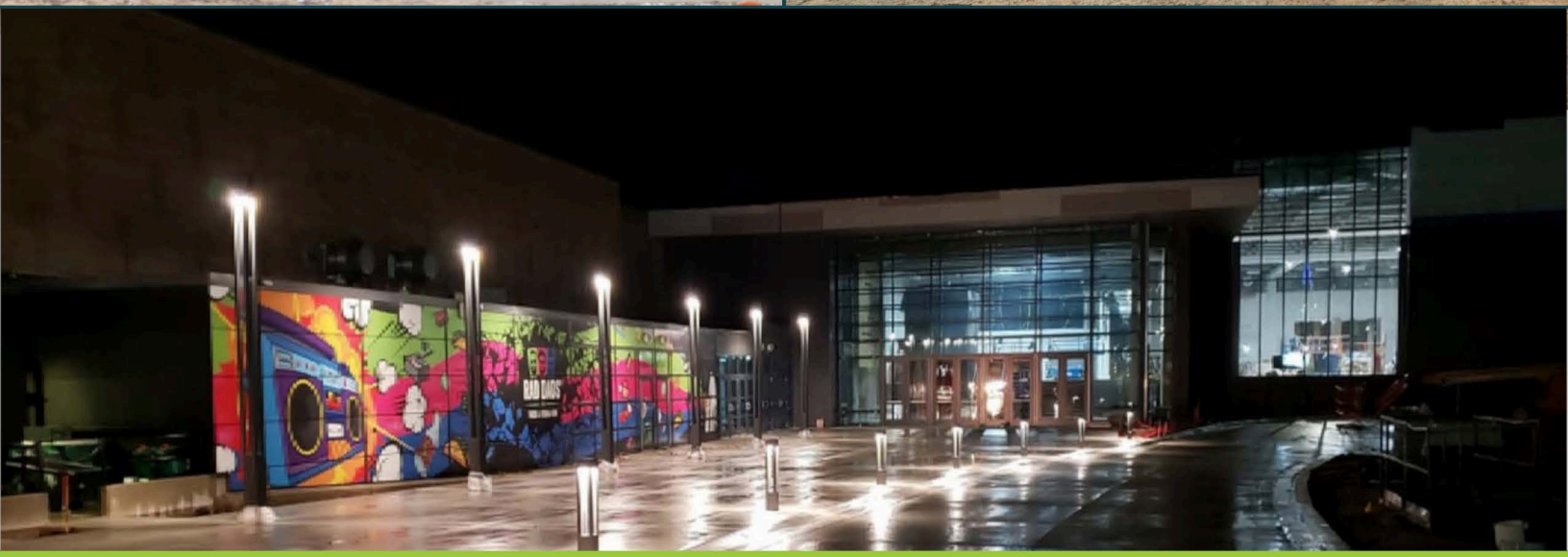

Comprehensive Annual Financial Report

City of Muskegon, MI

Fiscal Year Ended June 30, 2020

CITY OF MUSKEGON,
MICHIGAN

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2020

Prepared By

FINANCIAL SERVICES DIVISION

Elizabeth Lewis
Finance Director

Kenneth Grant
Assistant Finance Director

Sarah Petersen
City Treasurer

James Maurer
Information Systems Director

Mike VanderMolen
Management Assistant

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City of Muskegon

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

Assessor/
Equalization Co.
(231)724-6386
FAX (231)724-1129

Cemetery/Forestry
(231)724-6783
FAX (231)724-4188

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

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

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

Computer Info.
Technology
(231)724-4126
FAX (231)722-4301

Engineering
(231)724-6707
FAX (231)727-6904

Finance
(231)724-6713
FAX (231)726-2325

Fire Department
(231)724-6795
FAX (231)724-6985

Human Resources
Co. (Civil Service)
(231)724-6442
FAX (231)724-6840

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

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

SafeBuilt
(Inspections)
(231)724-6715
FAX (231)728-4371

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

Water Billing
(231)724-6718
FAX (231)724-6768

Water Filtration
(231)724-4106
FAX (231)755-5290

MUSKEGON

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December 22, 2020

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, 2020.

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, 2020. 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 at-large for a four-year term. The Mayor and Commission appoint the City of Muskegon's manager.

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West Michigan's Shoreline City

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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 and economic development; and general administrative support services. The City also provides treated drinking 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 18 square miles (including 4 miles of water) 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:

- 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. 2020 marks the ferry service's seventeenth 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 welcomes tens of thousands of visitors from across the United States each summer.
- Muskegon is home to successful summertime festivals that attract tens of thousands of visitors to the community. These include *Taste of Muskegon,* which attracts thousands of visitors to Muskegon each June, *Bike Time* and *Rebel Road,* which attract motorcycle enthusiasts to the City in July, the *Unity Christian Music Festival, Shoreline Jazz Festival, Great Lakes Surf Festival,* and the *Burning Foot Beer Fest* in August, and the *Muskegon Polish Festival* and Michigan *Irish Music Festival* 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 largest and premier 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 an 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. The Heritage Museum provides historic perspective on the city's industrial roots.
- Muskegon's downtown is home to dozens of monumental public art pieces, and new pieces are acquired each 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 is docked at the Muskegon Lake Channel;
  - *LST-393*, a landing craft used in the D-day invasion and one of only two such vessels remaining in existence is docked downtown Muskegon at the West Michigan Dock and Market; 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 is docked in the Lakeside Business District.

Muskegon has a diverse local economy. The manufacturing sector is strong in the areas of aerospace, plastics, defense, metals and castings, office furniture, recreational items, 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.

The local economy has experienced some significant adjustments to the COVID-19 pandemic. However, headed into the pandemic, all local indicators pointed to a strong economy – with both corporate profits and income tax withholdings significantly higher than previous years. Indications are that the local economy will recover to pre-COVID-19 levels in 2021.

The City fully recognizes the difficulties it faces as an older urban rust-belt community. Thus, we have attempted to position ourselves as a leader in fiscal stability and sustainability.

Long-term financial planning and major initiatives

Unassigned fund balance in the General Fund at year end was 20.6% of total actual General Fund revenues for the preceding year. 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 revenue 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. Two years ago, the City purchased a new web-based information source providing financial information and forecasting for municipal governments and schools. This new system should provide staff with enhanced information to improve forecasting.

Among the City's major initiatives and accomplishments in fiscal year 2019-20 were the following:

- Downtown Muskegon experienced the commencement and/or completion of a number of development projects. The 1021 Jefferson project will provide low and moderate income workforce housing adjacent to city hall in a mixed-use setting; the Western Place Townhouses have been completed, and all 14 units are occupied; funding was secured for the second phase of Lakeview Lofts and the Leonard Building – both five story mixed-use buildings.
- Staff has made significant progress in addressing the former rail line that bisects the Windward Pointe development site – this is the last major hurdle to commencing development on the 120-acre site.
- The City continued construction on the $21 Million convention center that will be attached to the both the Delta Marriott hotel and the Mercy Health Arena. Substantial completion is anticipated in February 2021.
- Construction of Midtown Square Phase 2, which consists of 10 townhouses and 6 single family homes in the Nelson neighborhood, was started in 2019.
- KL Outdoor, the world's largest manufacturer of kayaks, filed for bankruptcy, but was purchased within weeks. The new 500,000 square foot distribution center that was opened in the Port City Industrial Park in early 2019 is still in operation. The new KL Outdoors Company has pledged to keep most of the jobs in Muskegon – using most of the company's pre-bankruptcy facilities.

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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, 2018. This was the 32nd consecutive year that the City has received this award. The City has submitted the June 30, 2019 CAFR for consideration but has not received award confirmation at this time. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies 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 Finance Division and the entire city staff. We express appreciation to those staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Commissioners for their support for maintaining the highest standards of professionalism in the management of the City of Muskegon's finances.

Respectfully submitted,

Frank Peterson
City Manager

Elizabeth Lewis
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, 2018

Christopher P. Morrill

Executive Director/CEO

Organizational Structure 2019-20

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

June 30, 2020

ELECTED OFFICIALS

Mayor. . . . . Stephen J. Gawron
At Large

Vice Mayor-Commissioner. . . . . Eric Hood
Ward 1

Commissioner. . . . . Willie German
Ward 2

Commissioner. . . . . .Teresa Emory
Ward 3

Commissioner. . . . . .Michael Ramsey
Ward 4

Commissioner. . . . . Ken Johnson
At Large

Commissioner. . . . . .Dan Rinsema-Sybenga
At Large

APPOINTED OFFICIALS

City Manager. . . . . Frank Peterson

City Attorney. . . . . John C. Schrier

Finance Director. . . . . Elizabeth Lewis

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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, 2020, 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.

Auditor's 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.

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, 2020, 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 schedules, and pension and other post-employment benefit information on pages 21 through 31 and 84 through 93 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 Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskegon, Michigan'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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Matters—Continued

Other 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 DeLong, P.C.

Muskegon, Michigan
December 22, 2020

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2020 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, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The assets/deferred outflows of resources of the City of Muskegon exceeded its liabilities/deferred inflows of resources by $89,438,792 as of June 30, 2020. The City has a deficit in unrestricted net position of $30,438,577. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities.

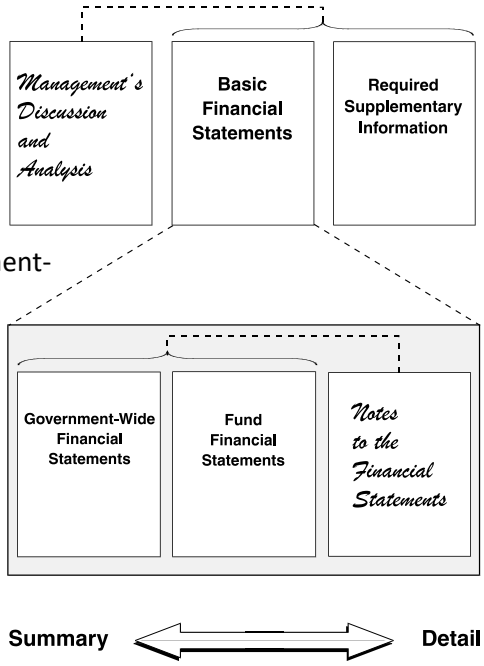
The City's total combined net position decreased by $13,225,060 during the year ended June 30, 2020.

The City's governmental funds reported combined ending fund balance of $21,571,564, an increase of $4,996,547(30%) from the prior year.

The City's General Fund reported a total fund balance of $7,901,855, a decrease of $603,340 from the prior year balance of $8,505,195. The decrease is primarily the result of the COVID-19 pandemic.

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 seven 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, BRA 2 , BRA 3 and BRA 4). 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 $89,438,792 as of June 30, 2020. This is a decrease of $13,225,060 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 Activities		Business-Type Activities		Total		Percentage
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	Change
Current and other assets	$31,646	$23,349	$4,304	$6,718	$35,950	$30,067	19.57%
Capital assets	89,062	73,229	51,747	47,886	140,809	121,115	16.26%
Total Assets	120,708	96,578	56,051	54,604	176,759	151,182	16.92%
Deferred outflows of resources	4,278	10,997	297	764	4,575	11,761	-61.10%
Total Assets and Deferred Outflows of Resources	124,986	107,575	56,348	55,368	181,334	162,943	11.29%
Long-term liabilities	67,333	42,851	8,880	7,517	76,213	50,368	51.31%
Other liabilities	10,208	6,482	4,624	3,061	14,832	9,543	55.42%
Total Liabilities	77,541	49,333	13,504	10,578	91,045	59,911	51.97%
Deferred inflows of resources	795	344	55	24	850	368	130.98%
Total Liabilities and Deferred Outflows of Resources	78,336	49,677	13,559	10,602	91,895	60,279	52.45%
Net Position							
Net investment in capital assets	70,275	66,734	44,543	41,742	114,818	108,476	5.85%
Restricted	4,460	5,519	599	599	5,059	6,118	-17.31%
Unrestricted	-28,085	-14,355	-2,353	2,425	-30,438	-11,930	155.14%
Total Net Position	$46,650	$57,898	$42,789	$44,766	$89,439	$102,664	-12.88%

The bulk of the City's net position $114,818,070 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 $5,059,299 of the City's net position are legally restricted as to use. The City has a deficit in unrestricted net position of $30,438,577. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities. The City's unrestricted net position decreased $18,508,050 during the year.

Changes in net position. The City's total revenues were $61,022,981 for the year ended June 30, 2020. This represents a less than 1% increase over total revenues collected during the prior fiscal year. Approximately 40.6% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 18.9% came from grants from the state and federal governments and 29.3% 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, 2020 was $74,248,041. This represents a 19.6% increase from reported expenses for the last fiscal year ended June 30, 2019. 74.6% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 25.4% 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 $11,248,368 and the net position for business-type activities decreased by $1,976,782. For governmental activities, most of these changes are related to the increased net pension liability and net other postemployment benefits liability. For business-type activities, the changes similarly represent the impact of the increased net pension liability and other postemployment benefits liability.

Changes in City's Net Position

(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	Change
Program revenues							
Charges for services	$7,980	$7,632	$16,789	$16,344	$24,769	$23,976	3.31%
Operating grants and contributions	7,398	6,893	94	511	7,492	7,404	1.19%
Capital grants and contributions	4,064	4,015	-	-	4,064	4,015	1.22%
General revenues							
Property taxes	8,467	8,230	-	-	8,467	8,230	2.88%
Income taxes	9,437	8,940	-	-	9,437	8,940	5.56%
State shared revenues	5,276	5,102	-	-	5,276	5,102	3.41%
All other	1,508	2,811	9	24	1,517	2,835	-46.49%
Total revenues	44,130	43,623	16,892	16,879	61,022	60,502	0.86%
Governmental activities expenses							
Public representation	1,501	1,336	-	-	1,501	1,336	12.35%
Administrative services	962	801	-	-	962	801	20.10%
Financial services	3,007	2,701	-	-	3,007	2,701	11.33%
Public safety	25,982	20,433	-	-	25,982	20,433	27.16%
Public works	4,582	4,438	-	-	4,582	4,438	3.24%
Highways, streets and bridges	7,593	7,186	-	-	7,593	7,186	5.66%
Community and economic development	5,359	2,890	-	-	5,359	2,890	85.43%
Culture and recreation	5,270	4,542	-	-	5,270	4,542	16.03%
General administration	390	302	-	-	390	302	29.14%
Interest on long-term debt	732	151	-	-	732	151	384.77%
Business-type activities expenses							
Sewer	-	-	9,902	9,120	9,902	9,120	8.57%
Water	-	-	8,438	7,753	8,438	7,753	8.84%
Marina and launch ramp	-	-	529	430	529	430	23.02%
Total expenses	55,378	44,780	18,869	17,303	74,247	62,083	19.59%
Change in net position	(11,248)	(1,157)	(1,977)	(424)	(13,225)	(1,581)	736.50%
Net position at beginning of year	57,898	59,055	44,766	45,190	102,664	104,245	-1.52%
Net position at end of year	$46,650	$57,898	$42,789	$44,766	$89,439	$102,664	-12.88%

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, 2020 was $55,378,657.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was $17,904,337, or about 32% 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 or use of net position.

Net Cost of Selected City Functions
(in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	6/30/2020	6/30/2019	% Change	6/30/2020	6/30/2019	% Change
Governmental activities						
Public safety	$25,982	$20,433	27.16%	$23,528	$18,049	30.36%
Public works	4,581	4,438	3.22%	3,746	3,747	-0.03%
Highways, streets and bridges	7,593	7,186	5.66%	897	544	64.89%
Community and economic development	5,359	2,890	85.43%	(38)	(1,188)	-96.80%
Culture and recreation	5,270	4,542	16.03%	2,853	1,600	78.31%
All other	6,593	5,291	24.61%	4,950	3,419	44.78%
Total governmental activities	$55,378	$44,780	23.67%	$35,936	$26,171	37.31%

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, 2020, the City's total business-type activities realized an overall decrease in net position of $1,976,692.

Sewer Fund net position decreased $1,435,021 primarily as result of increased wastewater treatment costs. The Water Fund saw a net position increase of $37,222. Marina and Launch Ramp Fund net position decreased $452,375 due to lower revenues after not opening for the season due to high water issues.

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, 2020 were the General Fund, the Major Street and Trunkline Fund, the State Grants Fund, Public Improvement Fund, and Convention Center 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 unassigned fund balance for the last five years.

Year Ended	Year-End Unassigned Fund Balance	Year-to-Year % Change	Prior Year's Revenues	Unassigned Fund Balance as a % of Prior Year Revenues (Policy Target=13%)
6/30/2020	$5,920,869	-9.79%	$28,747,772	20.60%
6/30/2019	6,563,511	1.46%	28,729,919	22.85%
6/30/2018	6,469,108	5.22%	27,051,766	23.91%
6/30/2017	6,148,292	0.81%	25,821,114	23.81%
6/30/2016	6,098,977	19.10%	24,890,399	24.50%

For the year ended June 30, 2020, General Fund revenues were $753,537 higher than the final amended budget estimate. This variance is primarily due to the Third Quarter Budget Reforecast not being official approved by the City Commission.

General Fund expenditures were $769,270 higher than projected in the final amended budget. This was mostly due to COVID-19 and expenses associated with the pandemic.

Major Street and Trunkline, State Grant, Public Improvement and Convention Center 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, 2020, the fund balance of the Major Street and Trunkline Fund decreased $943,540 which is attributable to an increase in construction projects including Lakeshore Drive from Laketon to McCracken.

The State Grants Fund received an upfront payment of $4,000,000 on a Michigan Enhancement Grant at the former prison site. The project is expected to be complete in FY2020-21.

Heritage Square Phase 2 Housing Project is being accounted for in the Public Improvement Fund. For the fiscal year ended June 30, 2020 the Public Improvement Fund is in a deficit of $1,601,331. This deficit will go away as the City records the revenue from the sale of the houses in Heritage Square Phase 2 Housing Project.

The Convention Center Fund is accounting for the construction of the Convention Center and is being funded by the 2019 Capital Improvement Bond of $19,420,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the City had invested $139,197,588 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is an increase of $19,834,314 from capital assets reported as of June 30, 2019. The increase is due to current year additions offset by normal depreciation of assets. Note F of the notes to the basic financial statements provides detailed information on the City's capital asset investment.

Long-Term Debt

At June 30, 2020, the City had $43,996,660 in bonds and other long-term obligations outstanding. This represents a 172.2% increase from the prior year. The City issued new debt for a new convention center, Mercy Health Arena improvements, and water and sewer improvements.

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

Bond Ratings

The City's limited full faith and credit bonds (bonds guaranteed by the City's taxing powers) were upgraded by Standard & Poor's from a rating of "A+" to "AA-" in early 2016. The City's rating remained at "AA-" in 2020. 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 Activities		Business-Type Activities		Total		Percentage
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	Change
Due within one year	$1,340	$818	$803	$780	$2,143	$1,598	34.11%
Due in more than one year	26,793	6,283	6,061	4,975	32,854	11,258	191.83%
Total bonds & other obligations	$28,133	$7,101	$6,864	$5,755	$34,997	$12,856	172.22%

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 $1,760,377 at year-end as shown in the table below. This represents a decrease of 44% 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 I 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
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/019	Change
Due within one year	$0	$1,000	$395	$390	$395	$1,390	-71.58%
Due in more than one year	0	0	1,365	1,777	1,365	1,777	-23.19%
Total bonds & other obligations	$0	$1,000	$1,760	$2,167	$1,760	$3,167	-44.43%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2020-21 capital budget anticipates spending $23,028,998 for capital projects, consisting of street improvements, water and sewer system improvements, scheduled equipment replacements, Midtown Square Phase II housing construction, the rehab of houses in a city neighborhood and the replacement of fire department rescue equipment. These improvements will be funded by anticipated grants ($1,186,726), State Revolving Loan revenue ($8,940,000) revenues generated from operations and fund balance.

From an operating standpoint, the City's 2020-21 budget will be relatively stable while the City attempts to maintain a healthy fund balance and allow time to plan for and address economic challenges with a long-term solution:

- The full-time personnel complement will remain stable at 245.
- Some user fees will be increased and new fees recommended during the course of the year.
- The City will continue to look for opportunities to partner with other entities to deliver quality services in a cost-effective manner (e.g. Farmers' Market kitchen management, Marsh Field and recreation programs).

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 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 5.1% from $8,691,673 for the year ended June 30, 2019 to $9,137,714 for year ended June 30, 2020. For 2020-21, the City estimates income tax revenue to be $7,750,000.

Year	City Income Tax Revenues	Percent Change
6/30/2020	$9,137,714	5.1%
6/30/2019	8,691,673	-0.8%
6/30/2018	8,758,674	1.7%
6/30/2017	8,610,812	5.6%
6/30/2016	8,151,902	-1.5%

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 2020-21, the City tax levy will be at 10 mills for general operations and 3 mills for sanitation service. We project that $7,355,060 in total property tax revenue will be collected during fiscal year 2020-21.

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

State Shared Revenues

State shared sales tax revenues represent about 14% 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 as follows:

Year	State Shared Revenues	Percent Change
6/30/2020	$4,117,935	-3.6%
6/30/2019	4,271,438	2.8%
6/30/2018	4,153,072	2.8%
6/30/2017	4,046,147	4.1%
6/30/2016	3,886,514	-0.1%

For 2020-21, the City projects $4,130,818 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
6/30/2020	$5,450,220	6.2%
6/30/2019	5,134,277	1.4%
6/30/2018	5,060,936	25.9%
6/30/2017	4,020,630	1.0%
6/30/2016	3,981,345	10.8%

Based on recent legislative changes, the City began seeing increases in street funding that will carry into future years. At this time, the City is projecting an increase in street revenues for fiscal year 2020-21 up to $5,686,000.

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 $16,357,650 during the year ended June 30, 2020. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. During the year ended June 30, 2020 water rates increased by 4%. Water rates will increase by 4% in each of the next three fiscal years to pay for improvements being made at the Water Filtration Plant. The City began 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 allows the spreading of water treatment costs over a larger customer base while remaining well within the plant's rated treatment capacity.

Due to the impact of continued increases in wastewater treatment charges from the Muskegon County Wastewater Treatment System, the City Commission passed a resolution effective July 1, 2016, which ties the sewer rate the City will charge to its customers to a multiplier of the rate that the county bills the City for wastewater treatment. This rate change is expected to help maintain the financial viability of the City's sewer system.

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).

