total Governmental Program Revenues	<u>17,080,865</u>	<u>15,419,967</u>	<u>12,686,173</u>	<u>12,689,509</u>	<u>12,424,234</u>	<u>5,351,484</u>	<u>12,100,815</u>	<u>10,465,331</u>	<u>10,218,202</u>	<u>11,079,383</u>
<u>Business-type Activities</u>										
Water	6,912,719	6,342,110	6,569,228	6,240,060	5,883,830	2,891,169	5,454,760	5,254,095	5,890,614	6,099,480
Sewer	4,149,187	4,803,702	5,179,095	5,326,787	5,720,171	3,441,924	6,652,851	6,455,634	7,058,315	6,633,911
Marina and launch ramp	248,460	267,412	281,679	250,266	242,055	156,767	194,311	208,370	234,229	228,339
Operating grants and contributions	-	-	-	-	-	-	-	-	6,188	-
Capital grants and contributions	100,373	710,641	-	-	5,179	-	20,074	-	88,046	327,240
Total Business-type program revenues	<u>11,410,739</u>	<u>12,123,865</u>	<u>12,030,002</u>	<u>11,817,113</u>	<u>11,851,235</u>	<u>6,489,860</u>	<u>12,321,996</u>	<u>11,918,099</u>	<u>13,277,392</u>	<u>13,288,970</u>
Total Primary Government program revenues	<u>\$ 28,491,604</u>	<u>\$ 27,543,832</u>	<u>\$ 24,716,175</u>	<u>\$ 24,506,622</u>	<u>\$ 24,275,469</u>	<u>\$ 11,841,344</u>	<u>\$ 24,422,811</u>	<u>\$ 22,383,430</u>	<u>\$ 23,495,594</u>	<u>\$ 24,368,353</u>
NET (EXPENSE) REVENUE										
Governmental Activities	\$ (15,702,873)	\$ (17,298,618)	\$ (20,480,352)	\$ (22,309,679)	\$ (22,708,736)	\$ (10,658,745)	\$ (21,069,568)	\$ (21,229,924)	\$ (21,049,814)	\$ (20,759,902)
Business-type Activities	2,931,447	2,283,867	775,036	165,350	33,911	855,943	871,244	(568,607)	(604,788)	(813,821)
Total Primary Government net expense	<u>\$ (12,771,426)</u>	<u>\$ (15,014,751)</u>	<u>\$ (19,705,316)</u>	<u>\$ (22,144,329)</u>	<u>\$ (22,674,825)</u>	<u>\$ (9,802,802)</u>	<u>\$ (20,198,324)</u>	<u>\$ (21,798,531)</u>	<u>\$ (21,654,602)</u>	<u>\$ (21,573,723)</u>

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION - CONTINUED

Last Ten Fiscal Years

	Year Ended December 31,					Period Ended	Year Ended June 30			
	2005	2006	2007	2008	2009	June 30 2010	2011	2012	2013 (a)	2014
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION										
<u>Governmental Activities</u>										
Property taxes	\$ 7,670,384	\$ 7,846,707	\$ 8,014,102	\$ 8,349,341	\$ 8,492,507	\$ 8,681,256	\$ 8,844,004	\$ 8,383,224	\$ 7,592,847	\$ 7,383,236
Income taxes	7,238,552	7,673,696	7,757,707	8,117,566	6,628,365	3,505,264	6,866,967	7,663,534	8,057,145	7,762,719
Franchise fees	286,265	285,124	297,200	304,812	321,852	178,239	362,103	342,376	358,785	358,754
Grants and contributions not restricted for specific programs	4,627,915	4,674,157	4,475,462	4,487,698	3,841,922	1,832,066	3,846,859	3,577,848	3,700,871	3,813,221
Unrestricted investment earnings	420,595	832,300	1,247,520	730,142	185,436	104,086	193,435	100,073	73,157	146,590
Miscellaneous	70,402	64,645	88,035	160,460	226,124	51,638	432,880	154,531	102,388	124,085
Gain on sale of capital asset	300,037	81,372	1,604	323,048	123,258	65,155	25,815	34,496	44,899	23,836
Transfers	(80,000)	(540,000)	(40,000)	(40,000)	-	(3,760)	-	-	-	-
Total Governmental Program Revenues	<u>20,534,150</u>	<u>20,918,001</u>	<u>21,841,630</u>	<u>22,433,067</u>	<u>19,819,464</u>	<u>14,413,944</u>	<u>20,572,063</u>	<u>20,256,082</u>	<u>19,930,092</u>	<u>19,612,441</u>
<u>Business-type Activities</u>										
Unrestricted investment earnings	138,053	122,060	170,594	108,990	23,843	15,990	23,959	46,582	33,148	31,251
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Transfers	<u>80,000</u>	<u>540,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>3,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type program revenues	<u>218,053</u>	<u>662,060</u>	<u>210,594</u>	<u>148,990</u>	<u>23,843</u>	<u>19,750</u>	<u>23,959</u>	<u>46,582</u>	<u>33,148</u>	<u>31,251</u>
Total Primary Government program revenues	<u>\$ 20,752,203</u>	<u>\$ 21,580,061</u>	<u>\$ 22,052,224</u>	<u>\$ 22,582,057</u>	<u>\$ 19,843,307</u>	<u>\$ 14,433,694</u>	<u>\$ 20,596,022</u>	<u>\$ 20,302,664</u>	<u>\$ 19,963,240</u>	<u>\$ 19,643,692</u>
CHANGE IN NET ASSETS/NET POSITION										
Governmental Activities	\$ 4,831,277	\$ 3,619,383	\$ 1,361,278	\$ 123,388	\$ (2,889,272)	\$ 3,755,199	\$ (497,505)	\$ (973,842)	\$ (1,119,722)	\$ (1,147,461)
Business-type Activities	3,149,500	2,945,927	985,630	314,340	57,754	875,693	895,203	(522,025)	(571,640)	(782,570)
Total Primary Government	<u>\$ 7,980,777</u>	<u>\$ 6,565,310</u>	<u>\$ 2,346,908</u>	<u>\$ 437,728</u>	<u>\$ (2,831,518)</u>	<u>\$ 4,630,892</u>	<u>\$ 397,698</u>	<u>\$ (1,495,867)</u>	<u>\$ (1,691,362)</u>	<u>\$ (1,930,031)</u>