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FINANCIAL STATEMENTS

City of Muskegon
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and investments	$ 23,471,098	$ 1,930,535	$ 25,401,633	$ 99,100
Assets managed by others	1,261,605	-	1,261,605	-
Receivables	4,059,105	2,517,138	6,576,243	-
Due from other governmental units	1,836,536	19,403	1,855,939	-
Internal balances	427,950	(427,950)	-	-
Inventories	6,033	124,609	130,642	-
Prepaid items	583,220	139,838	723,058	-
Total current assets	31,645,547	4,303,573	35,949,120	99,100
Noncurrent assets				
Restricted cash and investments	-	595,500	595,500	-
Advances to component units	721,831	-	721,831	-
Notes receivable, less amounts due within one year	294,294	-	294,294	-
Capital assets, net				
Nondepreciable	32,988,730	9,085,133	42,073,863	400,000
Depreciable	55,057,511	42,066,214	97,123,725	935,177
Total noncurrent assets	89,062,366	51,746,847	140,809,213	1,335,177
Total assets	120,707,913	56,050,420	176,758,333	1,434,277
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	1,220,001	84,813	1,304,814	-
Related to other postemployment benefits	3,057,597	212,560	3,270,157	-
Total deferred outflows of resources	4,277,598	297,373	4,574,971	-
Total assets and deferred outflows of resources	124,985,511	56,347,793	181,333,304	1,434,277
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	5,581,515	2,471,253	8,052,768	14,832
Due to other governmental units	100,066	1,344,044	1,444,110	-
Short-term draw note	1,102,021	-	1,102,021	-
Unearned revenues - unused Farmers Market tokens	107,527	-	107,527	-
Unearned revenues - expenditure-driven grants	1,976,701	-	1,976,701	-
Unearned revenues - prepaid fees	-	6,183	6,183	-
Bonds and other obligations, due within one year	1,339,844	802,600	2,142,444	395,000
Total current liabilities	10,207,674	4,624,080	14,831,754	409,832
Noncurrent liabilities				
Advances from primary government	-	-	-	721,831
Bonds and other obligations, less amounts due within one year	26,793,148	6,061,068	32,854,216	1,365,377
Net pension liability	28,920,873	2,010,542	30,931,415	-
Net other postemployment benefits liability	11,618,909	807,732	12,426,641	-
Total noncurrent liabilities	67,332,930	8,879,342	76,212,272	2,087,208
Total liabilities	77,540,604	13,503,422	91,044,026	2,497,040
DEFERRED INFLOWS OF RESOURCES				
Related to other postemployment benefits	795,205	55,281	850,486	-
Total liabilities and deferred inflows of resources	78,335,809	13,558,703	91,894,512	2,497,040
NET POSITION				
Net investment in capital assets	70,274,679	44,543,391	114,818,070	(425,200)
Restricted				
Highways, streets and bridges	2,262,658	-	2,262,658	-
Debt service	-	599,500	599,500	-
Mercy Health Arena	31,560	-	31,560	-
Law enforcement	11,844	-	11,844	-
Downtown BID	176,813	-	176,813	-
Perpetual care				
Expendable	365,171	-	365,171	-
Non-expendable	1,605,620	-	1,605,620	-
Other purposes	6,133	-	6,133	-
Unrestricted	(28,084,776)	(2,353,801)	(30,438,577)	(637,563)
Total net position	**$ 46,649,702**	**$ 42,789,090**	**$ 89,438,792**	**$ (1,062,763)**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities								
Public representation services	$ 1,501,079	$ 253,511	$ -	$ -	$ (1,247,568)	$ -	$ (1,247,568)	$ -
Administrative services	962,981	538,791	-	-	(424,190)	-	(424,190)	-
Financial services	3,007,018	913,968	40,000	-	(2,053,050)	-	(2,053,050)	-
Public safety	25,982,246	2,290,640	163,365	-	(23,528,241)	-	(23,528,241)	-
Public works	4,581,526	835,149	-	-	(3,746,377)	-	(3,746,377)	-
Highways, streets and bridges	7,593,019	193,267	5,289,916	1,049,653	(1,060,183)	-	(1,060,183)	-
Community and economic development	5,359,282	769,860	1,833,603	2,793,863	38,044	-	38,044	-
Culture and recreation	5,269,578	2,124,968	71,318	220,700	(2,852,592)	-	(2,852,592)	-
General administration	389,863	59,537	-	-	(330,326)	-	(330,326)	-
Interest on long-term debt	732,065	-	-	-	(732,065)	-	(732,065)	-
Total governmental activities	55,378,657	7,979,691	7,398,202	4,064,216	(35,936,548)	-	(35,936,548)	-
Business-type activities								
Sewer	9,902,515	8,397,838	-	-	-	(1,504,677)	(1,504,677)	-
Water	8,437,862	8,316,552	94,462	-	-	(26,848)	(26,848)	-
Marina and launch ramp	529,007	74,659	-	-	-	(454,348)	(454,348)	-
Total business-type activities	18,869,384	16,789,049	94,462	-	-	(1,985,873)	(1,985,873)	-
Total primary government	**$ 74,248,041**	**$ 24,768,740**	**$ 7,492,664**	**$ 4,064,216**	(35,936,548)	(1,985,873)	(37,922,421)	-
Component units								
Local Development Finance Authority - SmartZone	$ 218,806	$ -	$ -	$ 360,000	-	-	-	141,194
Downtown Development Authority	134,919	-	2,000	134,072	-	-	-	1,153
Tax Increment Finance Authority	40,000	-	-	-	-	-	-	(40,000)
Brownfield Redevelopment Authority I	26,659	-	-	-	-	-	-	(26,659)
Brownfield Redevelopment Authority II	180,000	-	-	-	-	-	-	(180,000)
Brownfield Redevelopment Authority III	274,776	-	-	-	-	-	-	(274,776)
Brownfield Redevelopment Authority IV	6,771	-	-	-	-	-	-	(6,771)
Total component units	**$ 881,931**	**$ -**	**$ 2,000**	**$ 494,072**	-	-	-	(385,859)
General revenues								
Property taxes					8,466,886	-	8,466,886	1,653,545
Income taxes					9,437,451	-	9,437,451	-
Cable franchise agreement					361,405	-	361,405	-
Grants and contributions not restricted to specific programs					5,276,036	-	5,276,036	25,821
Unrestricted investment earnings					568,408	9,181	577,589	1,246
Miscellaneous					577,677	-	577,677	-
Gain on sale of capital asset					317	-	317	-
Total general revenues					24,688,180	9,181	24,697,361	1,680,612
Change in net position					(11,248,368)	(1,976,692)	(13,225,060)	1,294,753
Net position at beginning of year					57,898,070	44,765,782	102,663,852	(2,357,516)
Net position at end of year					**$ 46,649,702**	**$ 42,789,090**	**$ 89,438,792**	**$(1,062,763)**

The accompanying notes are an integral part of this statement.

City of Muskegon
BALANCE SHEET
Governmental Funds
June 30, 2020

	General Fund	Major Street and Trunkline Fund	State Grants Fund	Public Improvement Fund	Convention Center Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 5,619,284	$ 1,665,548	$ 2,071,905	$ -	$ 10,009,335	$ 2,851,259	$ 22,217,331
Assets managed by others	-	-	-	26,868	-	1,234,737	1,261,605
Receivables							
Accounts and loans (net of allowance for uncollectibles)	196,140	41,588	18,555	295,525	-	730,967	1,282,775
Property taxes	28,093	-	-	-	-	-	28,093
Income taxes	1,556,602	-	-	-	-	-	1,556,602
Special assessments	-	5,448	-	-	-	2,072	7,520
Due from other governmental units	601,524	585,708	15,564	-	377,377	256,364	1,836,537
Due from other funds	2,478,129	-	-	-	-	-	2,478,129
Advances to component units	-	-	-	-	-	240,611	240,611
Prepaid items	270,986	32,430	-	-	-	35,929	339,345
Total assets	**$ 10,750,758**	**$ 2,330,722**	**$ 2,106,024**	**$ 322,393**	**$ 10,386,712**	**$ 5,351,939**	**$ 31,248,548**
LIABILITIES							
Accounts payable	$ 1,763,532	$ 18,564	$ 285,001	$ 324,578	$ 1,974,717	$ 164,756	$ 4,531,148
Accrued liabilities	431,241	11,997	-	-	-	25,284	468,522
Due to other governmental units	53,276	43,530	-	-	-	2,140	98,946
Due to other funds	-	-	-	341,125	-	443,475	784,600
Short-term draw note	-	-	-	1,102,021	-	-	1,102,021
Unearned revenues - unused Farmers Market tokens	-	-	-	-	-	107,527	107,527
Unearned revenues - expenditure-driven grants	854	-	1,819,847	156,000	-	-	1,976,701
Total liabilities	2,248,903	74,091	2,104,848	1,923,724	1,974,717	743,182	9,069,465
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - income taxes	600,000	-	-	-	-	-	600,000
Unavailable revenues - special assessments	-	5,447	-	-	-	2,072	7,519
Total deferred inflows of resources	600,000	5,447	-	-	-	2,072	607,519
FUND BALANCES (DEFICIT)							
Nonspendable							
Prepaid items	270,986	32,430	-	-	-	35,929	339,345
Perpetual care	10,000	-	-	-	-	1,595,620	1,605,620
Restricted							
Highways, streets and bridges	-	2,218,754	-	-	-	1,061,222	3,279,976
Capital projects	-	-	-	-	8,411,995	-	8,411,995
Mercy Health Arena	-	-	-	-	-	2,524	2,524
Law enforcement	-	-	-	-	-	11,844	11,844
Downtown BID	-	-	-	-	-	176,813	176,813
Perpetual care	-	-	-	-	-	365,171	365,171
Other purposes	-	-	-	-	-	6,133	6,133
Assigned for capital projects and public improvements	1,700,000	-	1,176	-	-	1,351,429	3,052,605
Unassigned	5,920,869	-	-	(1,601,331)	-	-	4,319,538
Total fund balances (deficit)	7,901,855	2,251,184	1,176	(1,601,331)	8,411,995	4,606,685	21,571,564
Total liabilities, deferred inflows of resources and fund balances (deficit)	**$ 10,750,758**	**$ 2,330,722**	**$ 2,106,024**	**$ 322,393**	**$ 10,386,712**	**$ 5,351,939**	**$ 31,248,548**

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, 2020

Total fund balance—governmental funds		$ 21,571,564
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	$ 154,927,932	
Accumulated depreciation	(69,888,453)	85,039,479
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	600,000	
Special assessments	7,520	607,520
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	(198,000)	
Bonds and notes payable	(26,183,557)	
Compensated absences	(1,823,243)	
Net pension liability and related deferred outflows/inflows of resources	(26,515,807)	
Net other post employment benefits liability and related outflows/inflows of resources	(8,956,238)	(63,676,845)
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	3,979,046	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	(871,062)	3,107,984
Net position of governmental activities		**$ 46,649,702**

The accompanying notes are an integral part of this statement.

City of Muskegon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)

Governmental Funds

For the year ended June 30, 2020

	General Fund	Major Street and Trunkline Fund	State Grants Fund	Public Improvement Fund	Convention Center Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	$ 17,253,857	$ -	$ -	$ -	$ -	$ -	$ 17,253,857
Licenses and permits	2,420,604	-	-	-	-	-	2,420,604
Intergovernmental revenues							
Federal	147,191	1,049,653	-	-	-	1,833,603	3,030,447
State	5,031,525	4,174,142	2,028,611	220,700	420,914	1,276,078	13,151,970
Local	40,000	-	-	294,300	260,685	-	594,985
Charges for services	3,135,282	18,001	-	22,424	-	1,387,945	4,563,652
Fines and forfeitures	412,325	-	-	-	-	250	412,575
Investment earnings and rental income	537,665	9,665	-	569	143,132	24,620	715,651
Income from assets managed by others	-	-	-	8,968	-	17,948	26,916
Other	674,999	55,016	-	790,493	-	648,752	2,169,260
Total revenues	29,653,448	5,306,477	2,028,611	1,337,454	824,731	5,189,196	44,339,917
EXPENDITURES							
Current							
Public representation services	1,379,406	-	-	-	-	-	1,379,406
Administrative services	844,270	-	-	-	-	-	844,270
Financial services	2,358,848	-	-	-	-	-	2,358,848
Public safety	16,795,547	-	-	-	-	24,809	16,820,356
Public works	3,439,326	-	-	-	-	112,629	3,551,955
Highways, streets and bridges	-	6,018,144	-	-	-	1,405,870	7,424,014
Community and economic development	773,101	-	-	-	-	-	773,101
Culture and recreation	1,924,793	-	-	-	-	2,207,827	4,132,620
Other governmental functions	371,461	-	-	-	-	-	371,461
Debt service							
Principal	290,000	215,000	19,699	293,586	-	-	818,285
Interest and fees	160,811	16,873	394	104,977	260,685	-	543,740
Bond issuance costs	-	-	-	-	70,525	-	70,525
Capital outlay	786,725	-	2,028,610	6,446,282	10,474,016	2,682,820	22,418,453
Total expenditures	29,124,288	6,250,017	2,048,703	6,844,845	10,805,226	6,433,955	61,507,034
Excess of revenues over (under) expenditures	529,160	(943,540)	(20,092)	(5,507,391)	(9,980,495)	(1,244,759)	(17,167,117)
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	-	-	-	448,218	-	43,706	491,924
Long-term debt issued	-	-	-	2,417,390	19,420,000	-	21,837,390
Discount on long-term debt issued	-	-	-	-	(145,650)	-	(145,650)
Transfers in	-	-	10,000	881,860	-	1,125,217	2,017,077
Transfers out	(1,132,500)	-	-	-	(881,860)	(22,717)	(2,037,077)
Total other financing sources (uses)	(1,132,500)	-	10,000	3,747,468	18,392,490	1,146,206	22,163,664
Net change in fund balances (deficit)	(603,340)	(943,540)	(10,092)	(1,759,923)	8,411,995	(98,553)	4,996,547
Fund balances at beginning of year	8,505,195	3,194,724	11,268	158,592	-	4,705,238	16,575,017
Fund balances (deficit) at end of year	**$ 7,901,855**	**$ 2,251,184**	**$ 1,176**	**$ (1,601,331)**	**$ 8,411,995**	**$ 4,606,685**	**$ 21,571,564**

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, 2020

Net change in fund balances—total governmental funds		$ 4,996,547
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	$ (4,731,160)	
Capital outlay	21,498,055	16,766,895
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) on net position.		
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.		(860,048)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		80,000
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.		
Issuance of long-term debt	(21,837,390)	
Discount on long-term debt issued	145,650	
Repayment of principal on long-term debt	818,285	(20,873,455)
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	(150,300)	
Amortization of premiums and discounts	32,500	(117,800)
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 compensated absences	(179,748)	
Change in net pension liability and related deferred outflows/inflows of resources	(8,105,232)	
Change in net other post employment benefits liability and related deferred outflows/inflows of resources	(2,560,924)	(10,845,904)
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	(521,121)	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	126,518	(394,603)
Change in net position of governmental activities		**$ (11,248,368)**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
ASSETS					
Current assets					
Cash and investments	$ -	$ 1,844,501	$ 86,034	$ 1,930,535	$ 1,253,766
Receivables	1,384,312	1,120,770	12,056	2,517,138	1,478,408
Due from other governmental units	-	19,403	-	19,403	-
Inventories	15,505	109,104	-	124,609	6,033
Prepaid items	58,195	77,368	4,275	139,838	243,875
Total current assets	1,458,012	3,171,146	102,365	4,731,523	2,982,082
Noncurrent assets					
Restricted cash and investments	-	595,500	-	595,500	-
Advances to component units	-	-	-	-	481,220
Capital assets					
Land	16,188	103,500	22,562	142,250	65,000
Land improvements	-	62,948	1,888,965	1,951,913	301,715
Buildings, improvements and systems	22,407,278	70,986,199	2,322,488	95,715,965	1,668,215
Machinery and equipment	129,622	3,073,170	60,620	3,263,412	9,878,509
Construction in progress	4,447,799	4,440,084	55,000	8,942,883	79,822
Less accumulated depreciation	(11,599,533)	(43,918,802)	(3,346,741)	(58,865,076)	(8,986,499)
Net capital assets	15,401,354	34,747,099	1,002,894	51,151,347	3,006,762
Total noncurrent assets	15,401,354	35,342,599	1,002,894	51,746,847	3,487,982
Total assets	16,859,366	38,513,745	1,105,259	56,478,370	6,470,064
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	19,572	65,241	-	84,813	52,192
Related to other postemployment benefits	49,052	163,508	-	212,560	130,806
Total deferred outflows of resources	68,624	228,749	-	297,373	182,998
Total assets and deferred outflows of resources	16,927,990	38,742,494	1,105,259	56,775,743	6,653,062
LIABILITIES					
Current liabilities					
Accounts payable	1,746,573	581,002	11,708	2,339,283	345,205
Accrued liabilities	27,169	103,325	1,476	131,970	38,641
Due to other governmental units	1,318,293	25,631	120	1,344,044	1,120
Due to other funds	1,299,012	-	-	1,299,012	394,517
Unearned revenues - prepaid fees	-	-	6,183	6,183	-
Bonds and other obligations, due within one year	11,400	791,000	200	802,600	21,000
Total current liabilities	4,402,447	1,500,958	19,687	5,923,092	800,483
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	1,601,765	4,458,232	1,071	6,061,068	105,191
Net pension liability	463,971	1,546,571	-	2,010,542	1,237,257
Net other postemployment benefits liability	186,400	621,332	-	807,732	497,066
Total noncurrent liabilities	2,252,136	6,626,135	1,071	8,879,342	1,839,514
Total liabilities	6,654,583	8,127,093	20,758	14,802,434	2,639,997
DEFERRED INFLOWS OF RESOURCES					
Related to other postemployment benefits	12,757	42,524	-	55,281	34,019
Total liabilities and deferred inflows of resources	6,667,340	8,169,617	20,758	14,857,715	2,674,016
NET POSITION					
Net investment in capital assets	13,856,615	29,683,882	1,002,894	44,543,391	3,006,762
Restricted for debt service	-	599,500	-	599,500	-
Unrestricted	(3,595,965)	289,495	81,607	(3,224,863)	972,284
Total net position	**$ 10,260,650**	**$ 30,572,877**	**$ 1,084,501**	41,918,028	**$ 3,979,046**
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				871,062	
Net position of business-type activities				**$ 42,789,090**	

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, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
OPERATING REVENUES					
Charges for services	$ 8,272,639	$ 8,085,011	$ 72,744	$ 16,430,394	$ 9,362,324
Other	125,199	326,003	1,915	453,117	115,171
Total operating revenues	8,397,838	8,411,014	74,659	16,883,511	9,477,495
OPERATING EXPENSES					
Administration	476,958	989,718	8,066	1,474,742	304,305
Insurance premiums and claims	-	-	-	-	5,455,327
Wastewater treatment	6,978,294	-	-	6,978,294	-
Wastewater maintenance	1,852,145	-	-	1,852,145	-
Filtration plant operations	-	2,659,232	-	2,659,232	-
Water distribution	-	2,725,083	-	2,725,083	-
Other operations	-	-	414,143	414,143	3,753,969
Depreciation	462,846	1,866,375	106,040	2,435,261	523,925
Total operating expenses	9,770,243	8,240,408	528,249	18,538,900	10,037,526
Operating income (loss)	(1,372,405)	170,606	(453,590)	(1,655,389)	(560,031)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,209	6,757	1,215	9,181	27,071
Gain on sale of capital assets	-	-	-	-	(8,161)
Interest expense	(7,200)	(110,516)	-	(117,716)	-
Bond issuance costs	(56,625)	(29,625)	-	(86,250)	-
Total nonoperating revenue (expenses)	(62,616)	(133,384)	1,215	(194,785)	18,910
Income (loss) before transfers	(1,435,021)	37,222	(452,375)	(1,850,174)	(541,121)
TRANSFERS					
Transfers in	-	-	-	-	20,000
Change in net position	(1,435,021)	37,222	(452,375)	(1,850,174)	(521,121)
Net position at beginning of year	11,695,671	30,535,655	1,536,876		4,500,167
Net position at end of year	**$ 10,260,650**	**$ 30,572,877**	**$ 1,084,501**		**$ 3,979,046**
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(126,518)	
Change in net position of business-type activities				**$ (1,976,692)**	

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, 2020

	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	$ 8,291,023	$ 8,969,828	$ 86,094	$ 17,346,945	$ 106,659
Receipts from interfund services provided	71,606	173,459	-	245,065	7,303,632
Other receipts	-	-	-	-	1,867,451
Payments to suppliers	(7,221,435)	(3,131,481)	(369,204)	(10,722,120)	(6,680,206)
Payments to employees	(709,542)	(2,097,526)	(48,064)	(2,855,132)	(1,503,546)
Payments for interfund services used	(597,578)	(906,709)	(32,213)	(1,536,500)	(828,757)
Net cash provided by (used for) operating activities	(165,926)	3,007,571	(363,387)	2,478,258	265,233
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund borrowing	1,228,368	-	-	1,228,368	40,954
Advances to component units	-	-	-	-	87,282
Net cash provided by (used for) noncapital financing activities	1,228,368	-	-	1,228,368	148,236
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from long-term debt	1,544,739	263,217	-	1,807,956	-
Issuance costs on long-term debt	(56,625)	(29,625)	-	(86,250)	-
Purchases of capital assets	(2,551,765)	(2,417,260)	-	(4,969,025)	(622,533)
Principal paid on capital debt	-	(745,000)	-	(745,000)	-
Interest paid on capital debt	-	(109,916)	-	(109,916)	-
Proceeds from sale of capital assets	-	-	-	-	27,661
Net cash provided by (used for) capital and related financing activities	(1,063,651)	(3,038,584)	-	(4,102,235)	(594,872)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	1,209	6,757	1,215	9,181	27,071
Net increase (decrease) in cash and investments	-	(24,256)	(362,172)	(386,428)	(154,332)
Cash and investments at beginning of year	-	2,464,257	448,206	2,912,463	1,408,098
Cash and investments at end of year	**$ -**	**$ 2,440,001**	**$ 86,034**	**$ 2,526,035**	**$ 1,253,766**
Reconciliation of cash and investments to the Statement of Net Position					
Cash and investments	$ -	$ 1,844,501	$ 86,034	$ 1,930,535	$ 1,253,766
Restricted cash and investments	-	595,500	-	595,500	-
	$ -	**$ 2,440,001**	**$ 86,034**	**$ 2,526,035**	**$ 1,253,766**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ (1,372,405)	$ 170,606	$ (453,590)	$ (1,655,389)	$ (560,031)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	462,846	1,866,375	106,040	2,435,261	523,925
Change in assets and liabilities					
Receivables	(35,209)	732,273	5,252	702,316	(199,753)
Inventories	1,447	(339)	-	1,108	3,292
Prepaid items	(9,537)	(15,533)	(1,739)	(26,809)	28,985
Accounts payable	590,456	(373,508)	(26,628)	190,320	(21,014)
Unearned revenues	-	-	6,183	6,183	-
Accrued liabilities	196,476	627,697	1,095	825,268	489,829
Net cash provided by (used for) operating activities	**$ (165,926)**	**$ 3,007,571**	**$ (363,387)**	**$ 2,478,258**	**$ 265,233**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2020

	Agency Funds
ASSETS	
Cash and investments	$ 927,093
Accounts receivable	73,203
Total assets	**$ 1,000,296**
LIABILITIES	
Accounts payable	$ 327,077
Due to other governmental units	511,793
Deposits held for others	161,426
Total liabilities	**$ 1,000,296**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2020

	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Brownfield Redevelopment Authority III	Total
ASSETS							
Current assets							
Cash and investments	$ 32,146	$ 11,529	$ 15,888	$ 3,450	$ 13,115	$ 22,972	$ 99,100
Noncurrent assets							
Capital assets, net							
Nondepreciable	400,000	-	-	-	-	-	400,000
Depreciable	935,177	-	-	-	-	-	935,177
Total noncurrent assets	1,335,177	-	-	-	-	-	1,335,177
Total assets	1,367,323	11,529	15,888	3,450	13,115	22,972	1,434,277
LIABILITIES							
Current liabilities							
Accounts payable	-	806	-	-	-	-	806
Accrued liabilities	9,650	4,376	-	-	-	-	14,026
Bonds and other obligations, due within one year	395,000	-	-	-	-	-	395,000
Total current liabilities	404,650	5,182	-	-	-	-	409,832
Noncurrent liabilities							
Advances from primary government	-	-	-	721,831	-	-	721,831
Bonds and other obligations, less amounts due within one year	1,365,377	-	-	-	-	-	1,365,377
Total noncurrent liabilities	1,365,377	-	-	721,831	-	-	2,087,208
Total liabilities	1,770,027	5,182	-	721,831	-	-	2,497,040
NET POSITION							
Net investment in capital assets	(425,200)	-	-	-	-	-	(425,200)
Unrestricted	22,496	6,347	15,888	(718,381)	13,115	22,972	(637,563)
Total net position	**$ (402,704)**	**$ 6,347**	**$ 15,888**	**$ (718,381)**	**$ 13,115**	**$ 22,972**	**$ (1,062,763)**

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, 2020

		Program Revenue		Net (Expense) Revenue and Changes in Net Position							
Functions/Programs	**Expenses**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Local Development Finance Authority - SmartZone**	**Downtown Development Authority**	**Tax Increment Finance Authority**	**Brownfield Redevelopment Authority I**	**Brownfield Redevelopment Authority II**	**Brownfield Redevelopment Authority III**	**Brownfield Redevelopment Authority IV**	**Total**
Local Development Finance Authority - SmartZone											
Community and economic development	$ 172,648	$ -	$ -	$ (172,648)	$ -	$ -	$ -	$ -	$ -	$ -	$ (172,648)
Interest on long-term debt	46,158	-	360,000	313,842	-	-	-	-	-	-	313,842
Total Local Development Finance Authority - SmartZone	218,806	-	360,000	141,194	-	-	-	-	-	-	141,194
Downtown Development Authority											
Economic development	134,919	2,000	134,072	-	1,153	-	-	-	-	-	1,153
Tax Increment Finance Authority											
Community and economic development	40,000	-	-	-	-	(40,000)	-	-	-	-	(40,000)
Brownfield Redevelopment Authority I											
Interest on long-term debt	26,659	-	-	-	-	-	(26,659)	-	-	-	(26,659)
Brownfield Redevelopment Authority II											
Community and economic development	180,000	-	-	-	-	-	-	(180,000)	-	-	(180,000)
Brownfield Redevelopment Authority III											
Community and economic development	274,776	-	-	-	-	-	-	-	(274,776)	-	(274,776)
Brownfield Redevelopment Authority IV											
Community and economic development	6,771	-	-	-	-	-	-	-	-	(6,771)	(6,771)
Total discretely presented component units	**$ 881,931**	**$ 2,000**	**$ 494,072**	141,194	1,153	(40,000)	(26,659)	(180,000)	(274,776)	(6,771)	(385,859)
General revenues											
Property taxes				98,643	924,457	35,383	138,401	168,248	281,642	6,771	1,653,545
Grants and contributions not restricted to specific programs				3,311	-	7,270	6,822	8,418	-	-	25,821
Unrestricted investment income				95	280	54	44	382	391	-	1,246
Total general revenues				102,049	924,737	42,707	145,267	177,048	282,033	6,771	1,680,612
Change in net position				243,243	925,890	2,707	118,608	(2,952)	7,257	-	1,294,753
Net position at beginning of year				(645,947)	(919,543)	13,181	(836,989)	16,067	15,715	-	(2,357,516)
Net position at end of year				**$ (402,704)**	**$ 6,347**	**$ 15,888**	**$ (718,381)**	**$ 13,115**	**$ 22,972**	**$ -**	**$ (1,062,763)**

The accompanying notes are an integral part of this statement.

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 four separate designated areas under the aegis of the BRA – the Betten-Henry Street site, the former downtown mall site, the Terrace Point site, and the Pigeon Hill 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.

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, 2020, 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, 2019, the date of its latest audited financial statements is as follows:

Total assets and deferred outflows of resources	$ 3,637,610
Total liabilities and deferred inflows of resources	(452,090)
Total net position	**$ 3,185,520**
Total operating income	$ 2,016,544
Total operating expenses	(2,332,975)
Total nonoperating revenues	383
Capital contributions	127,240
Prior period adjustment	91,707
Change in net position	**$ (97,101)**

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.

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

The Public Improvement Fund accounts for grant, private contributions, sale of property and other resources used to finance various capital projects.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

The Convention Center Construction Fund accounts for proceeds from debt issuance for the construction of a convention center in downtown Muskegon.

The City reports the following three major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

The Agency Funds are used to account for employee payroll withholdings, property taxes collected by the City on behalf of other governments, and deposits made by housing rehabilitation program participants.

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.

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.

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:

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Capital Assets—Continued

Capital Asset Classes	Years
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

Defined Benefit Plan
The City offers a defined benefit pension plan to its employees through Municipal Employees Retirement System (MERS). The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the Plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs
The City offers a defined benefit retiree healthcare benefits to retirees. The City records a net other postemployment benefit (OPEB) liability for the difference between the total OPEB liability calculated by the actuary and the OPEB Plan's fiduciary net position. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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).

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 of the General Fund 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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

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 liened 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 2019 state taxable value for real/personal property of the City totaled approximately $573,830,000 of which approximately $31,817,000 was captured by the component units. The ad valorem taxes levied consisted of 10.0, 3.0 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, BRA II, BRA III, and BRA IV component units.

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. In addition, certain items in the 2019 financial statements have been reclassified to conform to the 2020 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.

Excess of Expenditures Over Appropriations

During the year ended June 30, 2020, actual expenditures exceeded appropriations for:

	Final Budget	Actual
General Fund		
Administrative Services		
Clerk	$ 547,208	$ 621,603
Public safety		
Police department	10,190,969	10,445,491
Fire department	3,847,106	4,353,377
Public works		
General sanitation	1,969,345	2,216,029
Culture and recreation		
Parks maintenance	1,624,617	1,873,339
Other governmental functions		
Insurance premiums	287,041	340,189
Transfers out	485,000	1,132,500
Major Streets Fund		
Principal	-	215,000
Mercy Health Arena Fund		
Culture and recreation	1,511,843	1,994,840

These overexpenditures were funded with available fund balance.

Fund Deficit

As of June 30, 2020, the City's Sewer Fund, Engineering Services Fund, and Public Service Building Fund had unrestricted fund net position deficits of $3,595,965, $17,034, and $656,261, respectively. The Public Improvement Fund had an unassigned fund deficit of $1,601,331. These deficits will be eliminated through future operations or an interfund transfer.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2020, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	S&P	Percent
Money market funds	$ 1,150,557	1	AAA	5.5 %
Negotiable certificates of deposit	2,998,531	28	not rated	14.1
US agency obligations	5,821,900	248	AA+	27.4
Local units of government obligations	616,582	20	AA	2.9
External investment pool	10,643,286	2	AAA	50.1
Total fair value	**$ 21,230,856**			**100.0 %**
Portfolio weighted average maturity		**74**		

The City voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of "qualified" investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the City's investments is the same as the value of the Pool's shares.

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. The City has more than 5 percent of its investments in the following securities:

Security	Percent of Total Investments
Federal Home Loan Mortgage Corporation obligations	6.1%
Government National Mortgage Association obligations	20.9%

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, 2020, $5,557,860 of the City's bank balance of $6,057,860 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.

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

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, 2020, restricted cash and investments in the Water Fund of $595,500 were restricted by bond ordinance.

NOTE D—ASSETS MANAGED BY OTHERS

As allowed by MCL 123.874 and MCL 128.4, the City is permitted to place monies in community foundations.

The Funds
The City has six funds with the Community Foundation of Muskegon County (Community Foundation).

Lakeshore Trails Improvement Fund
The Lakeshore Trails Improvement Fund was established by the City primarily to be used for the general support of the bike trails, which are located in the City of Muskegon. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

Cemetery Perpetual Care Fund
The City of Muskegon Cemetery Perpetual Care Fund was established by the City primarily to be used for the care and maintenance of the cemeteries that are operated by the City. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

Pere Marquette and Margaret Drake Elliot Park Fund
The Pere Marquette and Margaret Drake Elliot Park Fund (Marquette and Elliot Park Fund) was established by the City to be used for capital improvements at Pere Marquette and Margaret Drake Elliot Parks. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

Darl and Kathleen Staley Charity Fund
The Darl and Kathleen Staley Charity Fund (Staley Charity Fund) was established after the City received monies from the Staley's estate. The Fund is to be used for capital improvements needs at City parks. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

City of Muskegon Parks Fund
The City of Muskegon Parks Fund (Muskegon Parks Fund) was established by the City to primarily be used for general maintenance and improvements to parks located in the City of Muskegon. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

City of Muskegon Events and Sponsorships Fund
The City of Muskegon Events and Sponsorships Fund (Events and Sponsorships Fund) was established after the Community Foundation received monies from donors intended to be used for various events within the City of Muskegon. The agreement with the Community Foundation allows the use of the Fund's income in accordance with the Community Foundation's spending policy and principal in certain circumstances.

NOTE D—ASSETS MANAGED BY OTHERS—Continued

The Funds—Continued

The Community Foundation invests the contributions to the funds in various types of marketable equity and debt securities, U.S. Treasuries, commercial paper, and certificates of deposit. The majority of investments are uninsured and uncollateralized.

Reporting of the Assets of the Funds

The investments held at the Community Foundation, which were contributed by the City to the funds along with the earnings on these investments, are reported at fair value as assets of the City. The contributions to these funds made by third party donors directly to the Community Foundation have been excluded from the assets of the City.

Summary of the Community Foundation Funds

A summary of revenues, expenses, and changes in the assets at fair value of the funds for the year ended June 30, 2020 follows:

	Lakeshore Trails Improvement Fund	Cemetery Perpetual Care Fund	Marquette and Elliot Park Fund	Staley Charity Fund	Muskegon Parks Fund	Events and Sponsorships Fund	Totals
Revenues							
Contributions	$ 600	$ -	$ -	$ -	$ -	$ 6,100	$ 6,700
Dividends and interest	1,370	17,086	2,674	9,272	515	60	30,977
Realized and unrealized gain (loss) on investments	760	9,739	1,532	5,293	296	-	17,620
	2,730	26,825	4,206	14,565	811	6,160	55,297
Expenses							
Grants and scholarships	-	-			1,548	10,000	11,548
Administration fees	431	8,877	1,823	4,867	162	500	16,660
Revenues over expenses	2,299	17,948	2,383	9,698	(899)	(4,340)	27,089
Total assets at beginning of year	57,165	1,216,789	112,488	389,244	23,099	9,125	1,807,910
Total assets at end of year	59,464	1,234,737	114,871	398,942	22,200	4,785	1,834,999
Less assets recorded as those of the Foundation	(41,049)	-	(114,871)	(398,942)	(13,747)	(4,785)	(573,394)
Assets reported on the Balance Sheet/Statement of Net Position	**$ 18,415**	**$ 1,234,737**	**$ -**	**$ -**	**$ 8,453**	**$ -**	**$ 1,261,605**

The Board of Trustees of the Community Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The authority to modify restrictions is sometimes referred to as “variance power” and is a legal standard imposed on all community foundations.

NOTE E—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

Money market funds: Valued at amortized cost, which approximates fair value.

Negotiable certificates of deposit, US agency obligations, and local units of government obligations: Valued at the closing price reported on the active market on which the individual securities are traded.

NOTE E—FAIR VALUE MEASUREMENTS—Continued

External investment pools and assets managed by others: The assets are valued based upon the City's allocable share of the Michigan CLASS and Community Foundation of Muskegon County (Pools) pooled investment portfolios. The allocable shares are based on the value of the underlying assets owned by the Pools, minus their liabilities.

The assets managed by others are valued monthly by the Pools and are allocated based upon each organization's calculated share of the Pools' pooled investment portfolios. Each entity with an interest within the pooled investments receives statements from the Pools indicating the additions to the investments (via contributions), withdrawals from the investments (via grants), and the investment returns allocated via a unitization process. The City calculates the fair value of its share of the pooled investment assets held by the Pools based on the estimated fair value of the underlying assets. The Pools control the investments and make all management and investment decisions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value on a recurring basis as of June 30, 2020:

	Assets at Fair Value as of June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ -	$ 1,150,557	$ -	$ 1,150,557
Negotiable certificates of deposit	2,998,531	-	-	2,998,531
US agency obligations	5,821,900	-	-	5,821,900
Local units of government obligations	616,582	-	-	616,582
External investment pools	-	10,643,286	-	10,643,286
Assets managed by others	-	1,261,605	-	1,261,605
Total assets at fair value	**$ 9,437,013**	**$ 13,055,448**	**$ -**	**$ 22,492,461**

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 14,652,328	$ 466,564	$ 860,048	$ 14,258,844
Construction in progress	4,202,992	18,205,789	3,678,895	18,729,886
Total capital assets, not being depreciated	18,855,320	18,672,353	4,538,943	32,988,730
Capital assets, being depreciated:				
Land improvements	5,310,030	136,274	-	5,446,304
Leasehold improvements	534,821	-	-	534,821
Buildings and improvements	24,994,642	4,919,910	-	29,914,552
Furniture, vehicles and equipment	16,001,743	592,271	220,162	16,373,852
Infrastructure	75,636,254	1,478,675	2,357,288	74,757,641
Shared improvements	6,905,293	-	-	6,905,293
Total capital assets, being depreciated	129,382,783	7,127,130	2,577,450	133,932,463
Less accumulated depreciation:				
Land improvements	2,091,463	161,390	-	2,252,853
Leasehold improvements	485,708	6,002	-	491,710
Buildings and improvements	17,783,281	462,372	-	18,245,653
Furniture, vehicles and equipment	12,214,180	676,506	184,340	12,706,346
Infrastructure	38,784,813	3,603,550	2,357,288	40,031,075
Shared improvements	4,802,050	345,265	-	5,147,315
Total accumulated depreciation	76,161,495	5,255,085	2,541,628	78,874,952
Total capital assets, being depreciated, net	53,221,288	1,872,045	35,822	55,057,511
Capital assets, net	**$ 72,076,608**	**$ 20,544,398**	**$ 4,574,765**	**$ 88,046,241**
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 142,250	$ -	$ -	$ 142,250
Construction in progress	3,724,614	6,276,289	1,058,020	8,942,883
Total capital assets, not being depreciated	3,866,864	6,276,289	1,058,020	9,085,133
Capital assets, being depreciated:				
Land improvements	1,951,913	-	-	1,951,913
Buildings, improvements and systems	94,650,625	1,065,340	-	95,715,965
Machinery and equipment	3,247,079	16,333	-	3,263,412
Total capital assets, being depreciated	99,849,617	1,081,673	-	100,931,290
Less accumulated depreciation:				
Land improvements	1,831,076	9,522	-	1,840,598
Buildings, improvements and systems	51,817,850	2,365,908	-	54,183,758
Machinery and equipment	2,780,889	59,831	-	2,840,720
Total accumulated depreciation	56,429,815	2,435,261	-	58,865,076
Total capital assets, being depreciated, net	43,419,802	(1,353,588)	-	42,066,214
Capital assets, net	**$ 47,286,666**	**$ 4,922,701**	**$ 1,058,020**	**$ 51,151,347**

NOTE F—CAPITAL ASSETS—Continued

Depreciation
Depreciation expense was charged to functions as follows:

Governmental activities:	
Public representation services	$ 2,518
Adminstrative services	2,485
Public safety	132,669
Public works	2,126
Highways, streets and bridges	4,078,423
Community and economic development	75,717
Culture and recreation	418,820
General administration	18,402
Internal Service Fund depreciation	523,925
	$ 5,255,085
Business-type activities:	
Sewer	$ 462,846
Water	1,866,375
Marina and Launch Ramp	106,040
	$ 2,435,261

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
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	2,690,433	172,648	-	2,863,081
Total capital assets, being depreciated, net	1,107,825	(172,648)	-	935,177
Capital assets, net	**$ 1,507,825**	**$ (172,648)**	**$ -**	**$ 1,335,177**

Depreciation
Depreciation expense was charged to economic development.

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Mercy Health Arena Fund	$ 398,371
General Fund	Public Improvement Fund	341,125
General Fund	Lead Abatement Fund	38,766
General Fund	HOME Rehabilitation Fund	6,338
General Fund	Sewer Fund	1,299,012
General Fund	General Insurance Fund	394,517
		$ 2,478,129

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 $721,831 to enable the BRA I to retire a redevelopment commitment early. The advance will be repaid with future tax captures.

Interfund Transfers:

Transfers In	Amount	Transfers Out	Amount
State Grant Fund	$ 10,000	General Fund	$ 10,000
Nonmajor Governmental Funds			
Local Streets Fund	250,000	General Fund	1,102,500
Mercy Health Arena Fund	800,000		
Farmers Market and Kitchen 242 Fund	45,000		
Tree Replacement Fund	7,500		
	1,102,500		1,102,500
Internal Service Funds			
Engineering Fund	20,000	General Fund	20,000
Public Improvement Fund	881,860	Convention Center Construction Fund	881,860
Nonmajor Governmental Funds		Nonmajor Governmental Funds	
HOME Rehabilitation Fund	22,717	Community Development Block Grant Fund	22,717
	$ 2,037,077		**$ 2,037,077**

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued

The General Fund transferred funds to the Local Streets Fund for capital improvements and to the Mercy Health Arena Fund and other funds for operation subsidies. The Convention Center Fund transferred funds to the Public Improvement Fund as reimbursement for costs incurred for the convention center project prior to debt issuance. Other transfers between funds were made to meet grant matching requirements or other operational needs.

NOTE H—SHORT-TERM DEBT

Summary of Changes in Short-Term Liabilities
The following is a summary of short-term liabilities activity for the City for the year ended June 30, 2020.

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental activities:				
Short-term draw note	$ -	$ 1,102,021	$ -	$ 1,102,021

The purpose of all short-term borrowings are to provide resources for infill housing within the City of Muskegon. The form of financing used is a short-term non-revolving draw note with amounts advanced at the City's discretion. Interest amounts are at a variable interest rate of 1.25 percent above the 30 day LIBOR, adjusted monthly. Borrowed amounts will be repaid as infill housing units are sold with final payment being due three years from the closing date.

NOTE I—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, 2020.

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Public placement debt					
General obligation debt	$ 5,065,000	$ 19,420,000	$ 505,000	$ 23,980,000	$ 690,000
Discount	-	(145,650)	(2,500)	(143,150)	-
Premium	257,903	-	35,000	222,903	-
Direct borrowings and direct placements					
Intergovernmental obligations	19,699	-	19,699	-	-
Installment purchase agreements	-	2,417,390	293,586	2,123,804	324,944
Compensated absences	1,758,789	1,428,024	1,237,378	1,949,435	324,900
Governmental activities long-term liabilities	**$ 7,101,391**	**$ 23,119,764**	**$ 2,088,163**	**$ 28,132,992**	**$ 1,339,844**
Business-type activities:					
Public placement debt					
Revenue obligations	$ 5,545,000	$ 1,807,956	$ 745,000	$ 6,607,956	$ 760,000
Compensated absences	209,568	221,474	175,330	255,712	42,600
Business-type activities long-term liabilities	**$ 5,754,568**	**$ 2,029,430**	**$ 920,330**	**$ 6,863,668**	**$ 802,600**
Component units:					
Public placement debt					
General obligation debt	$ 2,110,000	$ -	$ 390,000	$ 1,720,000	$ 395,000
Premium	57,419	-	17,042	40,377	-
Direct borrowings and direct placements					
Intergovernmental obligations	1,000,000	-	1,000,000	-	-
Component unit long-term liabilities	**$ 3,167,419**	**$ -**	**$ 1,407,042**	**$ 1,760,377**	**$ 395,000**

NOTE I—LONG-TERM DEBT—Continued

Public Placement Debt

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, 2020 is as follows:

	Original Borrowing	Interest Rate	Date of Maturity	Balance
General obligation debt:				
Governmental activities:				
2011 Capital Improvement Bonds	$ 2,000,000	2.98%	September 2021	$ 450,000
2016 Limited Tax General Obligation Refunding Bonds	4,535,000	3% - 4%	October 2032	4,110,000
2019 Capital Improvement Bonds	19,420,000	1.83% - 3.58%	December 2049	19,420,000
				$ 23,980,000
Component units:				
2012 LDFA Tax Increment Refunding Bonds	$ 4,100,000	3% - 4%	November 2025	**$ 1,720,000**

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, 2020 are as follows:

	Original Borrowing	Interest Rate	Date of Maturity	Balance
Revenue obligations:				
Business-type activities:				
2004 Drinking Water State Revolving Fund	$ 13,900,000	2.13%	October 2025	$ 4,800,000
2019 Water Supply System Junior Lien Bond	263,217	2%	October 2025	263,217
2019 Sanitary Sewer System Junior Lien Bond	1,544,739	2%	October 2033	1,544,739
				$ 6,607,956

The City has pledged future water customer revenues, net of specified operating expenses, to repay the 2004 Drinking Water State Revolving Fund Loan. Proceeds from the issuance were used to make improvements to the City's water supply system. The bond is payable solely from water customer net revenues and is payable through 2025. Annual principal and interest payments on the bond are expected to require less than 35 percent of net revenues through 2025. The total principal and interest remaining to be paid on the bond is $5,112,058. Principal and interest paid for the year ended June 30, 2020 and total customer net revenues were $854,916 and $2,043,738, respectively.

The total amount of the 2019 Water Supply System Junior Lien Bond and 2019 Sanitary Sewer System Junior Lien Bond are $2,000,000 and $11,500,000, respectively, with the City expecting to draw the remaining amount in the upcoming year. If certain conditions are met, principal amounts of up to $400,000 and $8,625,000, respectively, of these balances may be forgiven.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2020.

NOTE I—LONG-TERM DEBT—Continued

Direct Borrowings and Direct Placements

Installment Purchase Agreements

The City has entered into an installment agreement for capital improvements to the Mercy Health Arena in 2020. The installment purchase agreement is secured by the equipment purchase and if the City defaults under the agreement, the lessor has the right to demand payment in full of the unpaid balance or recover possession of any or all items of secured equipment. Installment purchase agreements outstanding as of June 30, 2020 are as follows:

	Original Borrowing	Interest Rate	Date of Maturity	Balance
Installment purchase agreements:				
Governmental activities:				
2019 Capital Improvement Installment Loan	$ 2,417,000	4.42% - 5.32%	April 2026	**$ 2,123,804**

For governmental activities, pension liabilities (i.e. net pension and OPEB liabilities), 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, 2020 was approximately $2,497,572. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for public placement debt and for direct borrowings and direct placements outstanding as of June 30, 2020 follow:

	Governmental Activites				Business-type Activities	
	Public Placement Debt		Direct Borrowings and Direct Placements		Public Placement Debt	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 690,000	$ 776,856	$ 324,944	$ 90,299	$ 760,000	$ 183,425
2022	740,000	757,613	340,307	75,277	960,000	165,916
2023	550,000	740,885	356,217	59,367	980,000	145,588
2024	600,000	725,140	372,871	42,713	1,005,000	124,738
2025	640,000	706,645	390,306	25,278	1,008,217	103,466
2026-2030	3,540,000	3,219,790	339,159	7,159	1,510,000	214,425
2031-2035	3,520,000	2,634,359	-	-	384,739	90,100
2036-2040	3,405,000	2,116,883	-	-	-	-
2041-2045	4,475,000	1,447,983	-	-	-	-
2046-2050	5,820,000	542,370	-	-	-	-
	$ 23,980,000	**$ 13,668,524**	**$ 2,123,804**	**$ 300,093**	**$ 6,607,956**	**$ 1,027,658**

NOTE I—LONG-TERM DEBT—Continued

Year Ending June 30,	Component Units Public Placement Debt Principal	Interest
2021	$ 395,000	$ 50,100
2022	245,000	37,300
2023	255,000	28,575
2024	265,000	20,775
2025	275,000	12,675
2026-2030	285,000	4,275
2031-2035	-	-
2036-2040	-	-
2041-2045	-	-
2046-2050	-	-
	$ 1,720,000	**$ 153,700**

Annual debt service requirements to maturity by type of debt as of June 30, 2020 follow:

Year Ending June 30,	General Obligation Debt Governmental Activities	Component Units	Revenue Obligations Business-type Activities	Installment Purchase Agreements Governmental Activities
2021	$ 1,466,856	$ 445,100	$ 943,425	$ 415,243
2022	1,497,613	282,300	1,125,916	415,584
2023	1,290,885	283,575	1,125,588	415,584
2024	1,325,140	285,775	1,129,738	415,584
2025	1,346,645	287,675	1,111,683	415,584
2026-2030	6,759,790	289,275	1,724,425	346,318
2031-2035	6,154,359	-	474,839	-
2036-2040	5,521,883	-	-	-
2041-2045	5,922,983	-	-	-
2046-2050	6,362,370	-	-	-
	$ 37,648,524	**$ 1,873,700**	**$ 7,635,614**	**$ 2,423,897**

NOTE J—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMRMA for its insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. A $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 2020 and 2019 were as follows:

Year Ended	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
June 30, 2020	$ 224,580	$ 94,465	$ 185,681	$ 133,364
June 30, 2019	78,289	227,646	81,355	224,580

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, 2020, the claims liability including incurred but not reported claims was $111,410. 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 2020 and 2019 were as follows:

Year Ended	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
June 30, 2020	$ 51,401	$ 2,267,390	$ 2,207,381	$ 111,410
June 30, 2019	33,784	1,643,632	1,626,015	51,401

NOTE J—OTHER INFORMATION—Continued

Contingencies

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

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

Commitments

The City has several contracts for street projects including water and sewer system improvements as of June 30, 2020 with a remaining amount of approximately $27,027,000. Approximately $238,000 of the commitments in the Water Fund are being financed by a grant and approximately $9,955,000 and $1,737,000 of the commitments in the Sewer and Water funds, respectively, are being financed by long-term debt with the remainder being paid out of available funds as follows:

Fund	Amount
Major Street and Trunkline	$ 4,439,000
Local Street	57,000
Sewer	9,231,000
Water	13,300,000
	$ 27,027,000

Leases

The City leases an office facility under a noncancelable operating lease that expires June 2022 with the option by the tenant to renew the term of the lease for two successive periods of five years each. The City received rental income (including pro-rata utility usage) of $56,772 for the year ended June 30, 2020. The future minimum rental income for this lease is as follows:

Year Ending June 30,	Amount
2021	$ 55,463
2022	55,584
	$ 111,047

NOTE K—TAX ABATEMENTS

Industrial Facilities Exemption

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Developments Act, (known as the Industrial Facilities Exemptions or IFTs) PA 198 of 1974, as amended. The IFTs provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at half the local property tax millage rate applicable to other real and personal property in the City for a term of one to twelve years as determined by the City.