(a) In 2013, the City implemented GASB 63 and 65 which changed the elements of the financial statements.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	December 31					June 30				
	2005	2006	2007	2008	2009	2010	2011 (a)	2012	2013	2014
General fund										
Reserved	\$ 79,356	\$ 177,076	\$ 180,410	\$ 214,819	\$ 187,633	\$ 300,969	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	251,173	178,468	447,341	300,952
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	2,385,728	2,075,738	2,292,495	1,700,000
Unassigned	-	-	-	-	-	-	3,374,481	4,265,839	4,613,722	5,495,145
Unreserved	2,440,249	2,512,963	2,740,222	2,168,906	1,451,029	5,737,485	-	-	-	-
Total general fund	\$ 2,519,605	\$ 2,690,039	\$ 2,920,632	\$ 2,383,725	\$ 1,638,662	\$ 6,038,454	\$ 6,011,382	\$ 6,520,045	\$ 7,353,558	\$ 7,496,097
All other governmental funds										
Reserved	\$ 2,915,106	\$ 7,044,394	\$ 4,130,995	\$ 4,382,118	\$ 3,613,858	\$ 3,887,289	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	1,704,256	1,568,318	1,547,793	1,556,347
Restricted	-	-	-	-	-	-	1,375,779	3,485,073	2,749,396	2,305,385
Assigned	-	-	-	-	-	-	2,073,027	2,055,904	2,087,359	1,729,457
Unassigned	-	-	-	-	-	-	(238,104)	(191,282)	(82,048)	(100,054)
Unreserved, reported in:										
Special revenue funds	2,910,285	3,030,096	4,462,015	2,768,886	2,060,117	2,163,041	-	-	-	-
Capital project funds	1,239,763	390,282	635,676	675,898	554,273	6,035	-	-	-	-
Permanent funds	22,890	77,300	84,413	60,813	15,613	16,979	-	-	-	-
Total all other governmental funds	\$ 7,088,044	\$ 10,542,072	\$ 9,313,099	\$ 7,887,715	\$ 6,243,861	\$ 6,073,344	\$ 4,914,958	\$ 6,918,013	\$ 6,302,500	\$ 5,491,135