For the year ended June 30, 2020, the City abated property taxes revenues totaling $63,532 under this program.

NOTE K—TAX ABATEMENTS—Continued

Brownfield Redevelopment Authority

The City entered into property tax abatement agreements with local businesses under the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Brownfield properties are those in which the redevelopment or reuse of property may be complicated by the presence or perception of contamination. Brownfields use tax increment financing where growth in taxable value above the initial value of the Brownfield is captured and used to repay the developer for remediation costs.

For the year ended June 30, 2020, the City abated property taxes revenues totaling $150,073 under this program.

Payment in Lieu of Taxes (PILOT)

The City uses the State Housing Development Authority Act, PA 346 of 1966, as amended, to enter into agreements that provide for a service charge in lieu of taxes to encourage the development of housing of its elderly citizens of low and moderate income.

For the year ended June 30, 2020, the City abated property taxes revenues totaling $131,151 under this program.

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Defined Benefit Pension Plan

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Plan covers all full-time employees hired prior to January 2005. Beginning in January 2005, the various employee divisions began to be closed. By July 2006, all employee divisions were closed.

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Benefits Provided—Continued
Benefits provided are based on the following by employee division:

	Mulitplier	Vesting Period	Normal Retirement Age	Early Retirement	Reduced Early Retirement
Non-Union General	2.25%*	5 years	60	55/25	50/25 or 55/15
Non-Union Police	3.00%	10 years	55	53/25	50/25
Clerical	2.25%*	5 years	60	55/25	50/25 or 55/15
Department of Public Works	2.25%*	10 years	60	55/30	50/25 or 55/15
Police Patrol	3.00%*	10 years	55	50/25	Not applicable
Police Command	3.00%	10 years	55	50/25	Not applicable
Fire	2.75%	10 years	55	53/25	50/25

*Effective January 2017, the multiplier for Non-Union General and Department of Public Works was changed to 2.00% and the multiplier for Police Patrol was changed to 2.675%. Effective December 2018, the multiplier for Clerical was changed to 2.00%.

Final average compensation is calculated based on 3 years.

Employees Covered by Benefit Terms
At December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	326
Inactive employees entitled to but not yet receiving benefits	39
Active employees	85
Total employees covered by MERS	**450**

Contributions
The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2020, the City had a flat-dollar employer contribution to the Plan of $1,855,248 in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. Member contributions range from 4 percent to 6.5 percent.

Net Pension Liability
The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions
The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.75 percent changed to 3.0 percent in the long-term effective with the December 31, 2019 valuation
Investment rate of return	7.75 percent changed to 7.35 percent, net of administrative and investment expenses effective with the December 31, 2019 valuation

Although no specific price inflation assumptions are needed for the valuation, the 2.5 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009 through 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.0%	7.75%	4.65%	2.50%	3.15%
Global fixed income	20.0%	3.75%	0.75%	2.50%	0.25%
Private assets	20.0%	9.75%	1.95%	2.50%	1.45%
Total	**100.0%**		**7.35%**		**4.85%**

Discount Rate
The discount rate used to measure the total pension liability was 7.60 percent for 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to calculate the liability at the beginning of the year was 8.00 percent.

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Position (b)**	**Net Pension Liability (a)-(b)**
Balance at beginning of year	$ 112,728,195	$ 83,140,099	$ 29,588,096
Changes for the year			
Service cost	732,228	-	732,228
Interest	8,718,797	-	8,718,797
Difference between expected and actual experience	1,830,804	-	1,830,804
Changes in assumptions	4,134,788	-	4,134,788
Contributions - employer	-	2,712,204	(2,712,204)
Contributions - employee	-	491,814	(491,814)
Net investment income	-	11,059,388	(11,059,388)
Administrative expenses	-	(190,108)	190,108
Benefit payments including refund of employee contributions	(8,218,689)	(8,218,689)	-
Net changes	7,197,928	5,854,609	1,343,319
Balance at end of year	**$ 119,926,123**	**$88,994,708**	**$30,931,415**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.6 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6 percent) or 1-percentage-point higher (8.6 percent) than the current rate:

	1% Decrease (6.6%)	**Current Discount Rate (7.6%)**	**1% Increase (8.6%)**
City's net pension liability	$ 43,459,409	$ 30,931,415	$ 20,307,360

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expense.

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2020, the City recognized pension expense of $11,833,767. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual net investment income	$ 287,519	$ -
Contributions subsequent to the measurement date*	1,017,295	-
Total	**$ 1,304,814**	**$ -**

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	$ (251,301)
2022	290,703
2023	1,175,325
2024	(927,208)

Payables to the Pension Plan
At June 30, 2020, the City reported a payable of $264,472 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Contribution Pension Plan

The City also maintains a defined contribution plan offered by MERS for its full-time employees hired after the defined benefit plan was closed to new participants.

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the City Commission as determined by negotiated labor contracts. The City is required to contribute 3 percent to 13 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, 2020, City and employee contributions were $849,470 and $383,608, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in City contributions and earnings on City contributions by 20 percent for each full year of service, leaving employees fully vested after five years of service. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended June 30, 2020, forfeitures reduced the City's pension expense by $51,556.

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).

NOTE M—OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The City's defined benefit OPEB Plan, the City of Muskegon Retiree Healthcare Plan (OPEB Plan), provides healthcare benefits to certain employees and their spouses upon retirement. The Plan is a defined benefit plan administered by the City Commission. The benefits are provided under collective bargaining agreements and at the discretion of the City Commission. The OPEB Plan does not issue a publicly available report.

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—CONTINUED

Retiree Healthcare Plan—Continued

Benefits Provided
The OPEB Plan provides medical and dental insurances for eligible retirees and spouses who meet the following criteria:

	Eligibility	Vesting Period	Normal Retirement Age	Early Retirement
Non-Union General	Hired before January 1, 2011	5 years	60	55/25
Non-Union Police	Hired before January 1, 2011	10 years	55	53/25
Clerical	Hired before January 1, 2009	10 years	60	55/30
Department of Public Works	Hired before January 1, 2011	10 years	60	55/30
Police Patrol	Hired before January 1, 2012	10 years	55	50/25
Police Command	Hired before January 1, 2010	10 years	55	50/25
Fire	Hired before January 1, 2010	10 years	55	53/25

Benefits are provided through a third party insurer.

Employees Covered by Benefit Terms
At the December 31, 2019 valuation, the following employees were covered by the benefit terms:

Active members	109
Inactive members	40
Retirees and beneficiaries	302
Total employees covered by OPEB Plan	**451**

Contributions
The OPEB Plan's funding policy is that the City will make contributions equal to the recommended annual contribution. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended June 30, 2020, the City made payments for postemployment healthcare benefits of $1,233,505.

Net OPEB Liability
The City's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as December 31, 2019.

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions
The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	6.24 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates	Pre-Medicare: 8.25 percent graded down to 4.5 percent by .25 percent per year Post-Medicare: 6.5 percent graded down to 4.5 percent by .25 percent per year

Mortality
Mortality rates for police and fire were as set forth in the Public Safety 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale. Mortality rates for others were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale.

Investment Rate of Return
The long-term rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Total market portfolio	55.0%	7.35%	4.04%	2.50%	2.67%
Est market port (60/40)	25.0%	6.70%	1.68%	2.50%	1.05%
Divers bond port (0/100)	16.0%	3.00%	0.48%	2.50%	0.08%
Short-term income	4.0%	1.00%	0.04%	2.50%	-0.06%
Total	**100.0%**		**6.24%**		**3.74%**

Discount Rate
The discount rate used to measure the total OPEB liability was 6.24 percent. The projection of cash flows used to determine the discount rate assumed that the City will make future contributions at the same level as 2019. Based on this assumption, the OPEB plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. As of December 31, 2018 the discount rate used to value OPEB liabilities was 7.75 percent.

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Position (b)**	**Net OPEB Liability (a)-(b)**
Balance at January 1, 2019	$ 29,100,636	$ 19,578,969	$ 9,521,667
Changes for the year			
Service cost	165,306	-	165,306
Interest	2,191,233	-	2,191,233
Difference between expected and actual experience	(2,119,868)	-	(2,119,868)
Changes of assumptions	6,288,823	-	6,288,823
Contributions - employer	-	1,001,447	(1,001,447)
Net investment income	-	2,660,470	(2,660,470)
Administrative expenses	-	(41,397)	41,397
Benefit payments including refund of employee contributions	(1,983,928)	(1,983,928)	-
Net changes	4,541,566	1,636,592	2,904,974
Balance at December 31, 2019	**$ 33,642,202**	**$ 21,215,561**	**$ 12,426,641**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability of the City, calculated using the discount rate of 6.24 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.24 percent) or 1-percentage-point higher (7.24 percent) than the current rate:

	1% Decrease (5.24%)	**Current Discount Rate (6.24%)**	**1% Increase (7.24%)**
City's net OPEB liability	$ 16,257,461	$ 12,426,641	$ 9,245,708

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate
The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate for pre-Medicare of 8.25 percent, decreasing to 4.5 percent and post-Medicare of 6.5 percent decreasing to 4.5 percent, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.25 percent decreasing to 3.5 percent or 5.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.25 percent decreasing to 5.5 percent or 7.5 percent decreasing to 5.5 percent) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's net OPEB liability	$ 9,226,377	$ 12,426,641	$ 16,257,103

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB Plan's fiduciary net position is not available in a separately issued financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the City recognized OPEB expense of $4,011,969. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ -	$ 850,486
Changes in assumptions	2,523,061	-
Net difference between projected and actual net investment income	168,793	-
Contributions subsequent to the measurement date*	578,303	-
Total	**$ 3,270,157**	**$ 850,486**

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2021	$ 1,764,465
2022	91,892
2023	221,566
2024	(236,555)

Payables to the OPEB Plan

At June 30, 2020, the City did not have a payable to the OPEB Plan.

Healthcare Savings Plan

The City also maintains a defined contribution OPEB Plan (Health Care Savings Plan or HCSP) which provides certain health care benefits to plan member and legal dependents upon termination of employment. The HCSP covers all City employees hired after July 1, 2012 in lieu of the traditional retiree healthcare plan. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee defined contribution OPEB Plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Depending on employee group, the Plan covers all qualified City employees hired after January 2009 to December 2012 in lieu of the traditional retiree healthcare plan. 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. 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.

Employees are immediately vested in all contributions and earnings of those contributions.

For the year ended June 30, 2020, City and employee contributions were $158,374 and $207,067, respectively.

NOTE N—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the City's 2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the City's 2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE O—SUBSEQUENT EVENTS

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the City's operations. As of December 22, 2020, the City is in the process of implementing risk mitigation tactics including all aspects of the City's business transactions with customers, vendors and human interaction within and outside of the City.

On September 30, 2020, the City issued Revenue Bonds for the Sewer Fund of $4,715,000 and the Water Fund of $4,225,000 for improvements to the sewer and drinking water systems.

On November 12, 2020, the City issued Capital Improvement Bonds of $4,325,000 and $2,055,000 for various capital improvement projects including public safety equipment, improvements to the Muskegon Central Dispatch 9-1-1 facility and City central fire station, improvements to the Hartshorn Marina Village, and improvements to the Mercy Health Arena.

REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
REVENUES					
Taxes					
City income taxes	$ 8,650,000	$ 8,650,000	$ 9,137,714	$ 487,714	$ 8,691,673
Property taxes	7,251,000	7,251,000	7,373,617	122,617	7,168,126
Industrial facilities taxes	76,468	76,468	128,212	51,744	106,297
Payments in lieu of taxes	566,877	566,877	614,314	47,437	615,934
Total taxes	16,544,345	16,544,345	17,253,857	709,512	16,582,030
Licenses and permits					
Business licenses	75,000	75,000	42,520	(32,480)	52,345
Liquor licenses	55,000	55,000	49,557	(5,443)	55,467
Marihuana facilities licenses	95,000	95,000	143,300	48,300	115,700
Cable TV fees	370,000	370,000	361,405	(8,595)	380,343
Rental property registration	397,500	397,500	354,830	(42,670)	363,915
Burial permits	80,000	80,000	76,615	(3,385)	68,275
Building permits	1,000,000	1,000,000	911,057	(88,943)	933,745
Electrical permits	190,000	190,000	172,531	(17,469)	169,690
Plumbing permits	80,000	80,000	103,139	23,139	102,101
Mechanical permits	125,000	125,000	144,730	19,730	137,826
Vacant building fees	40,000	40,000	60,570	20,570	72,665
Other inspections	-	-	350	350	735
Total licenses and permits	2,507,500	2,507,500	2,420,604	(86,896)	2,452,807
Intergovernmental revenues					
Federal grants	40,000	40,000	147,191	107,191	57,894
State					
Grants	776,000	776,000	913,590	137,590	862,839
State shared revenue	4,376,711	4,376,711	4,117,935	(258,776)	4,271,438
Total intergovernmental revenues - State	5,152,711	5,152,711	5,031,525	(121,186)	5,134,277
Local	142,000	42,000	40,000	(2,000)	40,000

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance with Final Budget-Positive	
	Original	Final	Actual	(Negative)	Actual
Charges for services					
Tax administration fees	$ 327,000	$ 327,000	$ 350,742	$ 23,742	$ 340,217
Utility administration fees	310,000	310,000	310,000	-	310,000
Reimbursement for elections	-	-	50,142	50,142	13,455
Brownfield authority admin fee	162,000	162,000	180,000	18,000	162,000
Indirect cost reimbursements	1,175,719	1,175,719	1,066,967	(108,752)	1,114,735
Site plan review fee	6,000	6,000	7,600	1,600	6,900
Sale of cemetery lots	25,000	25,000	28,440	3,440	31,159
Police miscellaneous	137,301	137,301	116,108	(21,193)	143,322
Police impound fees	35,000	35,000	38,293	3,293	39,470
Landlord's alert fee	30,000	30,000	25,990	(4,010)	30,323
Fire protection - state property	81,750	173,718	173,718	-	81,766
Zoning fees	15,000	15,000	29,855	14,855	19,070
Muskegon Heights zoning	6,000	6,000	5,670	(330)	10,465
Clerk fees	5,000	5,000	1,329	(3,671)	5,432
Clerk fees - passport fees	80,000	80,000	63,520	(16,480)	82,662
Tax abatement application fees	6,000	6,000	8,890	2,890	3,802
Treasurer fees	67,000	67,000	67,177	177	84,289
False alarm fees	9,000	9,000	6,780	(2,220)	10,365
Miscellaneous cemetery income	16,000	16,000	16,383	383	14,547
Fire miscellaneous	9,500	9,500	1,681	(7,819)	14,506
Sanitation stickers	396,100	396,100	336,827	(59,273)	249,043
Lot cleanup fees	39,500	39,500	31,566	(7,934)	35,697
Reimbursements - lot mowing and demolitions	5,000	5,000	124	(4,876)	1,067
Special events reimbursements	55,000	55,000	61,625	6,625	26,505
Recreation program fees	4,500	4,500	8,634	4,134	11,029
Parking	-	-	146,821	146,821	-
Other charges for services	-	-	400	400	-
Total charges for services	3,003,370	3,095,338	3,135,282	39,944	2,841,826
Fines and forfeitures					
Income tax - penalty and interest	200,000	200,000	201,614	1,614	207,424
Late fees on current taxes	20,000	20,000	18,123	(1,877)	16,790
Interest on late invoices	11,000	11,000	11,006	6	11,516
Parking fines	55,000	55,000	76,543	21,543	57,782
Court fines	120,000	120,000	83,061	(36,939)	137,732
Civil infractions	16,500	16,500	21,978	5,478	30,876
Total fines and forfeitures	422,500	422,500	412,325	(10,175)	462,120
Investment earnings and rental income					
Interest income	100,000	100,000	153,093	53,093	108,155
Net increase (decrease) in the fair value of investments	-	-	193,005	193,005	344,122
City right of way rental	6,800	6,800	6,800	-	6,800
Fire station lease - Central Dispatch	54,000	54,000	56,772	2,772	45,292
Parking rentals	68,750	68,750	48,500	(20,250)	68,500
Great Lakes Naval Memorial lease	15,000	15,000	-	(15,000)	-
McGraft Park rentals	97,000	97,000	44,637	(52,363)	96,084
Other park rentals	55,000	55,000	34,858	(20,142)	47,964
Total investment earnings and rental income	396,550	396,550	537,665	141,115	716,917

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance with Final Budget- Positive	
	Original	Final	Actual	(Negative)	Actual
Other					
Police sale and auction proceeds	$ 1,000	$ 1,000	$ 28,818	$ 27,818	$ -
CDBG program reimbursements	534,167	548,967	482,833	(66,134)	332,857
Fisherman's Landing reimbursement	17,500	17,500	24,842	7,342	-
Contributions	20,000	20,000	22,227	2,227	2,046
Contributions - Veteran's Park maintenance	18,500	18,500	16,811	(1,689)	-
Community Foundation for Muskegon County	10,000	10,000	9,982	(18)	24,892
Miscellaneous and sundry	83,000	83,000	89,486	6,486	100,106
Total other	684,167	698,967	674,999	(23,968)	459,901
Total revenues	28,893,143	28,899,911	29,653,448	753,537	28,747,772
EXPENDITURES					
Current					
Public representation services					
City commission	85,936	85,936	93,898	(7,962)	88,892
City promotions and public relations	88,000	88,000	92,409	(4,409)	81,890
City manager	419,762	419,762	432,401	(12,639)	379,819
Contributions to outside agencies	424,513	424,513	386,779	37,734	384,968
City attorney	360,000	360,000	373,919	(13,919)	345,538
Total public representation services	1,378,211	1,378,211	1,379,406	(1,195)	1,281,107
Administrative services					
City clerk	547,208	547,208	621,603	(74,395)	542,248
Civil service	210,412	210,412	222,645	(12,233)	195,275
Affirmative action	-	-	22	(22)	1,778
Total administrative services	757,620	757,620	844,270	(86,650)	739,301
Financial services					
Finance administration	611,136	615,136	587,625	27,511	570,805
Assessing	332,000	332,000	258,238	73,762	335,977
Arena administration	-	-	24,049	(24,049)	13,510
Income tax administration	378,431	378,431	363,889	14,542	362,595
Information systems	492,581	492,581	535,954	(43,373)	550,516
City treasurer	609,617	609,617	589,093	20,524	561,463
Total financial services	2,423,765	2,427,765	2,358,848	68,917	2,394,866
Public safety					
Police department	10,190,969	10,190,969	10,445,491	(254,522)	9,880,736
Fire department	3,827,106	3,847,106	4,353,377	(506,271)	3,989,048
Fire safety inspections	2,296,579	2,096,254	1,996,679	99,575	2,224,747
Total public safety	16,314,654	16,134,329	16,795,547	(661,218)	16,094,531

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance with Final Budget- Positive	
	Original	Final	Actual	(Negative)	Actual
Public works					
Street lighting	$ 490,000	$ 490,000	$ 390,116	$ 99,884	$ 551,818
Community event support	103,159	103,159	81,049	22,110	73,216
General sanitation	1,969,345	1,969,345	2,216,029	(246,684)	2,107,545
Storm water management	14,000	14,000	13,340	660	4,000
City hall maintenance	276,491	276,491	309,388	(32,897)	316,868
Cemeteries maintenance	507,902	507,902	429,404	78,498	440,130
Total public works	3,360,897	3,360,897	3,439,326	(78,429)	3,493,577
Community and economic development					
Planning, zoning and economic development	417,911	429,711	405,688	24,023	376,679
Environmental services	-	-	7,413	(7,413)	-
Edison Landing subsidy	360,000	360,000	360,000	-	360,000
Total community and economic development	777,911	789,711	773,101	16,610	736,679
Culture and recreation					
Parks maintenance	1,624,617	1,624,617	1,873,339	(248,722)	1,676,222
McGraft Park maintenance	120,076	120,076	18,142	101,934	133,573
General and inner city recreation programs	-	-	1,928	(1,928)	12,050
Forestry	-	-	656	(656)	92
Parking operations	-	-	30,524	(30,524)	2,393
Farmers market and flea market	-	-	204	(204)	210
Total culture and recreation	1,744,693	1,744,693	1,924,793	(180,100)	1,824,540
Other governmental functions					
Insurance premiums	287,041	287,041	340,189	(53,148)	292,037
Other	100,000	100,000	31,272	68,728	(10,326)
Total other governmental functions	387,041	387,041	371,461	15,580	281,711
Debt service					
Principal	290,000	290,000	290,000	-	65,000
Interest and fees	159,750	159,750	160,811	(1,061)	165,851
Total debt service	449,750	449,750	450,811	(1,061)	230,851
Capital outlay	895,201	925,001	786,725	138,276	801,483
Total expenditures	28,489,743	28,355,018	29,124,288	(769,270)	27,878,646
Excess of revenues over (under) expenditures	403,400	544,893	529,160	(15,733)	869,126

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2020
(with comparative actual amounts for the year ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 100,000	$ 100,000	$ -	$ (100,000)	$ 5,989
Transfers out	(485,000)	(485,000)	(1,132,500)	(647,500)	(761,486)
Total other financing sources (uses)	(385,000)	(385,000)	(1,132,500)	(747,500)	(755,497)
Net change in fund balance	**$ 18,400**	**$ 159,893**	(603,340)	**$ (763,233)**	113,629
Fund balance at beginning of year			8,505,195		8,391,566
Fund balance at end of year			**$ 7,901,855**		**$ 8,505,195**

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, 2020

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	**Final**	**Actual**	
REVENUES				
Intergovernmental revenues				
Federal	$ 1,460,000	$ 1,050,000	$ 1,049,653	$ (347)
State	4,840,774	5,440,774	4,174,142	(1,266,632)
Charges for services	-	-	18,001	18,001
Investment earnings	10,000	10,000	9,665	(335)
Other	-	40,000	55,016	15,016
Total revenues	6,310,774	6,540,774	5,306,477	(1,234,297)
EXPENDITURES				
Current				
Highways, streets and bridges	5,328,443	7,633,443	6,018,144	1,615,299
Debt service				
Principal	-	-	215,000	(215,000)
Interest and fees	-	-	16,873	(16,873)
Total expenditures	5,328,443	7,633,443	6,250,017	1,383,426
Net change in fund balance	**$ 982,331**	**$ (1,092,669)**	(943,540)	**$ 149,129**
Fund balance at beginning of year			3,194,724	
Fund balance at end of year			**$ 2,251,184**	

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

City of Muskegon
Required Supplemental Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	$ 732,228	$ 806,565	$ 1,018,541	$ 1,130,408	$ 1,194,909	$ 1,190,507
Interest	8,718,797	8,345,836	8,429,233	8,345,661	8,034,035	7,817,503
Differences between expected and actual experience	1,830,804	3,642,392	1,326,122	(1,697,797)	(647,017)	-
Changes in assumptions	4,134,788	-	-	-	4,779,382	-
Benefit payments, including refunds of employee contributions	(8,218,689)	(7,512,608)	(6,937,544)	(6,417,825)	(6,363,249)	(6,407,932)
Other changes	-	(229,967)	(4,485,289)	-	-	-
Net change in total pension liability	7,197,928	5,052,218	(648,937)	1,360,447	6,998,060	2,600,078
Total pension liability at beginning of year	112,728,195	107,675,977	108,324,914	106,964,467	99,966,407	97,366,329
Total pension liability at end of year (a)	**$ 119,926,123**	**$ 112,728,195**	**$ 107,675,977**	**$ 108,324,914**	**$ 106,964,467**	**$ 99,966,407**
PLAN FIDUCIARY NET POSITION						
Contributions-employer	$ 2,712,204	$ 2,671,175	$ 1,801,016	$ 1,996,512	$ 1,420,218	$ 1,166,652
Contributions-employee	491,814	848,562	687,391	563,898	566,045	564,409
Net investment income	11,059,388	(3,452,538)	10,964,115	8,890,951	(1,237,895)	5,282,031
Benefit payments, including refunds or employee contributions	(8,218,689)	(7,512,608)	(6,937,544)	(6,417,825)	(6,363,249)	(6,407,932)
Administrative expense	(190,108)	(173,509)	(173,921)	(175,718)	(183,599)	(193,139)
Net change in plan fiduciary net position	5,854,609	(7,618,918)	6,341,057	4,857,818	(5,798,480)	412,021
Plan fiduciary net position at beginning of year	83,140,099	90,759,017	84,417,960	79,560,142	85,358,622	84,946,601
Plan fiduciary net position at end of year (b)	**$ 88,994,708**	**$ 83,140,099**	**$ 90,759,017**	**$ 84,417,960**	**$ 79,560,142**	**$ 85,358,622**
City's net pension liability at end of year (a)-(b)	**$ 30,931,415**	**$ 29,588,096**	**$ 16,916,960**	**$ 23,906,954**	**$ 27,404,325**	**$ 14,607,785**
Plan fiduciary net position as a percentage of the total pension liability	**74.21%**	**73.75%**	**84.29%**	**77.93%**	**74.38%**	**85.39%**
Covered payroll	**$ 6,110,950**	**$ 6,565,169**	**$ 7,645,789**	**$ 8,460,078**	**$ 9,108,948**	**$ 9,171,511**
City's net pension liability as a percentage of covered payroll	**506.16%**	**450.68%**	**221.26%**	**282.59%**	**300.85%**	**159.27%**

Notes to Schedule

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

City of Muskegon
Required Supplemental Information
PENSION SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of June 30 of each fiscal year)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 1,855,248	$ 1,902,696	$ 1,798,140	$ 1,897,158	$ 1,546,440	$ 1,293,996	$ 1,043,040	$ 1,035,772	$ 1,160,870	$ 1,211,612
Contributions in relation to the actuarially determined contribution	2,777,641	2,218,663	1,964,214	2,276,200	1,753,272	1,293,996	1,543,040	1,035,772	1,160,870	2,211,612
Contribution deficiency (excess)	**$ (922,393)**	**$ (315,967)**	**$ (166,074)**	**$ (379,042)**	**$ (206,832)**	**$ -**	**$ (500,000)**	**$ -**	**$ -**	**$ (1,000,000)**
Covered payroll	$ 6,110,950	$ 6,561,169	$ 7,645,789	$ 8,460,078	$ 9,108,948	$ 9,171,511	$ 9,198,938	$ 10,185,425	$ 10,650,990	$ 11,533,186
Contributions as percentage of covered payroll	**45.5%**	**33.8%**	**25.7%**	**26.9%**	**19.2%**	**14.1%**	**16.8%**	**10.2%**	**10.9%**	**19.2%**

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	3 to 21 years depending on division
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.75 percent changed to 3.0 percent in the long-term effective with the December 31, 2019 valuation
Investment rate of return	7.75 percent changed to 7.35 percent, net of investment and administrative expenses effective with the December 31, 2019 valuation
Retirement age	Varies depending on plan adoption
Mortality	50 percent Female/50 percent Male RP-2014 Group Annuity Mortality Table

City of Muskegon

REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	2019	2018	2017
TOTAL OPEB LIABILITY			
Service cost	$ 165,306	$ 178,243	$ 165,423
Interest	2,191,233	2,035,720	1,954,979
Differences between expected and actual experience	(2,119,868)	(992,432)	-
Changes of assumptions	6,288,823	2,349,210	-
Benefit payments, including refunds of employee contributions	(1,983,928)	(1,118,442)	(1,064,376)
Net change in total OPEB liability	4,541,566	2,452,299	1,056,026
Total OPEB liability at beginning of year	29,100,636	26,648,337	25,592,311
Total OPEB liability at end of year (a)	**$ 33,642,202**	**$ 29,100,636**	**$ 26,648,337**
PLAN FIDUCIARY NET POSITION			
Contributions-employer	$ 1,001,447	$ 671,363	$ 736,039
Net investment income	2,660,470	(699,603)	2,110,019
Benefit payments, including refunds or employee contributions	(1,983,928)	(1,118,442)	(1,064,376)
Administrative expense	(41,397)	(53,927)	(52,313)
Net change in plan fiduciary net position	1,636,592	(1,200,609)	1,729,369
Plan fiduciary net position at beginning of year	19,578,969	20,779,578	19,050,209
Plan fiduciary net position at end of year (b)	**$ 21,215,561**	**$ 19,578,969**	**$ 20,779,578**
City's net OPEB liability at end of year (a)-(b)	**$ 12,426,641**	**$ 9,521,667**	**$ 5,868,759**
Plan fiduciary net position as a percentage of the total OPEB liability	**63.06%**	**67.28%**	**77.98%**
Covered payroll	**$ 8,952,683**	**Not Available**	**$ 8,095,840**
City's net OPEB liability as a percentage of covered payroll	**138.80%**	**Not Available**	**72.49%**

Notes to Schedule

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

City of Muskegon

REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years (Amounts were determined as of June 30 of each fiscal year)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 2,115,188	$ 1,470,562	$ 956,532	$ 606,506	$ 639,428	$ 659,451	$ 696,634	$ 728,863	$ 832,891	$ 1,079,000
Contributions in relation to the actuarially determined contribution	1,233,505	1,260,887	687,642	606,506	639,428	659,451	696,634	728,863	832,891	1,079,000
Contribution deficiency (excess)	**$ 881,683**	**$ 209,675**	**$ 268,890**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered payroll	$ 8,952,683	Not Available	$ 8,095,840	$ 10,830,000	$ 10,830,000	$ 10,005,000	$ 10,005,000	$ 12,365,000	$ 12,365,000	$ 13,293,000
Contributions as percentage of covered payroll	**13.8%**	Not Available	**8.5%**	**5.6%**	**5.9%**	**6.6%**	**7.0%**	**5.9%**	**6.7%**	**8.1%**

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	8 years
Asset valuation method	Equal to market value of assets
Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	6.24 percent (including inflation), net of administrative and investment expenses
Retirement age	55 - 60 years of age
Mortality	Mortality rates for police and fire were as set forth in the Public Safety 2010 Employee and Healthy Retiree, headcount weighted, 2018 improvement scale. Mortality rates for others were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, 2018 improvement scale.

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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.

Mercy Health Arena – to account for revenues received for the operation and maintenance of Mercy Health Arena.

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

Downtown BID – to account for the collection of special assessment revenue in the downtown to be used for improvement and maintenance of downtown public infrastructure.

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

Farmers Market and Kitchen 242 – to account for revenues received for the City's Farmers Market and Kitchen 242.

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.

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.

DESCRIPTION OF
OTHER GOVERNMENTAL FUNDS—CONTINUED

Capital Projects Funds—Continued

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

Lead Abatement – to account for grant revenues received from the U. S. Department of Health and Human Services for the purpose of abatement of lead from homes in the City.

Senior Millage – to account for proceeds from the County millage for senior services that were distributed to the City for specific projects.

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, 2020

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	$ 2,851,259	$ 1,281,084	$ 1,085,722	$ 484,453
Assets managed by others	1,234,737	-	-	1,234,737
Receivables				
Accounts and loans (net of allowance for uncollectibles)	730,967	442,981	286,996	990
Special assessments	2,072	2,072	-	-
Due from other governmental units	256,364	153,237	103,127	-
Advances to component units	240,611	-	-	240,611
Prepaid items	35,929	35,929	-	-
Total assets	**$ 5,351,939**	**$ 1,915,303**	**$ 1,475,845**	**$ 1,960,791**
LIABILITIES				
Accounts payable	$ 164,756	$ 96,249	$ 68,507	$ -
Accrued liabilities	25,284	14,567	10,717	-
Due to other governmental units	2,140	2,052	88	-
Due to other funds	443,475	398,371	45,104	-
Unearned revenues - unused Farmers Market tokens	107,527	107,527	-	-
Total liabilities	743,182	618,766	124,416	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - special assessments	2,072	2,072	-	-
FUND BALANCES				
Nonspendable				
Prepaid items	35,929	35,929	-	-
Perpetual care	1,595,620	-	-	1,595,620
Restricted				
Highways, streets and bridges	1,061,222	1,061,222	-	-
Mercy Health Arena	2,524	2,524	-	-
Law enforcement	11,844	11,844	-	-
Downtown BID	176,813	176,813	-	-
Perpetual care	365,171	-	-	365,171
Other purposes	6,133	6,133	-	-
Assigned for capital projects and public improvements	1,351,429	-	1,351,429	-
Total fund balances	4,606,685	1,294,465	1,351,429	1,960,791
Total liabilities, deferred inflows of resources and fund balances	**$ 5,351,939**	**$ 1,915,303**	**$ 1,475,845**	**$ 1,960,791**

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Governmental Funds

For the year ended June 30, 2020

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	$ 1,833,603	$ -	$ 1,833,603	$ -
State	1,276,078	1,276,078	-	-
Charges for services	1,387,945	1,353,505	6,000	28,440
Fines and forfeitures	250	250	-	-
Investment earnings	24,620	4,215	9,286	11,119
Income from assets managed by others	17,948	-	-	17,948
Other	648,752	213,861	434,891	-
Total revenues	5,189,196	2,847,909	2,283,780	57,507
EXPENDITURES				
Current				
Public safety	24,809	24,809	-	-
Public works	112,629	112,629	-	-
Highways, streets and bridges	1,405,870	1,405,870	-	-
Culture and recreation	2,207,827	2,207,827	-	-
Capital outlay	2,682,820	52,664	2,630,156	-
Total expenditures	6,433,955	3,803,799	2,630,156	-
Excess of revenues over (under) expenditures	(1,244,759)	(955,890)	(346,376)	57,507
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	43,706	-	43,706	-
Transfers in	1,125,217	1,102,500	22,717	-
Transfers out	(22,717)	-	(22,717)	-
Total other financing sources (uses)	1,146,206	1,102,500	43,706	-
Net change in fund balances	(98,553)	146,610	(302,670)	57,507
Fund balances at beginning of year	4,705,238	1,147,855	1,654,099	1,903,284
Fund balances at end of year	**$ 4,606,685**	**$ 1,294,465**	**$ 1,351,429**	**$ 1,960,791**

City of Muskegon
COMBINING BALANCE SHEET
Other Special Revenue Funds
June 30, 2020

	Total Other Special Revenue Funds	Local Street	Mercy Health Arena	Criminal Forfeitures	Downtown BID	Tree Replacement	Farmers Market and Kitchen 242
ASSETS							
Cash and investments	$ 1,281,084	$ 969,978	$ -	$ 11,844	$ 176,813	$ 1,019	$ 121,430
Receivables							
Accounts	442,981	7,549	432,628	-	-	-	2,804
Special assessments	2,072	2,072	-	-	-	-	-
Due from other governmental units	153,237	153,237	-	-	-	-	-
Prepaid items	35,929	6,893	29,036	-	-	-	-
Total assets	**$ 1,915,303**	**$ 1,139,729**	**$ 461,664**	**$ 11,844**	**$ 176,813**	**$ 1,019**	**$ 124,234**
LIABILITIES							
Accounts payable	$ 96,249	$ 60,223	$ 25,868	$ -	$ -	$ -	$ 10,158
Accrued liabilities	14,567	9,319	3,813	-	-	-	1,435
Due to other governmental units	2,052	-	2,052	-	-	-	-
Due to other funds	398,371	-	398,371	-	-	-	-
Unearned revenues - unused Farmers Market tokens	107,527	-	-	-	-	-	107,527
Total liabilities	618,766	69,542	430,104	-	-	-	119,120
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - special assessments	2,072	2,072	-	-	-	-	-
FUND BALANCES							
Nonspendable - prepaid items	35,929	6,893	29,036	-	-	-	-
Restricted							
Highways, streets and bridges	1,061,222	1,061,222	-	-	-	-	-
Mercy Health Arena	2,524	-	2,524	-	-	-	-
Law enforcement	11,844	-	-	11,844	-	-	-
Downtown BID	176,813	-	-	-	176,813	-	-
Other purposes	6,133	-	-	-	-	1,019	5,114
Total fund balances	1,294,465	1,068,115	31,560	11,844	176,813	1,019	5,114
Total liabilities, deferred inflows of resources and fund balances	**$ 1,915,303**	**$ 1,139,729**	**$ 461,664**	**$ 11,844**	**$ 176,813**	**$ 1,019**	**$ 124,234**

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Special Revenue Funds

For the year ended June 30, 2020

	Total Other Special Revenue Funds	Local Street	Mercy Health Arena	Criminal Forfeitures	Downtown BID	Tree Replacement	Farmers Market and Kitchen 242
REVENUES							
Intergovernmental revenues - State	$ 1,276,078	$ 1,276,078	$ -	$ -	$ -	$ -	$ -
Charges for services	1,353,505	5,298	1,240,200	-	-	2,500	105,507
Fines and forfeitures	250	-	-	250	-	-	-
Investment earnings	4,215	3,286	-	66	581	2	280
Other	213,861	380	12,228	-	151,067	4,803	45,383
Total revenues	2,847,909	1,285,042	1,252,428	316	151,648	7,305	151,170
EXPENDITURES							
Current							
Public safety	24,809	-	-	24,809	-	-	-
Public works	112,629	-	-	-	112,629	-	-
Highways, streets and bridges	1,405,870	1,405,870	-	-	-	-	-
Culture and recreation	2,207,827	-	1,994,840	-	-	15,707	197,280
Capital outlay	52,664	-	52,664	-	-	-	-
Total expenditures	3,803,799	1,405,870	2,047,504	24,809	112,629	15,707	197,280
Excess of revenues over (under) expenditures	(955,890)	(120,828)	(795,076)	(24,493)	39,019	(8,402)	(46,110)
OTHER FINANCING SOURCES							
Transfers in	1,102,500	250,000	800,000	-	-	7,500	45,000
Net change in fund balances	146,610	129,172	4,924	(24,493)	39,019	(902)	(1,110)
Fund balances at beginning of year	1,147,855	938,943	26,636	36,337	137,794	1,921	6,224
Fund balances at end of year	**$ 1,294,465**	**$ 1,068,115**	**$ 31,560**	**$ 11,844**	**$ 176,813**	**$ 1,019**	**$ 5,114**

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
Other Special Revenue Funds
For the year ended June 30, 2020

	Local Street			Mercy Health Arena		
	Final Budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Intergovernmental revenues - State	$ 1,374,952	$ 1,276,078	$ (98,874)	$ -	$ -	$ -
Charges for services	15,000	5,298	(9,702)	1,277,000	1,240,200	(36,800)
Investment earnings	3,500	3,286	(214)	-	-	-
Other	2,000	380	(1,620)	4,000	12,228	8,228
Total revenues	1,395,452	1,285,042	(110,410)	1,281,000	1,252,428	(28,572)
EXPENDITURES						
Current						
Highways, streets and bridges	1,719,723	1,405,870	313,853	-	-	-
Culture and recreation	-	-	-	1,511,843	1,994,840	(482,997)
Capital outlay	-	-	-	50,000	52,664	(2,664)
Total expenditures	1,719,723	1,405,870	313,853	1,561,843	2,047,504	(485,661)
Excess of revenues over (under) expenditures	(324,271)	(120,828)	203,443	(280,843)	(795,076)	(514,233)
OTHER FINANCING SOURCES						
Transfers in	250,000	250,000	-	235,000	800,000	565,000
Net change in fund balances	**$ (74,271)**	129,172	**$ 203,443**	**$ (45,843)**	4,924	**$ 50,767**
Fund balances at beginning of year		938,943			26,636	
Fund balances at end of year		**$ 1,068,115**			**$ 31,560**	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
Other Special Revenue Funds
For the year ended June 30, 2020

	Criminal Forfeitures			Downtown BID		
	Final budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Fines and forfeitures	$ 1,000	$ 250	$ (750)	$ -	$ -	$ -
Investment earnings	400	66	(334)	-	581	581
Other	-	-	-	161,647	151,067	(10,580)
Total revenues	1,400	316	(1,084)	161,647	151,648	(9,999)
EXPENDITURES						
Current						
Public safety	28,314	24,809	3,505	-	-	-
Public works	-	-	-	161,647	112,629	49,018
Total expenditures	28,314	24,809	3,505	161,647	112,629	49,018
Net change in fund balances	**$ (26,914)**	(24,493)	**$ 2,421**	**$ -**	39,019	**$ 39,019**
Fund balance at beginning of year		36,337			137,794	
Fund balance at end of year		**$ 11,844**			**$ 176,813**	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
Other Special Revenue Funds
For the year ended June 30, 2020

	Tree Replacement			Farmers Market and Kitchen 242		
	Final Budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Charges for services	$ 5,000	$ 2,500	$ (2,500)	$ 159,000	$ 105,507	$ (53,493)
Investment earnings	-	2	2	200	280	80
Other	-	4,803	4,803	80,500	45,383	(35,117)
Total revenues	5,000	7,305	2,305	239,700	151,170	(88,530)
EXPENDITURES						
Current						
Culture and recreation	5,000	15,707	(10,707)	200,306	197,280	3,026
Excess of revenues over (under) expenditures	-	(8,402)	(8,402)	39,394	(46,110)	(85,504)
OTHER FINANCING SOURCES						
Transfers in	-	7,500	7,500	-	45,000	45,000
Net change in fund balances	**$ -**	(902)	**$ (902)**	**$ 39,394**	(1,110)	**$ (40,504)**
Fund balance at beginning of year		1,921			6,224	
Fund balance at end of year		**$ 1,019**			**$ 5,114**	

City of Muskegon
COMBINING BALANCE SHEET
Other Capital Projects Funds
June 30, 2020

	Total Other Capital Projects Funds	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	HOME Rehabilitation	Lead Abatement	Senior Millage
ASSETS							
Cash and investments	$ 1,085,722	$ 226,411	$ 769,408	$ 6,670	$ -	$ -	$ 83,233
Accounts and loans (net of allowance for uncollectibles)	286,996	-	275,739	11,257	-	-	-
Due from other governmental units	103,127	-	-	11,131	7,417	84,579	-
Total assets	**$ 1,475,845**	**$ 226,411**	**$ 1,045,147**	**$ 29,058**	**$ 7,417**	**$ 84,579**	**$ 83,233**
LIABILITIES							
Accounts payable	$ 68,507	$ -	$ 2,323	$ 21,385	$ 290	$ 44,360	$ 149
Accrued liabilities	10,717	-	-	7,585	789	1,453	890
Due to other governmental units	88	-	-	88	-	-	-
Due to other funds	45,104	-	-	-	6,338	38,766	-
Total liabilities	124,416	-	2,323	29,058	7,417	84,579	1,039
FUND BALANCES							
Assigned for capital projects and public improvements	1,351,429	226,411	1,042,824	-	-	-	82,194
Total liabilities and fund balances	**$ 1,475,845**	**$ 226,411**	**$ 1,045,147**	**$ 29,058**	**$ 7,417**	**$ 84,579**	**$ 83,233**

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Capital Projects Funds
For the year ended June 30, 2020

	Total Other Capital Projects Funds	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	HOME Rehabilitation	Lead Abatement	Senior Millage
REVENUES							
Intergovernmental revenues - Federal	$ 1,833,603	$ -	$ -	$ 967,046	$ 199,633	$ 666,924	$ -
Charges for services	6,000	-	6,000	-	-	-	-
Investment earnings	9,286	1,129	8,141	6	-	-	10
Other	434,891	-	50,038	3,000	-	-	381,853
Total revenues	2,283,780	1,129	64,179	970,052	199,633	666,924	381,863
EXPENDITURES							
Capital outlay	2,630,156	-	217,592	985,501	460,470	666,924	299,669
Excess of revenues over (under) expenditures	(346,376)	1,129	(153,413)	(15,449)	(260,837)	-	82,194
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	43,706	-	-	38,166	5,540	-	-
Transfers in	22,717	-	-	-	22,717	-	-
Transfers out	(22,717)	-	-	(22,717)	-	-	-
Total other financing sources (uses)	43,706	-	-	15,449	28,257	-	-
Net change in fund balances	(302,670)	1,129	(153,413)	-	(232,580)	-	82,194
Fund balances at beginning of year	1,654,099	225,282	1,196,237	-	232,580	-	-
Fund balances at end of year	**$ 1,351,429**	**$ 226,411**	**$ 1,042,824**	**$ -**	**$ -**	**$ -**	**$ 82,194**

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, 2020

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
ASSETS					
Current assets					
Cash and investments	$ 1,253,766	$ 11,975	$ 798,045	$ -	$ 443,746
Accounts receivable	1,478,408	484	9,120	1,468,804	-
Inventories	6,033	-	6,033	-	-
Prepaid items	243,875	2,645	64,558	169,948	6,724
Total current assets	2,982,082	15,104	877,756	1,638,752	450,470
Noncurrent assets					
Advances to component units	481,220	-	240,610	240,610	-
Capital assets					
Land	65,000	-	-	-	65,000
Land improvements	301,715	-	-	-	301,715
Buildings and improvements	1,668,215	-	-	-	1,668,215
Machinery and equipment	9,878,509	51,346	9,732,799	-	94,364
Construction in progress	79,822	-	79,822	-	-
Less accumulated depreciation	(8,986,499)	(28,646)	(7,202,341)	-	(1,755,512)
Net capital assets	3,006,762	22,700	2,610,280	-	373,782
Total noncurrent assets	3,487,982	22,700	2,850,890	240,610	373,782
Total assets	6,470,064	37,804	3,728,646	1,879,362	824,252
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	52,192	-	19,572	-	32,620
Related to other postemployment benefits	130,806	-	49,052	-	81,754
Total deferred outflows of resources	182,998	-	68,624	-	114,374
Total assets and deferred outflows of resources	6,653,062	37,804	3,797,270	1,879,362	938,626
LIABILITIES					
Current liabilities					
Accounts payable	345,205	633	46,316	244,774	53,482
Accrued liabilities	38,641	8,683	12,623	1,357	15,978
Due to other governmental units	1,120	-	-	1,120	-
Due to other funds	394,517	-	-	394,517	-
Bonds and other obligations, due within one year	21,000	3,800	8,600	900	7,700
Total current liabilities	800,483	13,116	67,539	642,668	77,160
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	105,191	19,022	42,711	4,726	38,732
Net pension liability	1,237,257	-	463,972	-	773,285
Net other postemployment benefits liability	497,066	-	186,400	-	310,666
Total noncurrent liabilities	1,839,514	19,022	693,083	4,726	1,122,683
Total liabilities	2,639,997	32,138	760,622	647,394	1,199,843
DEFERRED INFLOWS OF RESOURCES					
Related to other postemployment benefits	34,019	-	12,757	-	21,262
Total liabilities and deferred inflows of resources	2,674,016	32,138	773,379	647,394	1,221,105
NET POSITION					
Net investment in capital assets	3,006,762	22,700	2,610,280	-	373,782
Unrestricted	972,284	(17,034)	413,611	1,231,968	(656,261)
Total net position	**$ 3,979,046**	**$ 5,666**	**$ 3,023,891**	**$ 1,231,968**	**$ (282,479)**