(a) In fiscal 2011, the City adopted GASB 54 which changed fund balance classifications.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Year Ended December 31					Period Ended June 30	Year Ended June 30			
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 14,521,769	\$ 15,052,708	\$ 15,420,032	\$ 15,728,859	\$ 14,673,012	\$ 11,855,182	\$ 15,146,430	\$ 15,506,668	\$ 14,832,027	\$ 14,954,904
Intergovernmental	15,445,949	14,703,371	12,752,363	13,012,035	12,400,408	4,785,494	11,525,749	9,899,379	9,403,554	9,945,065
Charges for services	3,147,066	2,938,246	2,722,894	2,463,975	2,620,372	1,338,194	2,769,204	2,596,328	2,769,227	2,569,335
Other	4,134,604	3,758,956	4,618,149	3,624,579	3,177,522	1,768,895	3,461,292	3,237,189	2,795,952	3,256,324
Total revenues	37,249,388	36,453,281	35,513,438	34,829,448	32,871,314	19,747,765	32,902,675	31,239,564	29,800,760	30,725,628
Expenditures										
Public representation	886,717	903,895	927,320	987,229	923,923	448,703	851,918	867,762	892,113	1,031,984
Administrative services	748,588	669,789	644,913	632,513	645,704	303,555	586,328	515,988	508,130	497,025
Financial services	1,905,714	2,056,580	2,231,519	2,298,830	2,406,623	1,241,430	2,352,709	2,407,131	2,196,917	2,197,651
Public safety	12,624,532	13,002,233	12,902,815	13,754,394	13,567,101	6,578,735	13,087,976	12,963,122	12,724,094	12,987,898
Public works	2,661,073	2,730,415	2,768,906	2,831,177	2,860,510	1,589,090	3,079,342	2,835,000	2,878,328	2,918,305
Highways, streets and bridges	9,531,840	8,023,539	6,504,915	6,414,453	3,436,069	1,823,089	3,226,377	2,756,010	2,815,337	3,011,611
Community and economic development	784,396	763,211	894,879	1,077,312	4,440,687	1,330,794	3,109,693	2,850,593	2,578,073	2,687,933
Culture and recreation	2,197,276	2,190,835	2,254,117	2,394,031	2,196,186	639,852	1,197,020	1,265,743	1,248,174	1,308,481
Other governmental functions	1,603,292	1,139,148	350,385	562,341	438,292	200,623	1,775,128	770,910	299,812	643,666
Debt service										
Principal	1,115,000	1,189,785	1,241,921	999,148	663,371	303,466	1,345,183	289,597	395,211	402,492
Interest and issuance costs	166,071	271,233	324,577	310,432	282,174	136,013	267,258	268,315	292,554	278,412
Capital outlay	3,734,082	6,066,783	5,683,657	5,473,828	3,517,741	980,822	3,301,273	2,948,610	3,230,586	3,577,837
Total expenditure	37,958,581	39,007,446	36,729,924	37,735,688	35,378,381	15,576,172	34,180,205	30,738,781	30,059,329	31,543,295
Excess of revenues over (under) expenditures	(709,193)	(2,554,165)	(1,216,486)	(2,906,240)	(2,507,067)	4,171,593	(1,277,530)	500,783	(258,569)	(817,667)
Other financing sources (uses)										
Transfers in	1,839,631	2,358,509	1,926,538	1,477,717	1,359,608	342,188	1,348,694	510,907	1,356,229	743,035
Transfers out	(1,947,677)	(2,926,554)	(1,994,584)	(1,409,491)	(1,309,910)	(359,971)	(1,376,740)	(613,953)	(784,275)	(771,081)
Bonds issued	1,061,900	5,626,331	-	500,000	-	-	-	2,000,000	-	-
Sale of capital assets	827,141	1,120,341	286,152	375,723	68,452	75,465	120,118	113,981	190,263	176,887
Total other financing sources (uses)	1,780,995	6,178,627	218,106	943,949	118,150	57,682	92,072	2,010,935	762,217	148,841
Net change in fund balances	\$ 1,071,802	\$ 3,624,462	\$ (998,380)	\$ (1,962,291)	\$ (2,388,917)	\$ 4,229,275	\$ (1,185,458)	\$ 2,511,718	\$ 503,648	\$ (668,826)
Debt service as a percentage of noncapital expenditures	3.74%	4.44%	5.05%	4.06%	2.97%	3.01%	5.22%	2.01%	2.56%	2.43%

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Property Tax	% of Total	Income Tax	% of Total	Intergovernmental	% of Total	Charges for Service	% of Total	Licenses and Permits	% of Total	Fines and Fees	% of Total	Interest and Rent	% of Total	Other	% of Total	Total	% Change
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%
2010*	8,487,125	43.0%	3,368,057	17.1%	4,785,494	24.2%	1,338,194	6.8%	584,162	3.0%	297,043	1.5%	193,873	1.0%	693,817	3.5%	19,747,765	-39.9%
2011	8,546,677	26.0%	6,599,753	20.1%	11,525,749	35.0%	2,769,204	8.4%	1,179,639	3.6%	447,254	1.4%	412,498	1.3%	1,421,901	4.3%	32,902,675	66.6%
2012	8,093,864	25.9%	7,412,804	23.7%	9,899,379	31.7%	2,596,328	8.3%	1,223,034	3.9%	459,401	1.5%	307,891	1.0%	1,246,863	4.0%	31,239,564	-5.1%
2013	7,325,555	24.6%	7,506,472	25.2%	9,403,554	31.6%	2,769,227	9.3%	1,238,285	4.2%	435,893	1.5%	267,397	0.9%	854,377	2.9%	29,800,760	-4.6%
2014	7,123,481	23.2%	7,831,423	25.5%	9,945,065	32.4%	2,569,335	8.4%	1,570,137	5.1%	418,691	1.4%	352,153	1.1%	915,343	3.0%	30,725,628	3.1%

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant 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				Total Taxable Valuation	Total City	Taxable Value As a Percent Actual
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			
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	11.0768	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	47,458,411	-	54,693,687	716,701,605	11.0755	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	11.0732	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	11.0685	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	11.0682	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	11.0680	91.48%
2010	332,105,030	-	144,721,736	109,507,141	586,333,907	104,029,037	690,362,944	4,111,154	9,129,000	-	13,240,154	703,603,098	12.0680	94.04%
2011	331,901,631	-	144,675,509	87,261,346	563,838,486	93,465,537	657,304,023	3,071,654	9,129,000	-	12,200,654	669,504,677	12.0749	94.95%
2012	312,930,252	-	134,635,427	81,575,476	529,141,155	91,750,891	620,892,046	3,587,223	6,161,900	-	9,749,123	630,641,169	12.0789	96.40%
2013	310,252,865	-	118,856,014	76,331,458	505,440,337	91,730,093	597,170,430	6,677,737	7,472,900	-	14,150,637	611,321,067	12.0865	96.97%