City of Muskegon
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Internal Service Funds
For the year ended June 30, 2020

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	$ 9,362,324	$ 276,605	$ 2,364,948	$ 5,671,637	$ 1,049,134
Other	115,171	30,453	84,718	-	-
Total operating revenues	9,477,495	307,058	2,449,666	5,671,637	1,049,134
OPERATING EXPENSES					
Administration	304,305	41,253	89,706	49,323	124,023
Insurance premiums and claims	5,455,327	-	-	5,455,327	-
Other operations	3,753,969	368,442	1,996,524	68,717	1,320,286
Depreciation	523,925	2,291	478,464	-	43,170
Total operating expenses	10,037,526	411,986	2,564,694	5,573,367	1,487,479
Operating income (loss)	(560,031)	(104,928)	(115,028)	98,270	(438,345)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	27,071	124	13,180	10,980	2,787
Gain (loss) on sale of capital assets	(8,161)	-	(8,161)	-	-
Total nonoperating revenues (expenses)	18,910	124	5,019	10,980	2,787
Income (loss) before transfers	(541,121)	(104,804)	(110,009)	109,250	(435,558)
TRANSFERS					
Transfers in	20,000	20,000	-	-	-
Change in net position	(521,121)	(84,804)	(110,009)	109,250	(435,558)
Net position at beginning of year	4,500,167	90,470	3,133,900	1,122,718	153,079
Net position at end of year	**$ 3,979,046**	**$ 5,666**	**$ 3,023,891**	**$ 1,231,968**	**$ (282,479)**

City of Muskegon
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended June 30, 2020

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 106,659	$ 30,379	$ 76,280	$ -	$ -
Receipts from interfund services provided	7,303,632	276,605	2,364,948	3,612,945	1,049,134
Other receipts	1,867,451	-	-	1,867,451	-
Payments to suppliers	(6,680,206)	(84,638)	(921,306)	(5,324,172)	(350,090)
Payments to employees	(1,503,546)	(215,797)	(391,137)	(248,228)	(648,384)
Payments for interfund services used	(828,757)	(95,910)	(607,434)	(3,571)	(121,842)
Net cash provided by (used for) operating activities	265,233	(89,361)	521,351	(95,575)	(71,182)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	20,000	20,000	-	-	-
Interfund borrowing	40,954	-	-	40,954	-
Collections on advances to component units	87,282	-	43,641	43,641	-
Net cash provided by (used for) noncapital financing activities	148,236	20,000	43,641	84,595	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(622,533)	(24,991)	(488,661)	-	(108,881)
Proceeds from sale of capital assets	27,661	-	27,661	-	-
Net cash provided by (used for) capital and related financing activities	(594,872)	(24,991)	(461,000)	-	(108,881)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	27,071	124	13,180	10,980	2,787
Net increase (decrease) in cash and investments	(154,332)	(94,228)	117,172	-	(177,276)
Cash and investments at beginning of year	1,408,098	106,203	680,873	-	621,022
Cash and investments at end of year	**$ 1,253,766**	**$ 11,975**	**$ 798,045**	**$ -**	**$ 443,746**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ (560,031)	$ (104,928)	$ (115,028)	$ 98,270	$ (438,345)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	523,925	2,291	478,464	-	43,170
Change in assets and liabilities					
Receivables	(199,753)	(74)	(8,438)	(191,241)	-
Inventories	3,292	-	3,292	-	-
Prepaid items	28,985	(1,081)	(2,814)	34,182	(1,302)
Accounts payable	(21,014)	(397)	(20,375)	(37,955)	37,713
Accrued liabilities	489,829	14,828	186,250	1,169	287,582
Net cash provided by (used for) operating activities	**$ 265,233**	**$ (89,361)**	**$ 521,351**	**$ (95,575)**	**$ (71,182)**

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, public school districts, and other governmental entities.

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, 2020

	Total Agency Funds	Collector	Current Tax	Rehab Loan Escrow
ASSETS				
Cash and investments	$ 927,093	$ 926,712	$ -	$ 381
Accounts receivable	73,203	73,203	-	-
Total assets	**$ 1,000,296**	**$ 999,915**	**$ -**	**$ 381**
LIABILITIES				
Accounts payable	$ 327,077	$ 326,696	$ -	$ 381
Due to other governmental units	511,793	511,793	-	-
Deposits held for others	161,426	161,426	-	-
Total liabilities	**$ 1,000,296**	**$ 999,915**	**$ -**	**$ 381**

City of Muskegon
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the year ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
COLLECTOR FUND				
ASSETS				
Cash and investments	$ 944,157	$ 10,193,707	$ 10,211,152	$ 926,712
Accounts receivable	30,521	391,465	348,783	73,203
Total assets	**$ 974,678**	**$ 10,585,172**	**$ 10,559,935**	**$ 999,915**
LIABILITIES				
Accounts payable	$ 333,297	$ 5,242,831	$ 5,249,432	$ 326,696
Due to other governmental units	446,320	2,546,025	2,480,552	511,793
Deposits held for others	195,061	2,882,774	2,916,409	161,426
Total liabilities	**$ 974,678**	**$ 10,671,630**	**$ 10,646,393**	**$ 999,915**
CURRENT TAX FUND				
ASSETS				
Cash and investments	**$ -**	**$ 22,484,149**	**$ 22,484,149**	**$ -**
LIABILITIES				
Due to other governmental units	$ -	$ 22,412,489	$ 22,412,489	$ -
Due to component units	-	1,603,563	1,603,563	-
Deposits held for others	-	107,522	107,522	-
Total liabilities	**$ -**	**$ 24,123,574**	**$ 24,123,574**	**$ -**
REHAB LOAN ESCROW FUND				
ASSETS				
Cash and investments	**$ 381**	**$ -**	**$ -**	**$ 381**
LIABILITIES				
Accounts payable	**$ 381**	**$ -**	**$ -**	**$ 381**
ALL AGENCY FUNDS				
ASSETS				
Cash and investments	$ 944,538	$ 32,677,856	$ 32,695,301	$ 927,093
Accounts receivable	30,521	391,465	348,783	73,203
Total assets	**$ 975,059**	**$ 33,069,321**	**$ 33,044,084**	**$ 1,000,296**
LIABILITIES				
Accounts payable	$ 333,678	$ 5,242,831	$ 5,249,432	$ 327,077
Due to other governmental units	446,320	24,958,514	24,893,041	511,793
Due to component units	-	1,603,563	1,603,563	-
Deposits held for others	195,061	2,990,296	3,023,931	161,426
Total liabilities	**$ 975,059**	**$ 34,795,204**	**$ 34,769,967**	**$ 1,000,296**

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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 four designated brownfield areas capturing tax increments.

- Area I – Betten-Henry Street brownfield site.
- Area II – Former downtown mall brownfield site.
- Area III – Terrace Point brownfield site.
- Area IV – Pigeon Hill brownfield site.

City of Muskegon
COMBINING BALANCE SHEET
Discretely Presented Component Units
June 30, 2020

	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	Brownfield Redevelopment Authority III	Brownfield Redevelopment Authority IV
ASSETS								
Cash and investments	**$ 99,100**	**$ 32,146**	**$ 11,529**	**$ 15,888**	**$ 3,450**	**$ 13,115**	**$ 22,972**	**$ -**
LIABILITIES								
Accounts payable	$ 806	$ -	$ 806	$ -	$ -	$ -	$ -	$ -
Accrued liabilities	4,376	-	4,376	-	-	-	-	-
Advances from primary government	721,831	-	-	-	721,831	-	-	-
Total liabilities	727,013	-	5,182	-	721,831	-	-	-
FUND BALANCES (DEFICITS)								
Unassigned	(627,913)	32,146	6,347	15,888	(718,381)	13,115	22,972	-
Total liabilities and fund balances (deficits)	**$ 99,100**	**$ 32,146**	**$ 11,529**	**$ 15,888**	**$ 3,450**	**$ 13,115**	**$ 22,972**	**$ -**

City of Muskegon
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2020

Total fund balances (deficits)—governmental funds		$ (627,913)
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	(2,863,081)	1,335,177
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	(9,650)	
Bonds and notes payable	(1,760,377)	(1,770,027)
Net position of governmental activities		**$ (1,062,763)**

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)

Discretely Presented Component Units

For the year ended June 30, 2020

	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	Brownfield Redevelopment Authority III	Brownfield Redevelopment Authority IV
REVENUES								
Property taxes	$ 1,653,545	$ 98,643	$ 924,457	$ 35,383	$ 138,401	$ 168,248	$ 281,642	$ 6,771
Intergovernmental revenues								
State	25,821	3,311	-	7,270	6,822	8,418	-	-
Local	494,072	360,000	134,072	-	-	-	-	-
Investment earnings	1,246	95	280	54	44	382	391	-
Other	2,000	-	2,000	-	-	-	-	-
Total revenues	2,176,684	462,049	1,060,809	42,707	145,267	177,048	282,033	6,771
EXPENDITURES								
Current								
Community and economic development	636,466	-	134,919	40,000	-	180,000	274,776	6,771
Debt service								
Principal	1,390,000	390,000	1,000,000	-	-	-	-	-
Interest and fees	92,459	65,800	-	-	26,659	-	-	-
Total expenditures	2,118,925	455,800	1,134,919	40,000	26,659	180,000	274,776	6,771
Net change in fund balances (deficits)	57,759	6,249	(74,110)	2,707	118,608	(2,952)	7,257	-
Fund balances (deficits) at beginning of year	(685,672)	25,897	80,457	13,181	(836,989)	16,067	15,715	-
Fund balances (deficits) at end of year	**$ (627,913)**	**$ 32,146**	**$ 6,347**	**$ 15,888**	**$ (718,381)**	**$ 13,115**	**$ 22,972**	**$ -**

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, 2020

Net change in fund balances—total governmental funds		$ 57,759
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)
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		1,390,000
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	$ 2,600	
Amortization of premiums	17,042	19,642
Change in net position of governmental activities		**$ 1,294,753**

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SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2020

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2019	6/30/2020	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Drinking Water State Revolving Fund	**3/2/2004**	**$ 13,900,000**	**2.13%**	**10/01/19**	$ 745,000	$ -	$ -
			2.13%	**10/01/20**	760,000	760,000	93,925
			2.13%	**10/01/21**	775,000	775,000	77,616
Type of debt: state loan			**2.13%**	**10/01/22**	790,000	790,000	60,988
Revenue pledged: water system net revenues			**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
					5,545,000	4,800,000	312,058
Drinking Water State Revolving Fund*	**8/30/2019**	**$563,700**	**2.00%**	**10/01/20**	-	-	32,000
			2.00%	**10/01/21**	-	65,000	32,000
Type of debt: state loan			**2.00%**	**10/01/22**	-	70,000	30,700
Revenue Pledged: water system net revenues			**2.00%**	**10/01/23**	-	70,000	29,300
Forgiveness: 20%			**2.00%**	**10/01/24**	-	58,217	27,900
			2.00%	**10/01/25**	-	-	-
			2.00%	**10/01/26**	-	-	-
			2.00%	**10/01/27**	-	-	-
			2.00%	**10/01/28**	-	-	-
			2.00%	**10/01/29**	-	-	-
			2.00%	**10/01/30**	-	-	-
			2.00%	**10/01/31**	-	-	-
			2.00%	**10/01/32**	-	-	-
			2.00%	**10/01/33**	-	-	-
			2.00%	**10/01/34**	-	-	-
			2.00%	**10/01/35**	-	-	-
			2.00%	**10/01/36**	-	-	-
			2.00%	**10/01/37**	-	-	-
			2.00%	**10/01/38**	-	-	-
			2.00%	**10/01/39**	-	-	-
			2.00%	**10/01/40**	-	-	-
					-	263,217	151,900
Sanitary Sewer State Revolving Fund*	**8/30/2019**	**$1,544,739**	**2.00%**	**10/01/20**	-	-	57,500
			2.00%	**10/01/21**	-	120,000	56,300
Type of debt: state loan			**2.00%**	**10/01/22**	-	120,000	53,900
Revenue Pledged: sanitary sewer system net revenues			**2.00%**	**10/01/23**	-	125,000	51,450
Forgiveness: 75%			**2.00%**	**10/01/24**	-	125,000	48,950
			2.00%	**10/01/25**	-	130,000	46,400
			2.00%	**10/01/26**	-	130,000	43,800
			2.00%	**10/01/27**	-	135,000	41,150
			2.00%	**10/01/28**	-	135,000	38,450
			2.00%	**10/01/29**	-	140,000	35,700
			2.00%	**10/01/30**	-	140,000	32,900
			2.00%	**10/01/31**	-	145,000	30,050
			2.00%	**10/01/32**	-	99,739	27,150
			2.00%	**10/01/33**	-	-	-
			2.00%	**10/01/34**	-	-	-
			2.00%	**10/01/35**	-	-	-
			2.00%	**10/01/36**	-	-	-
			2.00%	**10/01/37**	-	-	-
			2.00%	**10/01/38**	-	-	-
			2.00%	**10/01/39**	-	-	-
			2.00%	**10/01/40**	-	-	-
					-	1,544,739	563,700
TOTAL BUSINESS TYPE ACTIVITIES BONDS AND LOAN PAYABLE:					$ 5,545,000	$ 6,607,956	$ 1,027,658

*The total amount of the 2019 Water Supply System Junior Lien Bond and 2019 Sanitary Sewer System Junior Lien Bond are $2,000,000 and $11,500,000 respectively, with the City expecting to draw the remaining amount in the upcoming year. If certain conditions are met, the principal amounts of up to $400,000 and $8,625,000, respectively, of the balances may be forgiven.

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2020

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2019	6/30/2020	Annual Interest Payable
Governmental Activities Bonds and Loan Payable:							
Capital Improvement refunding bonds of 2016	**3/8/2016**	**$ 4,815,000**	**2.00%**	**10/01/19**	$ 290,000	$ -	$ -
($222,903 unamortized premium)			**3.00%**	**10/01/20**	295,000	295,000	150,975
			3.00%	**10/01/21**	305,000	305,000	141,975
Type of debt: limited G.O. bonds			**3.00%**	**10/01/22**	300,000	300,000	132,900
Revenue pledge: General Fund			**3.00%**	**10/01/23**	300,000	300,000	122,400
			4.00%	**10/01/24**	320,000	320,000	110,000
			4.00%	**10/01/25**	325,000	325,000	97,100
			4.00%	**10/01/26**	325,000	325,000	84,100
			4.00%	**10/01/27**	325,000	325,000	71,100
			4.00%	**10/01/28**	325,000	325,000	58,100
			4.00%	**10/01/29**	325,000	325,000	45,100
			4.00%	**10/01/30**	325,000	325,000	32,100
			4.00%	**10/01/31**	320,000	320,000	19,200
			4.00%	**10/01/32**	320,000	320,000	6,400
					4,400,000	4,110,000	1,071,450
Capital improvement bonds	**9/30/2011**	**$ 2,000,000**	**2.98%**	**09/01/19**	215,000	-	-
of 2011 (streets)			**2.98%**	**09/01/20**	220,000	220,000	10,132
			2.98%	**09/01/21**	230,000	230,000	3,427
Type of debt: limited G.O. bond					665,000	450,000	13,559
Revenue pledged: gas tax, general revenues							
Capital Improvement Bonds of 2019	**10/9/2019**	**$ 19,420,000**	**1.90%**	**10/01/20**	-	175,000	615,749
Convention Center			**1.83%**	**10/01/21**	-	205,000	612,211
($143,150 unamortized discount)			**1.88%**	**10/01/22**	-	250,000	607,985
			1.93%	**10/01/23**	-	300,000	602,740
Type of debt: limited G.O. bonds			**2.00%**	**10/01/24**	-	320,000	596,645
Revenue Pledged: excise tax on hotel rooms levied by the			**2.10%**	**10/01/25**	-	340,000	589,875
County of Muskegon pursuant to Act 263			**2.24%**	**10/01/26**	-	360,000	582,273
			2.34%	**10/01/27**	-	380,000	573,795
			2.43%	**10/01/28**	-	405,000	564,429
			2.60%	**10/01/29**	-	430,000	553,918
			2.60%	**10/01/30**	-	455,000	542,412
			2.68%	**10/01/31**	-	480,000	530,066
			2.78%	**10/01/32**	-	510,000	516,544
			2.83%	**10/01/33**	-	540,000	501,815
			2.93%	**10/01/34**	-	570,000	485,822
			3.30%	**10/01/35**	-	605,000	467,399
			3.30%	**10/01/36**	-	640,000	446,670
			3.30%	**10/01/37**	-	680,000	424,692
			3.30%	**10/01/38**	-	720,000	401,382
			3.30%	**10/01/39**	-	760,000	376,740
			3.48%	**10/01/40**	-	800,000	350,166
			3.48%	**10/01/41**	-	845,000	321,543
			3.48%	**10/01/42**	-	895,000	291,267
			3.48%	**10/01/43**	-	940,000	259,338
			3.48%	**10/01/44**	-	995,000	225,669
			3.58%	**10/01/45**	-	1,045,000	189,651
			3.58%	**10/01/46**	-	1,105,000	151,165
			3.58%	**10/01/47**	-	1,160,000	110,622
			3.58%	**10/01/48**	-	1,225,000	67,931
			3.58%	**10/01/49**	-	1,285,000	23,001
					-	19,420,000	12,583,515
State of Michigan	**6/18/2010**	**$ 500,000**	**2.00%**	**03/18/20**	19,699	-	-
environmental assessment loan					19,699	-	-
Type of debt: state loan							
Revenue pledged: general revenues							

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2020

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2019	6/30/2020	Annual Interest Payable
Governmental Activities Bonds and Loan Payable—Continued:							
Installment Purchase Agreements		**$ 2,417,390**	**4.4% - 5.3%**	**04/22/21**	$ -	$ 324,944	$ 90,299
Mercy Health Arena			**4.4% - 5.3%**	**04/22/22**	-	340,307	75,277
Type of debt: installment purchase			**4.4% - 5.3%**	**04/22/23**	-	356,217	59,367
Revenue pledged: general revenues			**4.4% - 5.3%**	**04/22/24**	-	372,871	42,713
			4.4% - 5.3%	**04/22/25**	-	390,306	25,278
			4.4% - 5.3%	**04/22/26**	-	339,159	7,159
					-	2,123,804	300,093
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					$ 5,084,699	$ 26,103,804	$ 13,968,617
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					$ 10,629,699	$ 32,711,760	$ 14,996,275
Discretely Presented Component Unit Bonds and Loans Payable:							
Downtown Development Authority	**8/10/1989**	**$ 1,000,000**	**0.00%**	**08/30/19**	$ 1,000,000	$ -	$ -
promissory note to Muskegon County					1,000,000	-	-
Type of debt: intergovernmental note							
Revenue pledged: DDA tax increments							
Local Development Finance Authority	**3/20/2012**	**$ 4,100,000**	**4.00%**	**11/01/19**	390,000	-	-
Smartzone Refunding Bonds			**4.00%**	**11/01/20**	395,000	395,000	50,100
($40,377 unamortized premium)			**4.00%**	**11/01/21**	245,000	245,000	37,300
			3.00%	**11/01/22**	255,000	255,000	28,575
Type of debt: limited G.O. bond			**3.00%**	**11/01/23**	265,000	265,000	20,775
Revenue pledged: LDFA tax increments, general revenues			**3.00%**	**11/01/24**	275,000	275,000	12,675
			3.00%	**11/01/25**	285,000	285,000	4,275
					2,110,000	1,720,000	153,700
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					$ 3,110,000	$ 1,720,000	$ 153,700
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					$ 13,739,699	$ 34,431,760	$ 15,149,975

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.

Contents **Page**

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. 126

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. 131

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. 138

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. 142

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. 144

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

City of Muskegon

NET ASSETS/NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019	2020
Governmental Activities										
Net Investment in Capital Assets	$ 67,944,957	$ 66,862,806	$ 63,842,092	$ 63,731,255	$ 63,514,691	$ 64,326,891	$ 62,520,466	$ 61,267,518	$ 66,734,006	$ 70,274,679
Restricted	3,656,410	3,526,343	4,572,848	4,023,895	4,807,531	4,140,342	3,777,410	6,138,596	5,519,207	4,459,799
Unrestricted	12,598,197	12,836,573	13,299,523	12,811,852	491,914	(4,142,119)	(5,566,349)	(8,350,634)	(14,355,143)	(28,084,776)
Total Governmental Net Assets/Net Position	$ 84,199,564	$ 83,225,722	$ 81,714,463	$ 80,567,002	$ 68,814,136	$ 64,325,114	$ 60,731,527	$ 59,055,480	$ 57,898,070	$ 46,649,702
Business-type Activities										
Net Investment in Capital Assets	$ 40,419,728	$ 40,147,600	$ 40,032,858	$ 39,365,043	$ 39,231,223	$ 39,013,529	$ 38,114,686	$ 38,549,547	$ 41,741,666	$ 44,543,391
Restricted	672,000	672,000	599,500	599,500	599,500	599,500	599,500	599,500	599,500	599,500
Unrestricted	9,211,610	8,961,713	8,491,848	8,377,093	6,423,540	5,762,272	6,382,906	6,041,091	2,424,616	(2,353,801)
Total Business-type Activities Net Assets/Net Position	$ 50,303,338	$ 49,781,313	$ 49,124,206	$ 48,341,636	$ 46,254,263	$ 45,375,301	$ 45,097,092	$ 45,190,138	$ 44,765,782	$ 42,789,090
Primary Government										
Net Investment in Capital Assets	$ 108,364,685	$ 107,010,406	$ 103,874,950	$ 103,096,298	$ 102,745,914	$ 103,340,420	$ 100,635,152	$ 99,817,065	$ 108,475,672	$ 114,818,070
Restricted	4,328,410	4,198,343	5,172,348	4,623,395	5,407,031	4,739,842	4,376,910	6,738,096	6,118,707	5,059,299
Unrestricted	21,809,807	21,798,286	21,791,371	21,188,945	6,915,454	1,620,153	816,557	(2,309,543)	(11,930,527)	(30,438,577)
Total Primary Government Net Assets/Net Position	$ 134,502,902	$ 133,007,035	$ 130,838,669	$ 128,908,638	$ 115,068,399	$ 109,700,415	$ 105,828,619	$ 104,245,618	$ 102,663,852	$ 89,438,792

(a) In 2013, the City implemented GASB 63 and 65 which changed the elements of the financial statements.
(b) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.
(c) In 2018, the City implemented GASB 75 which changed how governments measure and report other postemployment benefit liabilities.

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 NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Year Ended June 30									
	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019	2020
EXPENSES										
Governmental Activities										
Public representation	$ 854,249	$ 866,809	$ 893,981	$ 1,030,006	$ 939,907	$ 1,107,551	$ 1,113,897	$ 1,347,618	$ 1,336,014	$ 1,501,079
Administrative services	645,585	566,161	565,307	543,425	614,757	663,077	679,139	507,275	800,887	962,981
Financial services	2,373,141	2,399,147	2,241,061	2,171,958	2,547,766	2,331,236	2,483,519	1,995,426	2,700,775	3,007,018
Public safety	13,390,888	13,213,251	12,987,842	12,946,466	14,243,233	17,118,742	16,910,473	12,404,126	20,433,642	25,982,246
Public works	3,471,051	2,958,367	3,201,806	3,361,422	3,183,627	3,109,454	3,551,230	3,471,618	4,438,358	4,581,526
Highways, streets and bridges	7,013,216	6,568,448	6,672,374	7,053,326	7,165,703	7,251,882	6,996,540	6,917,260	7,185,642	7,593,019
Community and economic development	2,830,867	2,447,373	2,499,404	2,417,518	2,712,131	5,223,431	3,738,566	5,015,160	2,890,216	5,359,282
Culture and recreation	1,524,331	1,601,316	1,592,358	1,671,185	1,806,790	3,551,692	3,918,814	3,994,582	4,541,739	5,269,578
General administration	794,115	791,197	322,348	366,634	389,248	326,452	301,287	376,112	302,582	389,863
Interest on long-term debt	272,940	283,186	291,535	277,345	271,607	248,223	172,591	165,023	151,304	732,065
Total Governmental Activities Expenses	33,170,383	31,695,255	31,268,016	31,839,285	33,874,769	40,931,740	39,866,056	36,194,200	44,781,159	55,378,657
Business-type Activities										
Water	5,869,241	5,974,173	6,228,788	6,016,192	6,047,244	6,750,826	7,206,564	7,090,770	7,752,703	8,437,862
Sewer	5,288,622	6,202,359	7,226,839	7,582,602	8,460,509	8,669,469	8,876,690	8,093,752	9,119,941	9,902,515
Marina and launch ramp	292,889	310,174	426,553	503,997	305,990	327,832	336,912	377,614	430,431	529,007
Total Business-type Activities Expenses	11,450,752	12,486,706	13,882,180	14,102,791	14,813,743	15,748,127	16,420,166	15,562,136	17,303,075	18,869,384
Total Primary Government Expenses	$ 44,621,135	$ 44,181,961	$ 45,150,196	$ 45,942,076	$ 48,688,512	$ 56,679,867	$ 56,286,222	$ 51,756,336	$ 62,084,234	$ 74,248,041
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
Public representation	$ 196,886	$ 196,886	$ 173,739	$ 189,444	$ 188,638	$ 226,559	$ 228,767	$ 232,736	$ 250,931	$ 253,511
Administrative services	263,473	270,886	268,535	325,937	415,308	474,737	572,739	539,178	604,290	538,791
Financial services	879,905	881,229	830,919	871,632	823,547	925,474	895,924	903,322	921,748	913,968
Public safety	1,109,659	1,136,942	1,133,666	1,407,722	1,218,644	1,248,911	1,824,114	2,794,347	2,292,158	2,290,640
Public works	642,082	480,487	671,494	796,739	571,426	379,877	646,876	743,110	691,312	835,149
Highways, streets and bridges	451,473	230,241	245,609	351,962	258,475	234,861	256,190	188,248	191,883	193,267
Community and economic development	457,952	617,379	432,240	477,486	576,863	444,632	706,195	348,933	786,120	769,860
Culture and recreation	300,367	315,010	606,818	535,211	368,168	1,229,067	1,463,839	1,651,304	1,853,547	2,124,968
General administration	116,690	116,690	287,729	50,728	48,764	52,512	37,892	38,549	40,400	59,537
Operating grants and contributions	5,425,165	4,651,576	4,681,345	4,664,098	5,071,239	5,330,825	5,208,818	6,478,526	6,892,530	7,398,202
Capital grants and contributions	2,257,163	1,568,005	886,108	1,408,424	3,496,623	3,804,656	862,074	2,305,620	4,015,097	4,064,216
Total Governmental Program Revenues	12,100,815	10,465,331	10,218,202	11,079,383	13,037,695	14,352,111	12,703,428	16,223,873	18,540,016	19,442,109
Business-type Activities										
Water	5,454,760	5,254,095	5,890,614	6,099,480	6,375,869	7,485,013	7,430,314	7,445,669	7,946,983	8,316,552
Sewer	6,652,851	6,455,634	7,058,315	6,633,911	6,363,808	6,305,554	7,620,208	8,217,497	8,098,828	8,397,838
Marina and launch ramp	194,311	208,370	234,229	228,339	255,638	287,547	278,753	325,917	298,312	74,659
Operating grants and contributions	-	-	6,188	-	-	-	2,436	42,531	510,533	94,462
Capital grants and contributions	20,074	-	88,046	327,240	474,681	765,363	784,969	-	-	-
Total Business-type program revenues	12,321,996	11,918,099	13,277,392	13,288,970	13,469,996	14,843,477	16,116,680	16,031,614	16,854,656	16,883,511
Total Primary Government program revenues	$ 24,422,811	$ 22,383,430	$ 23,495,594	$ 24,368,353	$ 26,507,691	$ 29,195,588	$ 28,820,108	$ 32,255,487	$ 35,394,672	$ 36,325,620
NET (EXPENSE) REVENUE										
Governmental Activities	$ (21,069,568)	$ (21,229,924)	$ (21,049,814)	$ (20,759,902)	$ (20,837,074)	$ (26,579,629)	$ (27,162,628)	$ (19,970,327)	$ (26,241,143)	$ (35,936,548)
Business-type Activities	871,244	(568,607)	(604,788)	(813,821)	(1,343,747)	(904,650)	(303,486)	469,478	(448,419)	(1,985,873)
Total Primary Government net expense	$ (20,198,324)	$ (21,798,531)	$ (21,654,602)	$ (21,573,723)	$ (22,180,821)	$ (27,484,279)	$ (27,466,114)	$ (19,500,849)	$ (26,689,562)	$ (37,922,421)

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Year Ended June 30									
	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019	2020
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION										
Governmental Activities										
Property taxes	$ 8,844,004	$ 8,383,224	$ 7,592,847	$ 7,383,236	$ 7,894,189	$ 8,366,212	$ 8,389,243	$ 8,450,103	$ 8,230,573	$ 8,466,886
Income taxes	6,866,967	7,663,534	8,057,145	7,762,719	8,478,231	8,386,775	8,707,279	8,995,294	8,939,887	9,437,451
Franchise fees	362,103	342,376	358,785	358,754	369,965	372,117	378,955	368,495	380,343	361,405
Grants and contributions not restricted for specific programs	3,846,859	3,577,848	3,700,871	3,813,221	3,989,178	4,051,050	4,630,111	4,955,168	5,102,602	5,276,036
Unrestricted investment earnings	193,435	100,073	73,157	146,590	99,733	189,408	106,653	92,771	546,533	568,408
Miscellaneous	432,880	154,531	102,388	124,085	805,432	626,014	512,738	545,536	550,381	577,677
Gain on sale of capital asset	25,815	34,496	44,899	23,836	20,302	99,031	844,062	712,415	1,333,414	317
Total Governmental Program Revenues	20,572,063	20,256,082	19,930,092	19,612,441	21,657,030	22,090,607	23,569,041	24,119,782	25,083,733	24,688,180
Business-type Activities										
Unrestricted investment earnings	23,959	46,582	33,148	31,251	29,879	25,688	25,277	28,550	24,063	9,181
Total Primary Government program revenues	$ 20,596,022	$ 20,302,664	$ 19,963,240	$ 19,643,692	$ 21,686,909	$ 22,116,295	$ 23,594,318	$ 24,148,332	$ 25,107,796	$ 24,697,361
CHANGE IN NET ASSETS/NET POSITION										
Governmental Activities	$ (497,505)	$ (973,842)	$ (1,119,722)	$ (1,147,461)	$ 819,956	$ (4,489,022)	$ (3,593,587)	$ 4,149,455	$ (1,157,410)	$ (11,248,368)
Business-type Activities	895,203	(522,025)	(571,640)	(782,570)	(1,313,868)	(878,962)	(278,209)	498,028	(424,356)	(1,976,692)
Total Primary Government	$ 397,698	$ (1,495,867)	$ (1,691,362)	$ (1,930,031)	$ (493,912)	$ (5,367,984)	$ (3,871,796)	$ 4,647,483	$ (1,581,766)	$ (13,225,060)

(a) In 2013, the City implemented GASB 63 and 65 which changed the elements of the financial statements.
(b) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.
(c) In 2018, the City implemented GASB 75 which changed how governments measure and report other postemployment benefit liabilities.

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

	2011 (a)	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Nonspendable	$ 251,173	$ 178,468	$ 447,341	$ 300,952	$ 220,178	$ 232,332	$ 209,353	$ 222,458	$ 241,684	$ 280,986
Assigned	2,385,728	2,075,738	2,292,495	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Unassigned	3,374,481	4,265,839	4,613,722	5,495,145	5,883,318	6,098,977	6,148,292	6,469,108	6,563,511	5,920,869
Total general fund	$ 6,011,382	$ 6,520,045	$ 7,353,558	$ 7,496,097	$ 7,803,496	$ 8,031,309	$ 8,057,645	$ 8,391,566	$ 8,505,195	$ 7,901,855
All other governmental funds										
Nonspendable	$ 1,704,256	$ 1,568,318	$ 1,547,793	$ 1,556,347	$ 2,073,747	$ 1,597,371	$ 1,716,825	$ 1,589,699	$ 1,624,737	$ 1,663,979
Restricted	1,375,779	3,485,073	2,749,396	2,305,385	3,159,130	2,995,610	2,726,754	5,130,188	4,621,126	3,842,461
Assigned	2,073,027	2,055,904	2,087,359	1,729,457	2,146,050	1,373,669	3,510,747	2,619,342	1,823,959	9,764,600
Unassigned	(238,104)	(191,282)	(82,048)	(100,054)	-	-	-	-	-	(1,601,331)
Total all other governmental funds	$ 4,914,958	$ 6,918,013	$ 6,302,500	$ 5,491,135	$ 7,378,927	$ 5,966,650	$ 7,954,326	$ 9,339,229	$ 8,069,822	$ 13,669,709

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	$ 15,146,430	$ 15,506,668	$ 14,832,027	$ 14,954,904	$ 15,830,137	$ 16,178,761	$ 16,667,272	$ 16,877,055	$ 16,582,030	$ 17,253,857
Intergovernmental	11,525,749	9,899,379	9,403,554	9,945,065	12,301,594	11,711,788	10,743,434	13,488,014	15,776,333	16,777,402
Charges for services	2,769,204	2,596,328	2,769,227	2,569,335	2,468,889	3,468,938	3,918,217	4,229,797	4,430,419	4,563,652
Other	3,461,292	3,237,189	2,795,952	3,256,324	4,003,105	3,868,958	4,005,126	5,251,208	5,312,773	5,745,006
Total revenues	32,902,675	31,239,564	29,800,760	30,725,628	34,603,725	35,228,445	35,334,049	39,846,074	42,101,555	44,339,917
Expenditures										
Public representation	851,918	867,762	892,113	1,031,984	930,788	1,064,503	1,080,032	1,383,573	1,281,107	1,379,406
Administrative services	586,328	515,988	508,130	497,025	554,330	577,454	624,284	537,913	739,301	844,270
Financial services	2,352,709	2,407,131	2,196,917	2,197,651	2,476,740	2,068,208	2,236,941	2,191,245	2,394,866	2,358,848
Public safety	13,087,976	12,963,122	12,724,094	12,987,898	13,285,004	13,476,557	14,086,619	15,156,977	16,131,196	16,820,356
Public works	3,079,342	2,835,000	2,878,328	2,918,305	2,876,576	2,864,878	3,206,050	3,377,174	4,176,904	4,187,956
Highways, streets and bridges	3,226,377	2,756,010	2,815,337	3,011,611	2,986,909	3,102,391	3,096,875	4,554,968	2,963,498	2,965,598
Community and economic development	3,109,693	2,850,593	2,578,073	2,687,933	2,957,071	5,415,436	3,878,547	3,962,759	2,930,725	4,986,000
Culture and recreation	1,197,020	1,265,743	1,248,174	1,308,481	1,444,471	3,100,338	3,523,178	3,713,177	4,050,986	4,662,534
Other governmental functions	1,775,128	770,910	299,812	643,666	369,408	305,807	280,416	355,241	281,711	371,461
Debt service										
Principal	1,345,183	289,597	395,211	402,492	417,842	428,199	283,563	288,934	294,313	818,285
Interest	267,258	268,315	292,554	278,412	272,946	257,516	211,242	197,723	189,905	543,740
Issuance costs	-	-	-	-	-	97,578	-	-	-	70,525
Capital outlay	3,301,273	2,948,610	3,230,586	3,577,837	3,992,111	3,867,579	2,328,615	3,134,369	9,363,862	21,498,055
Total expenditure	34,180,205	30,738,781	30,059,329	31,543,295	32,564,196	36,626,444	34,836,362	38,854,053	44,798,374	61,507,034
Excess of revenues over (under) expenditures	(1,277,530)	500,783	(258,569)	(817,667)	2,039,529	(1,397,999)	497,687	992,021	(2,696,819)	(17,167,117)
Other financing sources (uses)										
Transfers in	1,348,694	510,907	1,356,229	743,035	853,910	1,563,094	1,805,000	1,370,000	1,210,236	2,017,077
Transfers out	(1,376,740)	(613,953)	(784,275)	(771,081)	(942,933)	(1,638,094)	(1,818,000)	(1,385,000)	(1,210,236)	(2,037,077)
Bonds issued	-	2,000,000	-	-	-	97,578	-	-	-	21,691,740
Sale of capital assets	120,118	113,981	190,263	176,887	244,685	190,957	1,529,325	741,803	1,541,041	491,924
Total other financing sources (uses)	92,072	2,010,935	762,217	148,841	155,662	213,535	1,516,325	726,803	1,541,041	22,163,664
Net change in fund balances	$ (1,185,458)	$ 2,511,718	$ 503,648	$ (668,826)	$ 2,195,191	$ (1,184,464)	$ 2,014,012	$ 1,718,824	$ (1,155,778)	$ 4,996,547
Debt service as a percentage of noncapital expenditures	5.22%	2.01%	2.56%	2.43%	2.42%	2.09%	1.52%	1.36%	1.37%	3.40%

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	Intergo-vernmental	% 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
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%
2015	7,555,471	21.8%	8,274,666	23.9%	12,301,594	35.5%	2,468,889	7.1%	1,361,721	3.9%	452,004	1.3%	343,105	1.0%	1,846,275	5.3%	34,603,725	12.6%
2016	8,026,859	22.8%	8,151,902	23.1%	11,711,788	33.2%	3,468,938	9.8%	1,443,144	4.1%	459,181	1.3%	455,671	1.3%	1,510,962	4.3%	35,228,445	1.8%
2017	8,056,460	22.8%	8,610,812	24.4%	10,743,434	30.4%	3,918,217	11.1%	1,884,341	5.3%	494,369	1.4%	290,578	0.8%	1,335,838	3.8%	35,334,049	0.3%
2018	8,118,381	20.4%	8,758,674	22.0%	13,488,014	33.9%	4,229,797	10.6%	2,965,599	7.4%	457,172	1.1%	212,069	0.5%	1,616,368	4.1%	39,846,074	12.8%
2019	7,890,357	18.7%	8,691,673	20.6%	15,776,333	37.5%	4,430,419	10.5%	2,452,807	5.8%	488,578	1.2%	757,911	1.8%	1,613,477	3.8%	42,101,555	5.7%
2020	8,116,143	18.3%	9,137,714	20.6%	16,777,402	37.8%	4,563,652	10.3%	2,420,604	5.5%	412,575	0.9%	742,567	1.7%	2,169,260	4.9%	44,339,917	5.3%

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						
Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT	Total Taxable Valuation	Total City	Taxable Value As a Percent Actual
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%
2014	312,031,296	-	115,070,943	61,196,955	488,299,194	91,020,452	579,319,646	3,874,303	6,512,600	-	10,386,903	589,706,549	13.0875	96.26%
2015	314,055,244	-	116,448,947	54,898,389	485,402,580	95,098,912	580,501,492	3,149,352	7,772,000	-	10,921,352	591,422,844	13.0869	95.28%
2016	314,299,363	-	114,855,236	50,232,295	479,386,894	74,155,243	553,542,137	3,628,098	5,690,600	-	9,318,698	562,860,835	13.0905	93.60%
2017	319,768,625	-	113,497,599	50,381,292	483,647,516	67,760,237	551,407,753	3,692,357	4,627,400	-	8,319,757	559,727,510	13.0908	91.38%
2018	331,347,976	-	113,370,852	48,272,032	492,990,860	65,728,440	558,719,300	3,990,263	3,739,800	-	7,730,063	566,449,363	13.0899	89.69%
2019	346,233,797	-	120,836,165	48,156,907	515,226,869	61,993,800	577,220,669	6,561,033	3,146,800	-	9,707,833	586,928,502	13.0865	87.80%

Assessed and Equalized Valuation of Property

	Ad Valorem Assessment Roll							Industrial and Commercial Facilities Assessment Roll					
Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT	Total Assessed Valuation	Estimated Actual Value
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
2014	326,690,900	-	120,803,800	63,704,200	511,198,900	91,004,400	602,203,300	3,877,300	6,512,600	-	10,389,900	612,593,200	1,225,186,400
2015	335,445,400	-	122,235,800	57,024,100	514,705,300	95,084,900	609,790,200	3,149,800	7,772,000	-	10,921,800	620,712,000	1,241,424,000
2016	342,767,600	-	122,574,300	52,323,600	517,665,500	74,140,100	591,805,600	3,851,200	5,690,600	-	9,541,800	601,347,400	1,202,694,800
2017	363,318,800	-	120,587,210	52,278,900	536,184,910	67,745,200	603,930,110	3,957,900	4,639,600	-	8,597,500	612,527,610	1,225,055,220
2018	382,994,200	-	124,938,600	50,130,470	558,063,270	65,713,100	623,776,370	4,017,100	3,739,800	-	7,756,900	631,533,270	1,263,066,540
2019	409,745,000	-	135,884,102	51,070,400	596,699,502	61,981,500	658,681,002	6,649,100	3,146,800	-	9,795,900	668,476,902	1,336,953,804

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, 2020

	6/30/2020			6/30/2010		
Taxpayer	**Taxable Valuation**	**Rank**	**Percent of Total Taxable Valuation**	**Taxable Valuation**	**Rank**	**Percent of Total Taxable Valuation**
Consumers Energy	$ 18,131,539	1	3.0%	$ 78,615,856	1	10.1%
DTE Gas Company	10,288,149	2	1.7%	5,852,200	6	0.7%
Muskegon SC Holdings LLC	5,955,780	3	1.0%			
Michigan Electric Transmission	5,075,300	4	0.8%			
Mercy Health	3,769,741	5	0.6%			
Glen Oaks Apartments LLC	3,504,178	6	0.6%	4,776,500	7	
Muskegon Investments I LLC	2,782,120	7	0.5%			
Core Sherman LLC	2,718,309	8	0.5%			0.0%
Hinman Lake LLC	2,865,457	9	0.5%			
Broadstone PC Michigan LLC	2,390,309	10	0.4%			
Sappi (S.D. Warren Co.)				31,205,687	2	4.0%
Johnson Technology				7,679,263	3	1.0%
Adac Plastics				7,379,563	4	0.9%
Esco Company				6,578,855	5	0.8%
Honeywell Inc				4,738,900	8	0.6%
Faram Muskegon LLC				4,570,300	9	0.6%
Lorin Industries				4,318,889	10	0.6%
Total - 10 Largest	57,480,882		9.6%	155,716,013		19.9%
Total - All Other	542,557,212		90.4%	624,819,939		80.1%
	$ 600,038,094		100.0%	$ 780,535,952		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	Library Debt
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	-
2014	10.0000	0.0875	3.0000	13.0875	2.4000	-
2015	10.0000	0.0869	3.0000	13.0869	2.4000	0.5611
2016	10.0000	0.0905	3.0000	13.0905	2.4000	0.4962
2017	10.0000	0.0908	3.0000	13.0908	2.4000	0.4999
2018	10.0000	0.0899	3.0000	13.0899	2.4000	0.4866
2019	10.0000	0.0865	3.0000	13.0865	2.4000	0.4522

	Overlapping - County-Wide Rates						
Year	Muskegon County	Intermediate School	Special Education	Vocational Education	Community College	MAISD Gen Ed	Community College Debt
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	-	-
2014	6.6557	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2015	6.6357	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2016	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2017	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2018	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2019	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400

	Overlapping - School District				Grand Total	
Year	Operating	Debt	Total	State Education	Homestead	Non-Homestead
2010	18.0000	5.7500	23.7500	6.0000	38.8754	56.8754
2011	18.0000	6.2500	24.2500	6.0000	39.3823	57.3823
2012	18.0000	7.1000	25.1000	6.0000	40.2363	58.2363
2013	18.0000	7.1000	25.1000	6.0000	40.2439	58.2439
2014	18.0000	7.6000	25.6000	6.0000	43.0449	61.0449
2015	18.0000	6.8000	24.8000	6.0000	42.7854	60.7854
2016	18.0000	6.3500	24.3500	6.0000	42.5341	60.5341
2017	18.0000	7.6800	25.6800	6.0000	43.8681	61.8681
2018	18.0000	8.3600	26.3600	6.0000	44.5339	62.5339
2019	18.0000	8.3600	26.3600	6.0000	44.4961	62.4961

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
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%
2014	8,032,955	7,069,804	88.0%	917,806	7,987,610	99.4%	57,680	41,074	2,788	1.26%
2015	8,132,782	7,247,701	89.1%	848,266	8,095,967	99.5%	62,345	33,407	1,862	1.20%
2016	7,719,829	6,828,816	88.5%	853,639	7,682,455	99.5%	42,063	23,671	1,365	0.87%
2017	7,633,290	6,776,856	88.8%	795,164	7,572,020	99.2%	51,584	43,665	11,728	1.40%
2018	9,545,232	8,631,502	90.4%	839,208	9,470,710	99.2%	-	53,873	13,529	0.71%
2019	9,737,757	8,873,258	91.1%	821,601	9,694,859	99.6%	-	20,987	15,355	0.37%

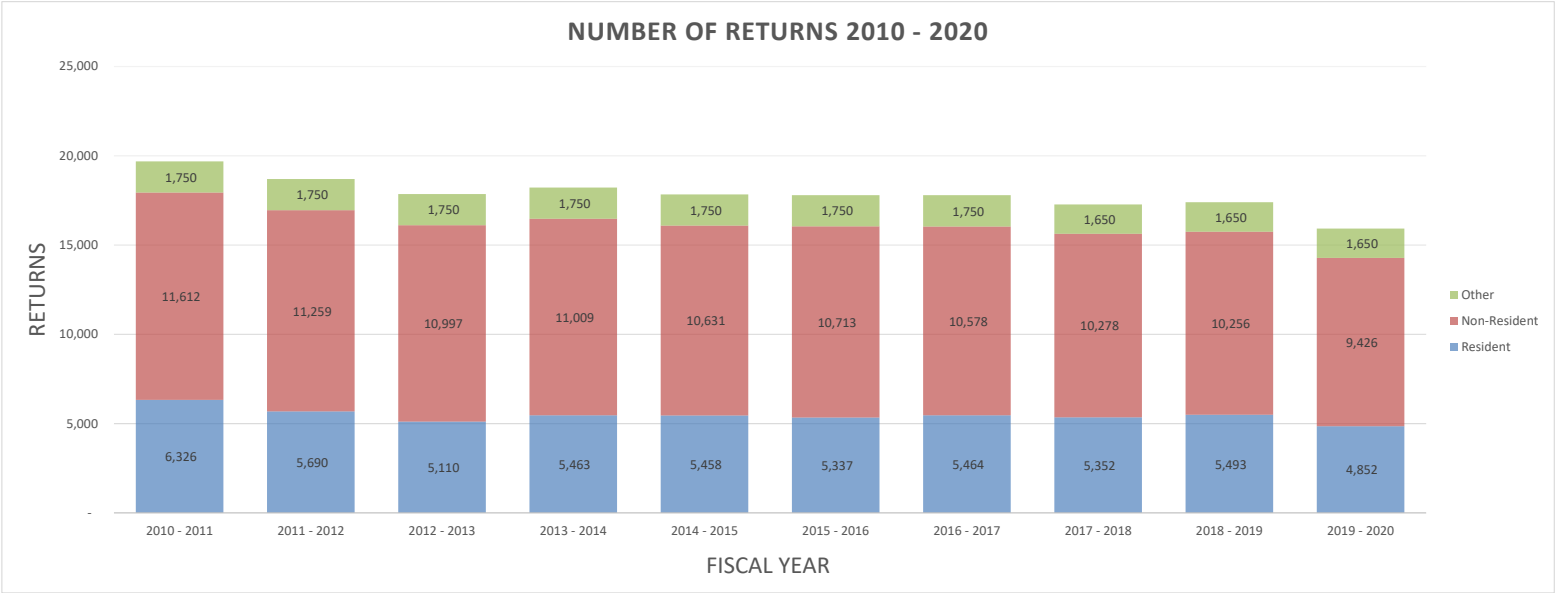
SOURCE: City of Muskegon Treasurer' Office