Assessed and Equalized Valuation of Property

Ad Valorem Assessment Roll								Industrial and Commercial Facilities Assessment Roll				Total Assessed Valuation	Estimated Actual Value
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		
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
2010	354,044,700	-	154,185,000	122,703,400	630,933,100	104,020,200	734,953,300	4,120,400	9,129,000	-	13,249,400	748,202,700	1,496,405,400
2011	354,307,945	-	154,700,200	90,467,700	599,475,845	93,456,700	692,932,545	3,080,900	9,129,000	-	12,209,900	705,142,445	1,410,284,890
2012	327,226,000	-	141,238,834	84,084,000	552,548,834	91,740,800	644,289,634	3,719,300	6,161,900	-	9,881,200	654,170,834	1,308,341,668
2013	321,604,220	-	123,831,400	79,037,400	524,473,020	91,720,300	616,193,320	6,766,000	7,472,900	-	14,238,900	630,432,220	1,260,864,440

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

June 30, 2014

Taxpayer	6/30/2014			12/31/2004		
	Taxable Valuation	Rank	Percent of Total Taxable Valuation	Taxable Valuation	Rank	Percent of Total Taxable Valuation
Consumers Energy	\$ 43,086,282	1	7.0%	\$ 69,169,392	1	9.6%
ADAC Plastics Inc	8,975,700	2	1.5%	6,728,200	5	0.9%
ESCO Company	6,860,454	3	1.1%	5,621,506	10	0.8%
DTE Energy (formerly MichCon)	6,655,800	4	1.1%	9,070,170	3	1.3%
GE Aviation (Johnson Technology)	5,526,800	5	0.9%	7,877,244	4	1.1%
Fleet Engineers Inc	4,176,400	6	0.7%	-		0.0%
Muskegon SC Holdings LLC	3,971,900	7	0.6%	-		0.0%
Lorin Industries	3,837,267	8	0.6%	-		0.0%
Glen Oaks Apartments LLC	3,432,300	9	0.6%	-		0.0%
Coles Quality Foods	3,263,824	10	0.5%	-		0.0%
Sappi (S.D. Warren Co.)	-		0.0%	53,981,701	2	7.5%
Dudley Corporation	-		0.0%	6,323,467	6	0.9%
Bekaert Steel Wire Corporation	-		0.0%	6,038,037	7	0.8%
Holland Neway International	-		0.0%	5,735,876	8	0.8%
Brunswick	-		0.0%	5,719,010	9	0.8%
Total - 10 Largest	89,786,727		14.7%	176,264,603		24.4%
Total - All Other	521,534,340		85.3%	546,954,113		75.6%
	\$ 611,321,067		100.0%	\$ 723,218,716		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
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
2010	9.5000	0.0680	2.5000	12.0680	2.4000
2011	9.5000	0.0749	2.5000	12.0749	2.4000
2012	9.5000	0.0789	2.5000	12.0789	2.4000
2013	9.5000	0.0865	2.5000	12.0865	2.4000

Overlapping - County-Wide Rates

Year	Muskegon County	Intermediate School	Special Education	Vocational Education	Community College
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
2010	6.6957	0.4597	2.2987	0.9996	2.2037
2011	6.6957	0.4597	2.2987	0.9996	2.2037
2012	6.6957	0.4597	2.2987	0.9996	2.2037
2013	6.6957	0.4597	2.2987	0.9996	2.2037

Overlapping - School District

Year	Operating	Debt	Total	State Education
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
2010	18.0000	5.7500	23.7500	6.0000
2011	18.0000	6.2500	24.2500	6.0000
2012	18.0000	7.1000	25.1000	6.0000
2013	18.0000	7.1000	25.1000	6.0000

Grand Total

Homestead	Non-Homestead
39.2342	57.2342
39.2129	57.2129
39.1906	57.1906
39.1659	57.1659
37.6256	55.6256
37.7254	55.7254
38.8754	56.8754
39.3823	57.3823
40.2363	58.2363
40.2439	58.2439

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 On Uncollected Delinquent Taxes	Outstanding Delinquent Personal	Outstanding Delinquent Specific	Percent of Delinquent Taxes to Levy
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%
2010	8,945,500	7,784,052	87.0%	1,077,056	8,861,108	99.1%	58,027	70,745	13,647	1.59%
2011	8,583,284	7,457,610	86.9%	1,030,902	8,488,512	98.9%	54,707	80,068	12,935	1.72%
2012	7,872,541	6,882,534	87.4%	915,950	7,798,484	99.1%	27,163	68,945	5,113	1.29%
2013	7,668,166	6,703,147	87.4%	912,362	7,615,509	99.3%	102,713	45,361	7,296	2.03%

SOURCE: City of Muskegon Treasurer' Office

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

Most recent Year and Ten Years Previous

	Year Ended June 30, 2014					Year Ended December 31, 2004				
Taxable Income per Return <i>Individual and Joint Returns</i>	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars	# of Returns	% 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	967	5%	\$ 1,136,500	\$ 11,365	0%	1,166	5%	\$ 1,112,400	\$ 11,124	0%
\$2,501-\$7,500	610	3%	6,437,100	64,371	1%	942	4%	6,735,600	67,356	1%
\$7,501-\$25,000	1,555	9%	5,313,000	53,130	1%	2,368	10%	55,235,800	552,358	8%
\$25,001-\$50,000	1,340	7%	104,428,600	1,044,286	13%	2,046	9%	105,764,900	1,057,649	15%
\$50,001-\$100,000	826	5%	118,323,600	1,183,236	15%	858	4%	82,679,200	826,792	12%
More than \$100,000	165	1%	53,651,800	536,518	7%	147	1%	34,794,300	347,943	5%
Subtotal	5,463	30%	\$ 289,290,600	\$ 2,892,906	36%	7,527	32%	\$ 286,322,200	\$ 2,863,222	41%
Non-Residents Taxpayers: (Non-residents are taxed at a rate of 0.5% on income earned within the City.)										
\$2,500 or less	1,635	9%	\$ 930,400	\$ 7,614	0%	2,105	9%	\$ 1,421,600	\$ 10,432	0%
\$2,501-\$7,500	1,046	6%	5,008,000	40,984	1%	1,382	6%	6,643,600	48,728	1%
\$7,501-\$25,000	2,534	14%	41,386,200	338,696	4%	3,593	15%	59,821,200	448,663	6%
\$25,001-\$50,000	2,999	16%	109,639,600	897,267	11%	4,193	18%	153,858,400	1,153,709	16%
\$50,001-\$100,000	2,162	12%	143,963,296	1,178,164	15%	2,209	9%	144,881,000	1,020,196	15%
More than \$100,000	633	3%	131,118,800	1,073,048	14%	549	2%	111,706,652	817,765	12%
Subtotal	11,009	60%	\$ 432,046,296	\$ 3,535,773	45%	14,031	60%	\$ 478,332,452	\$ 3,499,493	50%
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	1,750	10%	\$ 1,499,133	19%	1,800	8%	\$ 670,672	10%		
Total	18,222	100%	\$ 7,927,812	100%	23,358	100%	\$ 7,033,387	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.

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Year	Governmental Activities				Business-Type Activities					
	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	Per Capita
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	\$ 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	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	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	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	659
2010*	6,444,605	-	1,065,428	7,510,033	5,995,000	-	11,570,000	17,565,000	25,075,033	639
2011	5,920,000	-	244,850	6,164,850	5,415,000	-	10,955,000	16,370,000	22,534,850	587
2012	7,725,000	-	150,253	7,875,253	4,815,000	-	10,325,000	15,140,000	23,015,253	599
2013	7,350,000	-	130,042	7,480,042	4,205,000	-	9,685,000	13,890,000	21,370,042	577
2014	6,965,000	-	112,550	7,077,550	3,565,000	-	9,030,000	12,595,000	19,672,550	531

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

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.

City of Muskegon

DIRECT AND OVERLAPPING DEBT

June 30, 2014

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	Debt Supported by City General Revenues
<u>Direct Debt</u>			
City of Muskegon:			
Revenue Bonds	\$ 12,595,000	\$ 12,595,000	\$ -
Capital Improvement Bonds	6,965,000	-	6,965,000
Intergovernmental Bonds	112,550	-	112,550
Component Unit Debt:			
Downtown Development Authority	2,225,000	2,225,000	-
Local Development Finance Authority	3,840,000	3,840,000	-
Total City Direct Debt	\$ 25,737,550	\$ 18,660,000	\$ 7,077,550

	Gross	City Share as Percent of Gross	Net
<u>Overlapping Debt</u>			
Muskegon School District	\$ 23,970,000	95.04%	\$ 22,781,088
Orchard View School District	45,982,806	25.85%	11,886,555
Reeths Puffer School District	75,273,889	6.20%	4,666,981
Muskegon Intermediate School District	-		-
Muskegon County	62,155,000	14.12%	8,776,286
Muskegon Community College	6,675,000	14.12%	942,510
Total Overlapping Debt	\$ 214,056,695		49,053,420
Total City Direct and Overlapping Debt			\$ 56,130,970

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

The percentage of overlapping debt is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the City's taxable value that is within each overlapping government unit's boundaries. 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.

City of Muskegon
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010*	2011	2012	2013	2014
Debt Limit	\$ 76,252,738	\$ 78,773,640	\$ 84,174,359	\$ 85,933,940	\$ 82,198,965	\$ 82,198,965	\$ 78,308,925	\$ 73,585,150	\$ 68,555,700	\$ 61,706,477
Total net debt applicable to limit	9,918,800	16,142,939	15,591,018	15,481,870	14,778,499	14,435,033	12,929,850	14,375,253	13,655,042	12,847,550
Legal debt margin	\$ 66,333,938	\$ 62,630,701	\$ 68,583,341	\$ 70,452,070	\$ 67,420,466	\$ 67,763,932	\$ 65,379,075	\$ 59,209,897	\$ 54,900,658	\$ 48,858,927
Total net debt applicable to the limit as a percentage of debt limit	13.01%	20.49%	18.52%	18.02%	17.98%	17.56%	16.51%	19.54%	19.92%	20.82%

Legal Debt Margin Calculation for 2013:

Assessed Valuation:	\$ 617,064,770
Legal Debt Limit (10%)	61,706,477
Total Indebtedness:	\$ 25,737,550
Debt not Subject to Limitation:	
Paid by Special Assessment	(295,000)
Revenue Bonds	(12,595,000)
Debt Subject to Limitation	12,847,550
Legal Debt Margin	\$ 48,858,927

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

SOURCE: The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon
REVENUE BOND COVERAGE

Last Ten Fiscal Years

Water Supply System

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2010*	2,904,735	1,575,275	1,329,460	535,000	271,522	806,522	1.65
2011	5,467,785	3,294,530	2,173,255	1,195,000	451,323	1,646,323	1.32
2012	5,273,720	3,441,078	1,832,642	1,230,000	410,187	1,640,187	1.12
2013	5,907,784	3,729,276	2,178,508	1,250,000	384,694	1,634,694	1.33
2014	6,109,144	3,511,477	2,597,667	1,295,000	352,634	1,647,634	1.58

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	
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 Direct System Indebtedness				
2010*			No Direct System Indebtedness				
2011			No Direct System Indebtedness				
2012			No Direct System Indebtedness				
2013			No Direct System Indebtedness				
2014			No Direct System Indebtedness				

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

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

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	
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%
2010	39,259		735,734,614		18,741	32.8	5,931	374	11,900,915	17.8%
2011	38,401		737,646,617		19,209	34.1	5,162	835	18,829,825	13.8%
2012	38,225		752,622,470		19,689	34.1	5,428	891	21,932,738	8.5%
2013	37,046		747,644,037		20,182	34.1	4,367	826	24,613,938	12.0%
2014	37,213		769,789,707		20,686	34.1	4,808	1,108	54,065,115	9.6%

SOURCE: US Census Bureau, Muskegon Area Intermediate School District (MAISD), City of Muskegon Inspections Department, Michigan Department of Technology, Management, & Budget

**City of Muskegon
PRINCIPAL EMPLOYERS**

Current Year and Ten Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Mercy General Health Partners*	3,881	1	25.8%	2,000	1	11.9%
County of Muskegon	1,250	2	8.3%	1,280	3	7.6%
Muskegon Public Schools	676	5	4.5%	1,050	5	6.3%
State of Michigan	750	4	5.0%	1,175	4	7.0%
ADAC Plastics	1,000	3	6.7%	500	6	3.0%
GE Aviation formerly Johnson Technology	647	6	4.3%	425	7	2.5%
Port City Group	622	7	4.1%	-	-	0.0%
Knoll Group	375	8	2.5%	-	-	0.0%
SAF Holland USA	350	9	2.3%	-	-	0.0%
Muskegon Community College	209	10	1.4%	-	-	0.0%
Hackley Hospital*	-	-	0.0%	1,610	2	9.6%
Sappi/S.D. Warren Company	-	-	0.0%	323	9	1.9%
Verizon	-	-	0.0%	350	8	2.1%
Brunswick	-	-	0.0%	315	10	1.9%

* Hackley Hospital merged with the former Mercy Hospital.

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	2005	2006	2007	2008	2009	2010*	2011	2012	2013	2014
Administration	1.50	1.50	1.50	1.50	-	-	0.40	0.40	0.40	0.40
Affirmative Action	1.50	1.50	1.50	1.50	1.50	1.50	1.10	1.10	1.10	1.10
Cemetaries	3.25	3.00	3.25	3.25	3.25	2.50	2.20	1.75	1.25	1.25
City Clerk & Elections	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
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	1.00	1.00	1.00	1.00	1.00	1.00	0.55	0.55	0.55	0.55
City Manager's Office	1.75	1.75	1.75	1.75	3.25	2.25	2.25	2.25	2.25	2.25
City Treasurer's Office	5.00	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50
Civil Service	2.00	2.00	2.00	2.00	2.00	2.00	1.00	-	-	-
Environmental Services	2.00	2.00	2.00	2.00	2.00	2.00	2.00	5.00	5.00	5.00
Farmers Market	-	-	-	-	0.05	0.05	0.05	0.05	0.05	0.05
Finance Administration	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	2.00	2.00
Fire	40.00	38.00	38.00	38.00	38.00	36.00	33.00	35.00	28.00	28.83
Fire Safety Inspections	10.00	12.00	12.00	12.00	12.00	9.00	8.00	6.00	6.00	0.83
Forestry	-	-	-	-	-	-	-	-	-	-
General Recreation	1.00	1.17	1.33	1.66	1.66	2.00	-	-	-	-
Income Tax Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Parks	8.48	8.25	8.15	8.15	7.99	7.15	6.00	6.05	6.05	6.00
Planning, Zoning & Economic Development	6.00	6.00	6.00	6.00	6.00	5.00	4.00	3.00	3.00	3.00
Police	94.00	94.00	94.00	94.00	94.00	88.00	88.00	88.00	88.00	87.34
Sanitation	1.10	1.00	1.00	1.00	1.00	-	0.30	0.20	0.20	0.20
Senior Transit	-	-	-	-	-	-	-	0.05	0.05	0.05
MVH-Major Streets	15.25	16.00	17.75	15.75	13.75	12.00	12.00	11.70	10.70	10.70
MVH-Local Streets	7.00	7.00	7.00	6.00	8.00	7.00	7.00	6.70	6.70	6.70
MVH-State Trunklines	2.00	2.00	-	-	-	-	-	-	-	-
Walker Arena	-	-	-	-	-	-	-	-	-	-
Community Development	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Home Program	1.00	1.00	1.00	1.00	1.00	0.25	0.25	-	-	-
Lead Program	-	-	-	-	-	0.75	0.75	-	-	-
Sewer Maintenance	15.05	16.00	16.20	15.20	13.20	10.20	10.20	9.75	9.75	9.80
Water Filtration	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00	10.00	10.00
Water Maintenance	14.65	13.00	12.50	13.50	15.40	12.40	12.40	11.75	11.75	11.75
Hartshorn Marina Fund	0.67	0.73	0.67	0.34	0.05	0.05	0.05	0.30	0.30	0.30
Public Service Building	3.85	3.45	3.45	3.45	3.70	8.95	8.05	7.95	8.45	8.45
Engineering	7.70	7.45	7.45	7.45	7.45	5.45	4.95	4.95	4.95	4.95
Equipment	8.00	8.95	8.25	8.25	8.50	7.25	6.25	6.25	6.25	6.25
	284.00	284.00	282.00	280.00	280.00	256.00	244.00	241.00	233.00	227.00

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010*	2011	2012	2013	2014
<u>Administrative Services</u>										
Elections										
Number of registered voters	25,918	26,028	26,345	27,678	26,136	26,136	26,330	26,324	26,098	26,025
Number of votes cast:										
Last general election	14,169	10,410	10,410	15,271	15,271	15,271	8,106	1,933	13,487	3,029
Last city election	4,022	4,022	1,101	1,101	2,254	2,254	8,106	1,933	2,131	3,029
Percentage of registered voters voting:										
Last general election	55%	40%	40%	55%	58%	58%	31%	7%	52%	12%
Last city election	16%	15%	4%	4%	9%	9%	31%	7%	8%	12%
<u>Financial Services</u>										
Property Tax Bills	15,404	15,354	15,376	15,350	15,435	-	15,351	15,261	15,291	15,211
Income Tax Returns	23,884	23,493	23,141	22,598	21,071	19,963	19,688	18,699	17,857	18,222
Paper Check Issued to Vendors	3,205	3,248	3,347	3,346	3,113	1,486	2,986	3,746	1,677	1,404
Electronic Payments to Vendors	828	800	772	763	963	450	884	1,334	1,251	1,579
<u>Public Safety</u>										
Fire Protection										
Number of firefighter and officer positions	41	41	41	41	37	37	37	36	41	38
Number of emergency calls	4,206	4,092	4,171	4,298	4,220	2,062	4,402	4,676	4,563	4,354
Police Protection										
Number of sworn officer positions	83	84	84	84	79	79	79	79	79	76
Part I (Major) Crimes	3,303	3,495	2,997	3,107	3,071	1,305	2,859	2,772	2,647	2,240
<u>Public Works</u>										
Refuse Collected (Tons per Year)	11,074	11,192	10,375	10,401	10,526	6,042	12,703	10,153	9,958	10,217
Recyclables Collected (Tons per Year)	588	559	629	626	309	-	-	-	-	-
<u>Water & Sewer</u>										
Number of consumers	14,455	14,412	14,364	13,131	12,987	12,966	13,037	13,109	13,144	13,086
Average daily water consumption (GPD)	9,582,000	8,998,000	9,314,000	8,879,000	7,976,000	7,163,000	8,417,000	7,700,000	7,651,000	7,666,000
Water main breaks repaired	5	13	21	34	17	6	12	5	11	30
Sewer flows (Millions Gallons per Year)	1,700	2,040	1,945	2,181	1,979	965	1,625	1,695	1,777	1,833
Sewer Service Calls	638	605	598	533	508	263	591	522	508	532

* The City changed its fiscal year end from December 31 to June 30.

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010*	2011	2012	2013	2014
<u>Public Safety</u>										
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
<u>Highways, Streets and Bridges</u>										
Miles of Streets	196.95	197.48	197.79	197.79	196.95	196.95	196.95	196.95	196.95	196.95
Number of streetlights	3,159	3,159	3,134	3,134	3,192	3,125	3,065	2,838	2,838	2,838
<u>Culture and Recreation</u>										
Number of parks (acres)	701	701	701	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
<u>Sewer</u>										
Sanitary sewers (miles)	179.41	175.74	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04
Storm sewers (miles)	179.23	180.48	183.25	183.60	184.35	184.35	184.35	184.35	184.35	184.25
<u>Water</u>										
Water mains (miles)	194.14	194.15	195.63	195.58	195.69	195.69	195.69	195.40	195.95	195.95

* The City changed its fiscal year end from December 31 to June 30. 2010 figures are for six months.

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**

October 17, 2014

City Commission
City of Muskegon
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Muskegon's basic financial statements, and have issued our report thereon dated October 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Muskegon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Muskegon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Muskegon's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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City Commission
October 17, 2014
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Muskegon's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brickley De Long, P.C.

Muskegon, Michigan

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 17, 2014

City Commission
City of Muskegon
Muskegon, Michigan

Report on Compliance for Major Federal Program

We have audited the City of Muskegon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Muskegon's major federal program for the year ended June 30, 2014. The City of Muskegon's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Muskegon's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Muskegon's compliance.

Opinion on Major Federal Program

In our opinion, the City of Muskegon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

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Grand Rapids, MI 49504
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FAX (616) 742-1318

316 Morris Ave., Suite 500, P.O. Box 999
Muskegon, MI 49443
PHONE (231) 726-5800
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907 S. State St.
Hart, MI 49420
PHONE (231) 873-1040
FAX (231) 873-0602

City Commission
October 17, 2014
Page 2

Report on Internal Control Over Compliance

Management of the City of Muskegon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Muskegon's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Brickley De Long, P.C.

Muskegon, Michigan

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entitlement Program or Award Amount	Accrued (Deferred) Revenue July 1, 2013	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Deferred) Revenue June 30, 2014	Notes
<i>U.S. Department of Housing and Urban Development</i>							
Direct programs							
Community Development Block Grants/Entitlement Grants	14.218						
B-12-MC-26-0026		\$ 827,856	\$ 209,990	\$ 259,918	\$ 49,928	\$ -	
B-13-MC-26-0026		887,919	-	507,794	799,227	291,433	
Program Income		30,829	-	30,829	30,829	-	
Total Community Development Block Grants/ Entitlement Grants		1,746,604	209,990	798,541	879,984	291,433	5
HOME Investment Partnerships Program	14.239						
M-12-MC-26-0215		246,299	18,026	159,405	141,379	-	
M-13-MC-26-0215		282,526	-	75,876	85,163	9,287	
Program Income		143,876	-	143,876	143,876	-	
Total HOME Investment Partnerships Program		672,701	18,026	379,157	370,418	9,287	
Total direct programs		2,419,305	228,016	1,177,698	1,250,402	300,720	
Passed through Michigan State Housing Development Authority							
Community Development Block Grants/Entitlement Grants	14.218						
Neighborhood Stabilization Program							
NSP-2008-0280-ENT		1,670,891	130,391	130,391	-	-	
Program Income		56,559	-	56,559	56,559	-	
Total Neighborhood Stabilization Program		1,727,450	130,391	186,950	56,559	-	5
Total U.S. Department of Housing and Urban Development		4,146,755	358,407	1,364,648	1,306,961	300,720	

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entitlement Program or Award Amount	Accrued (Deferred) Revenue July 1, 2013	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Deferred) Revenue June 30, 2014	Notes
<i>U.S. Department of Justice</i>							
Direct programs							
Bulletproof Vest Partnership Grant	16.607						
2012 Grant		\$ 3,500	\$ -	\$ 2,675	\$ 2,675	\$ -	
2013 Grant		9,766	-	2,395	2,395	-	
		13,266	-	5,070	5,070	-	
Edward Byrne Memorial Justice Assistance Grant Program	16.738						
2012-DJ-BX-0725		46,074	-	17,561	17,561	-	
2013-DJ-BX-0101		43,895	-	43,895	43,895	-	
		89,969	-	61,456	61,456	-	
Total direct programs		103,235	-	66,526	66,526	-	
Passed through Ottawa County							
Edward Byrne Memorial Justice Assistance Grant Program	16.738						
70834-614B		16,798	-	16,798	16,798	-	
Total U.S. Department of Justice		120,033	-	83,324	83,324	-	
<i>U.S. Department of Homeland Security</i>							
Passed through Muskegon County							
Port Security Grant Program	97.056						
EMW-2013-PU-00159-S01		83,254	-	83,112	83,112	-	
TOTAL FEDERAL ASSISTANCE		\$ 4,350,042	\$ 358,407	\$ 1,531,084	\$ 1,473,397	\$ 300,720	

The accompanying notes are an integral part of this schedule.

City of Muskegon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in net position of the City.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. 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's financial statements for the year ended June 30, 2014 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	
General Fund	\$ 83,324
Major Street and Trunkline Fund	1,005,475
Other governmental funds	1,075,697
	<u>2,164,496</u>
Plus federal revenues reported as capital contributions in the Equipment Fund	83,112
Plus program income	231,264
Less MDOT contracted projects as shown below	<u>(1,005,475)</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,473,397</u></u>

4. The Michigan Department of Transportation (MDOT) requires that cities report all federal and state grants pertaining to their city. During the year ended June 30, 2014 the federal aid received and expended by the City of Muskegon was \$1,005,475 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 of Muskegon administers the grant and either performs the work or contracts it out.

	<u>Federal CFDA number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<i>U.S Department of Transportation, Federal Highway Administration (contracted projects)</i>			
Passed through the Michigan Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		
Proj STP 1361(022) Fed Item HH8841 Contract 13-5425		\$ 704,475	\$ 704,475
Proj STP 1361(015) Fed Item HH8514 Contract 13-5097		301,000	301,000
Total U.S. Department of Transportation, Federal Highway Administration (contracted projects)		<u><u>\$ 1,005,475</u></u>	<u><u>\$ 1,005,475</u></u>

5. Community Development Block Grants/Entitlement Grants

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2014

SECTION I—SUMMARY OF AUDITORS' RESULTS

A. Financial Statements

1. Type of auditors' report issued: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes **X** 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? _____ yes **X** 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: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes **X** no

4. Identification of major programs:

CFDA Number(s)

Name of Federal Program/Cluster

U.S. Department of Housing and Urban Development

14.218

Community Development Block Grants/Entitlement Grants

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

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

October 17, 2014

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

The City of Muskegon respectfully advises you that there were ***no*** audit findings reported in our single audit report, dated October 25, 2013, for the year ended June 30, 2013.

Sincerely,

A handwritten signature in black ink, appearing to read "Derrick Smith", with a stylized flourish at the end.

Derrick Smith
Finance Director

CORRECTIVE ACTION PLAN

October 17, 2014

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 June 30, 2014.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2014

The findings from the Schedule of Findings and Responses for the year ended June 30, 2014 provided **no** findings in either Section II or Section III. Accordingly, there are **no** matters requiring corrective action as shown below.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings in relation to the major federal award programs.

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

Sincerely,



Derrick Smith
Finance Director