City of Muskegon

Total Income Tax Collected and Number of Returns Filed - Graphical

Last Ten Fiscal Years

	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020
Resident	$2,566,198	$2,755,079	$2,692,211	$2,849,530	$3,070,581	$2,925,036	$3,284,777	$3,278,759	$3,457,902	$3,655,458
Non-Resident	3,136,464	3,367,318	3,290,480	3,482,760	3,752,932	3,575,045	4,014,691	4,007,372	4,226,325	4,467,781
Other	897,091	1,290,407	1,523,781	1,499,133	1,451,153	1,651,821	1,311,374	1,472,517	1,007,446	1,014,475



City of Muskegon

Total Income Tax Collected and Number of Returns Filed - Data

Last Ten Fiscal Years

Income Tax 2010 - 2020

Year	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020
Resident	$ 2,566,198	$ 2,755,079	$ 2,692,211	$ 2,849,530	$ 3,070,581	$ 2,925,036	$ 3,284,777	$ 3,278,759	$ 3,457,902	$ 3,655,458
Non-Resident	3,136,464	3,367,318	3,290,480	3,482,760	3,752,932	3,575,045	4,014,691	4,007,372	4,226,325	4,467,781
Other	897,091	1,290,407	1,523,781	1,499,133	1,451,153	1,651,821	1,311,374	1,472,517	1,007,446	1,014,475
Total Income Tax	**$ 6,599,753**	**$ 7,412,804**	**$ 7,506,472**	**$ 7,831,423**	**$ 8,274,666**	**$ 8,151,902**	**$ 8,610,842**	**$ 8,758,648**	**$ 8,691,673**	**$ 9,137,714**

Number of Returns 2010 - 2020

Year	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020
Resident	6,326	5,690	5,110	5,463	5,458	5,337	5,464	5,352	5,493	4,852
Non-Resident	11,612	11,259	10,997	11,009	10,631	10,713	10,578	10,278	10,256	9,426
Other	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,650	1,650	1,650
Total Returns	**19,688**	**18,699**	**17,857**	**18,222**	**17,839**	**17,800**	**17,792**	**17,280**	**17,399**	**15,928**

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

	Governmental Activities				Business-Type Activities				
Year	General Obligation Limited Tax Bonds	Installment Purchase Agreements	State Loans	Total Governmental Activities	Revenue Bonds	State Loans	Total Business-Type Activities	Total Primary Government	Per Capita
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	6,954,535	-	112,550	7,067,085	3,630,728	9,030,000	12,660,728	19,727,813	533
2015	6,555,436	-	94,708	6,650,144	2,949,368	8,360,000	11,309,368	17,959,512	483
2016	6,243,903	-	76,509	6,320,412	2,246,962	7,675,000	9,921,962	16,242,374	436
2017	5,940,903	-	57,946	5,998,849	1,523,661	6,980,000	8,503,661	14,502,510	378
2018	5,633,903	-	39,012	5,672,915	774,614	6,270,000	7,044,614	12,717,529	331
2019	5,322,903	-	19,699	5,342,602	-	5,545,000	5,545,000	10,887,602	284
2020	24,059,753	2,123,804	-	26,183,557	-	6,607,956	6,607,956	32,791,513	854

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, 2020

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	Debt Supported by City General Revenues
Direct Debt			
City of Muskegon:			
Revenue Bonds	$ 6,607,956	$ 6,607,956	$ -
Capital Improvement Bonds	24,059,753	-	24,059,753
Installment Purchase Agreements	2,123,804	-	2,123,804
Component Unit Debt:			
Downtown Development Authority	-	-	-
Local Development Finance Authority	1,760,377	1,760,377	-
Total City Direct Debt	$ 34,551,890	$ 8,368,333	$ 26,183,557

	Gross	City Share as Percent of Gross	Net
Overlapping Debt			
Muskegon School District	$ 8,665,000	95.48%	$ 8,273,342
Orchard View School District	38,990,021	18.69%	7,287,235
Reith's Puffer School District	64,337,816	0.68%	437,497
Hackley Public Library	2,135,000	95.48%	2,038,498
Muskegon County	109,272,267	12.57%	13,735,524
Muskegon Community College	32,050,000	12.57%	4,028,685
Total Overlapping Debt	$ 255,450,104		35,800,781
Total City Direct and Overlapping Debt			$ 61,984,338

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 overalapping 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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	$ 78,308,925	$ 73,585,150	$ 68,555,700	$ 61,706,477	$ 61,510,980	$ 60,962,090	$ 61,333,841	$ 64,124,907	$ 101,083,635	$ 108,732,428
Total net debt applicable to limit	12,929,850	14,375,253	13,655,042	12,847,550	11,969,708	11,313,794	10,290,785	9,240,855	8,510,021	27,943,934
Legal debt margin	$ 65,379,075	$ 59,209,897	$ 54,900,658	$ 48,858,927	$ 49,541,272	$ 49,648,296	$ 51,043,056	$ 54,884,052	$ 92,573,614	$ 80,788,494
Total net debt applicable to the limit as a percentage of debt limit	16.51%	19.54%	19.92%	20.82%	19.46%	18.56%	16.78%	14.41%	8.42%	25.70%

Legal Debt Margin Calculation for 2019:

Assessed Valuation:		$ 1,087,324,277
Legal Debt Limit (10%)		108,732,428
Total Indebtedness:	$ 34,551,890	
Debt not Subject to Limitation:		
Paid by Special Assessment	-	
Revenue Bonds	(6,607,956)	
Debt Subject to Limitation		27,943,934
Legal Debt Margin		$ 80,788,494

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 Principal	Interest	Total	Coverage
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
2015	6,388,474	3,774,508	2,613,966	1,330,000	320,857	1,650,857	1.58
2016	7,498,376	4,460,076	3,038,300	1,370,000	283,360	1,653,360	1.84
2017	7,449,646	4,997,912	2,451,734	1,405,000	246,434	1,651,434	1.48
2018	7,507,323	4,949,807	2,557,516	1,450,000	203,106	1,653,106	1.55
2019	8,472,413	5,672,522	2,799,891	1,495,000	158,260	1,653,260	1.69
2020	8,417,771	6,374,033	2,043,738	745,000	109,916	854,916	2.39

Sewage Disposal System

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2011			No Direct System Indebtedness				
2012			No Direct System Indebtedness				
2013			No Direct System Indebtedness				
2014			No Direct System Indebtedness				
2015			No Direct System Indebtedness				
2016			No Direct System Indebtedness				
2017			No Direct System Indebtedness				
2018			No Direct System Indebtedness				
2019			No Direct System Indebtedness				
2020	8,399,047	9,307,397	(908,350)	-	-	-	#DIV/0!

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 Number	Building Permits Value	Unemployment
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%
2015	37,213	789,034,450	21,203	35.8	4,387	1,102	46,541,966	10.3%
2016	37,213	808,760,311	21,733	35.8	4,206	1,112	58,924,856	8.3%
2017	38,349	854,285,543	22,277	35.8	3,985	1,075	78,271,395	4.8%
2018	38,401	876,830,025	22,834	35.4	3,732	1,202	171,523,877	4.1%
2019	38,401	898,750,775	23,404	35.4	3,589	1,295	94,667,004	4.2%
2020	38,401	921,219,545	23,989	36.3	3,625	1,233	92,319,998	17.7%

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

City of Muskegon

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

	2020			2010		
Employer	**Employees**	**Rank**	**Percentage of total City employment**	**Employees**	**Rank**	**Percentage of total City employment**
Mercy General Health Partners*	4,674	1	31.1%	3,227	1	19.3%
County of Muskegon	990	2	6.6%	980	2	5.9%
ADAC Automotive	911	3	6.1%	400	8	2.4%
G.E. Aviation (formerly Johnson Technology Inc.)	850	4	5.7%	474	5	2.8%
Muskegon Public Schools	426	5	2.8%	697	4	
Port City Group Companies	425	6	2.8%			
Muskegon Area Intermediate School District	418	7	2.8%			
Knoll Group	315	8	2.1%	450	6	
Betten Automotive Group	300	9	2.0%			
Muskegon Community College	224	10	1.5%			
State of Michigan				772	3	4.6%
Verizon				325	9	1.9%
City of Muskegon				281	10	1.7%
Baker College				430	7	2.6%

*** Hackley Hospital merged with the former Mercy Hospital to become Mercy General Health Partners.**

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	0.40	0.40	0.40	0.40	-	-	-	-	-	-
Affirmative Action	1.10	1.10	1.10	1.10	1.30	1.30	1.46	0.40	1.00	1.00
Cemetaries	2.20	1.75	1.25	1.25	1.25	1.25	1.25	1.25	1.25	2.25
City Clerk & Elections	3.00	3.00	3.00	3.00	3.00	3.00	3.54	3.80	3.80	4.80
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	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	1.05
City Manager's Office	2.25	2.25	2.25	2.25	2.05	2.05	1.75	2.75	2.75	2.75
City Treasurer's Office	5.00	5.00	5.00	4.50	5.50	5.50	5.50	5.50	5.50	5.50
Civil Service	1.00	-	-	-	-	-	-	-	-	
Environmental Services	2.00	5.00	5.00	5.00	2.00	2.00	2.00	2.00	-	
Farmers Market	0.05	0.05	0.05	0.05	0.05	0.05	-	0.20	1.20	1.20
Finance Administration	3.00	3.00	2.00	2.00	3.00	3.00	3.00	3.60	3.00	3.45
Fire	33.00	35.00	28.00	28.83	32.00	35.00	35.00	35.00	26.00	29.00
Fire Safety Inspections	8.00	6.00	6.00	0.83	-	-	-	-	-	
General Recreation	-	-	-	-	-	-	-	-	-	
Income Tax Administration	5.00	5.00	5.00	4.50	3.50	3.50	3.50	3.50	3.50	3.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.50	3.50
Parks	6.00	6.05	6.05	6.00	6.00	6.00	7.05	7.05	10.05	10.05
Planning, Zoning & Economic Development	4.00	3.00	3.00	3.00	3.40	3.40	3.45	3.45	5.45	6.00
Police	88.00	88.00	88.00	87.34	88.00	88.00	88.00	88.00	89.00	89.00
Sanitation	0.30	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Senior Transit	-	0.05	0.05	0.05	-	-	-	-	-	-
MVH-Major Streets	12.00	11.70	10.70	10.70	10.70	10.70	10.70	10.70	12.20	12.20
MVH-Local Streets	7.00	6.70	6.70	6.70	6.70	6.70	6.70	6.70	7.20	7.20
Community Development	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.55	3.55	4.30
Home Program	0.25	-	-	-	-	-	-	-	-	-
Lead Program	0.75	-	-	-	-	-	-	-	-	-
Sewer Maintenance	10.20	9.75	9.75	9.80	9.80	9.80	9.80	9.80	9.80	10.80
Water Filtration	10.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00
Water Maintenance	12.40	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75	12.75
Hartshorn Marina Fund	0.05	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Mercy Health Arena	-	-	-	-	-	-	-	-	-	3.00
Public Service Building	8.05	7.95	8.45	8.45	8.50	8.50	8.50	8.50	8.50	8.75
Engineering	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95	5.95	5.20
Equipment	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
	244.00	241.00	233.00	227.00	228.00	231.00	232.45	233.50	232.50	245.25

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administrative Services										
Elections										
Number of registered voters	26,330	26,324	26,098	26,025	24,014	24,005	24,612	26,136	25,182	28,127
Number of votes cast:										
Last general election	8,106	1,933	13,487	3,029	7,763	2,547	13,179	15,271	11,407	3,105
Last city election	8,106	1,933	2,131	3,029	7,763	2,547	13,179	2,254	1,938	3,105
Percentage of registered voters voting:										
Last general election	31%	7%	52%	12%	32%	11%	54%	58%	45%	11%
Last city election	31%	7%	8%	12%	32%	11%	54%	9%	8%	11%
Financial Services										
Property Tax Bills	15,351	15,261	15,291	15,211	14,528	14,611	14,243	14,229	14,180	15,090
Income Tax Returns	19,688	18,699	17,857	18,222	17,839	17,800	17,792	17,280	17,399	15,928
Paper Check Issued to Vendors	2,986	3,746	1,677	1,404	1,527	1,608	1,675	1,782	1,863	1,946
Electronic Payments to Vendors	884	1,334	1,251	1,579	1,471	1,849	1,998	2,104	2,307	2,494
Public Safety										
Fire Protection										
Number of firefighter and officer positions	37	36	41	38	35	35	35	23	29	26
Number of emergency calls	4,402	4,676	4,563	4,354	4,881	4,938	4,895	4,948	5,106	5,147
Police Protection										
Number of sworn officer positions	79	79	79	76	76	76	75	79	80	80
Part I (Major) Crimes	2,859	2,772	2,647	2,240	2,107	1,989	2,816	2,357	1,728	1,621
Public Works										
Refuse Collected (Tons per Year)	12,703	10,153	9,958	10,217	10,512	10,994	11,009	10,801	10,753	11,534
Recyclables Collected (Tons per Year)	-	-	-	-	-	-	-	-	-	160
Water & Sewer										
Number of consumers	13,037	13,109	13,144	13,086	13,223	13,307	13,248	13,104	13,343	13,422
Average daily water consumption (GPD)	8,417,000	7,700,000	7,651,000	7,666,000	8,293,570	11,027,945	10,947,233	9,559,304	10,867,590	10,674,712
Water main breaks repaired	12	5	11	30	15	16	12	15	11	17
Sewer flows (Millions Gallons per Year)	1,625	1,695	1,777	1,833	2,013	1,794	1,815	1,832	2,048	2,138
Sewer Service Calls	591	522	508	532	501	521	462	451	443	475

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety									
Fire Protection									
Number of stations	3	3	3	3	3	3	3	3	3
Police Protection									
Number of stations	1	1	1	1	1	1	1	1	1
Highways, Streets and Bridges									
Miles of Streets	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95	197.19
Number of streetlights	3,065	2,838	2,838	2,838	2,838	2,900	2,984	2,967	2,930
Culture and Recreation									
Number of parks (acres)	701	701	701	701	701	701	701	701	701
Lake Michigan beaches (acres)	119	119	119	119	119	119	119	119	119
Hockey/Entertainment Arena	1	1	1	1	1	1	1	1	1
Sewer									
Sanitary sewers (miles)	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04
Storm sewers (miles)	184.35	184.35	184.35	184.25	184.35	184.35	184.35	184.35	184.35
Water									
Water mains (miles)	195.69	195.40	195.95	195.95	195.95	195.95	195.95	195.95	195.27

SOURCE: City of Muskegon Departments

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

INDEPENDENT AUDITOR'S 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*

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 City of Muskegon, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Muskegon's basic financial statements, and have issued our report thereon dated December 22, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered 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 City of Muskegon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Muskegon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2020-001** to be a material weakness.

Compliance or Other Matters
As part of obtaining reasonable assurance about whether 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.*

City of Muskegon's Response to Findings
City of Muskegon's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. City of Muskegon's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 DeLong, P.C.

Muskegon, Michigan
December 22, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

City Commission
City of Muskegon
Muskegon, Michigan

Report on Compliance for Each Major Federal Program
We have audited City of Muskegon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Muskegon's major federal programs for the year ended June 30, 2020. City of Muskegon's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of City of Muskegon's major federal programs 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 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 each major federal program. However, our audit does not provide a legal determination of City of Muskegon's compliance.

Opinion on Each Major Federal Program
In our opinion, 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 each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance
Management of 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 City of Muskegon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 a 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brickley DeLong, P.C.

Muskegon, Michigan
December 22, 2020

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2019	Adjustments and Transfers	Cash or Payments In-Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2020	Passed Through to Subrecipents
U.S. Department of Housing and Urban Development								
Direct programs								
Community Development Block Grants/Entitlement Grants	14.218							
B-14-MC-26-0026		$ 897,025	$ -	$ -	$ 709	$ 709	$ -	$ -
B-15-MC-26-0026		895,410	-	-	286	286	-	-
B-16-MC-26-0026		886,662	375	-	8,987	8,612	-	-
B-17-MC-26-0026		871,542	27,653	-	72,326	44,673	-	-
B-18-MC-26-0026		937,658	115,079	-	355,205	240,126	-	-
B-19-MC-26-0026		973,451	-	-	661,509	672,640	11,131	-
Program Income		18,455	-	-	18,455	18,455	-	-
Total Community Development Block Grants/ Entitlement Grants		5,480,203	143,107	-	1,117,477	985,501	11,131	-
HOME Investment Partnerships Program	14.239							
M-15-MC-26-0215		268,639	-	-	13,889	13,889	-	13,889
M-16-MC-26-0215		264,277	31,459	-	39,641	8,182	-	39,641
M-17-MC-26-0215		249,537	-	-	63,335	63,335	-	37,434
M-18-MC-26-0215		327,681	63,481	-	158,835	95,354	-	-
M-19-MC-26-0215		334,818	-	-	11,455	18,872	7,417	-
Program Income		5,540	-	-	5,540	5,540	-	-
Total HOME Investment Partnerships Program		1,450,492	94,940	-	292,695	205,172	7,417	90,964
Total U.S. Department of Housing and Urban Development		6,930,695	238,047	-	1,410,172	1,190,673	18,548	90,964

City of Muskegon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2019	Adjustments and Transfers	Cash or Payments In-Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2020	Passed Through to Subrecipents
U.S. Department of Justice								
Direct programs								
Coronavirus Emergency Supplemental Funding Program	16.034							
2020-VD-BX-1081 - COVID		$ 65,931	$ -	$ -	$ -	$ 32,602	$ 32,602	$ -
Bulletproof Vest Partnership Grant	16.607							
2017 Grant		5,570	-	-	735	735	-	-
2018 Grant		8,876	-	-	735	6,248	5,513	-
		14,446	-	-	1,470	6,983	5,513	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738							
2018-DJ-BX-0619		37,971	-	-	23,030	34,537	11,507	-
2019-DJ-BX-0927		35,195	-	-	20,000	20,463	463	-
		73,166	-	-	43,030	55,000	11,970	-
Justice and Mental Health Collaboration Program	16.745							
2019-MO-BX-0006		100,000	-	-	10,573	12,794	2,221	-
Total direct programs		253,543	-	-	55,073	107,379	52,306	-
Passed through Michigan Department of Health and Human Services								
STOP Violence Against Women Grant	16.588							
E20203703-00		73,100	-	-	16,540	21,648	5,108	-
Passed through Ottawa County								
Edward Byrne Memorial Justice Assistance Grant Program	16.738							
2017-MU-BX-0191		14,000	14,000	-	14,000	-	-	-
2019-MU-BX-0061		15,000	-	-	-	15,000	15,000	-
		29,000	14,000	-	14,000	15,000	15,000	-
Total U.S. Department of Justice		355,643	14,000	-	85,613	144,027	72,414	-
U.S. Department of Transportation, National Highway Safety Administration								
Passed through Michigan State Police								
National Priority Safety Programs	20.616							
Bicycle and Pedestrian Safety Initiative Grant		19,944	-	-	1,393	3,165	1,772	-
U.S. Department of Health and Human Services								
Passed through Michigan Department of Health and Human Services								
Children's Health Insurance Program	93.767							
E20192797-001		880,005	36,712	-	244,907	208,195	-	-
E20202333-00		880,005	-	-	374,150	458,729	84,579	-
Total Department of Health and Human Services		1,760,010	36,712	-	619,057	666,924	84,579	-
TOTAL FEDERAL ASSISTANCE		**$9,066,292**	**$ 288,759**	**$ -**	**$ 2,116,235**	**$ 2,004,789**	**$ 177,313**	**$ 90,964**

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, 2020

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 the Uniform Guidance, 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. The City is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2020 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	
General Fund	$ 147,191
Major Street and Trunkline Fund	1,049,653
Other governmental funds	1,833,603
	3,030,447
Plus program income	23,995
Less MDOT contracted projects as shown below	(1,049,653)
Federal expenditures per the Schedule of Expenditures of Federal Awards	**$ 2,004,789**

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, 2020 the federal aid received and expended by the City of Muskegon was $1,049,653 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.

	Federal CFDA Number	Revenue Recognized	Federal Expenditures
***U.S Department of Transportation, Federal Highway Administration* (contracted projects)**			
Passed through the Michigan Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		
Proj 1900(309) Contract 19-5041		$ 799,853	$ 799,853
Proj 20A0(056) Contract 19-5543		249,800	249,800
Total U.S. Department of Transportation, Federal Highway Administration (contracted projects)		**$1,049,653**	**$ 1,049,653**

City of Muskegon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2020

SECTION I—SUMMARY OF AUDITOR'S RESULTS

A. *Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
   - Material weakness(es) identified? __**X**__ yes _____ no
   - Significant deficiency(ies) identified? _____ yes __**X**__ none reported
3. Noncompliance material to financial statements noted? _____ yes __**X**__ no

B. *Federal Awards*

1. Internal control over major federal programs:
   - Material weakness(es) identified? _____ yes __**X**__ no
   - Significant deficiency(ies) identified? _____ yes __**X**__ none reported
2. Type of auditor's report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ 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: **$750,000**
6. Auditee qualified as low-risk auditee? _____ yes __**X**__ no

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: MATERIAL WEAKNESS—Budgetary Process

Criteria or Specific Requirement: The Budget Act, Public Act 621 of 1978, an amendment to Public Act 2 of 1968, requires that all local units of government in Michigan adopt balanced budgets, establishes responsibilities and defines the procedures for the preparation, adoption, and maintenance of the budget, and requires certain information for the budget process. This includes regular review of the budget and amendment as soon as a deviation is apparent.

Condition: We noted a number of significant budget variances including cost centers that had expenditures in excess of the amount budgeted.

Cause: The City did not amend its budget after the first quarter due to issues surrounding the COVID-19 pandemic and an oversight in approving proposed third quarter budget amendments.

Effect: Expenditures exceeded amounts budgeted in a number of cost centers in violation of the Budget Act.

Context: We noted a number of budget violations while performing budgetary analytical procedures and reviewing a draft of the financial statements.

Repeat Finding: This is **not** a repeat finding.

Recommendation: The City should review its budgetary policies and procedures to ensure a regular review of the budget is performed and budgets are amended as necessary to ensure compliance with the Budget Act. In addition to complying with the Budget Act, this is also a good governance policy to monitor spending and ensure that all purchases are properly budgeted and authorized.

Views of Responsible Officials: The City agrees with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were ***no*** findings reported in relation to major federal awards during the single audit for the year ended June 30, 2020.

CLIENT DOCUMENTS

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

Assessor/
Equalization Co.
(231)724-6386
FAX (231)724-1129

Cemetery/Forestry
(231)724-6783
FAX (231)724-4188

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

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

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

Computer Info.
Technology
(231)724-4126
FAX (231)722-4301

Engineering
(231)724-6707
FAX (231)727-6904

Finance
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FAX (231)726-2325

Fire Department
(231)724-6795
FAX (231)724-6985

Human Resources
Co. (Civil Service)
(231)724-6442
FAX (231)724-6840

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

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
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FAX (231)722-4188

SafeBuilt
(Inspections)
(231)724-6715
FAX (231)728-4371

Treasurer
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FAX (231)724-6768

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Water Filtration
(231)724-4106
FAX (231)755-5290

MUSKEGON

West Michigan's Shoreline City
www.shorelinecity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 22, 2020

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

City of Muskegon respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2019 dated December 2, 2019.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-001: MATERIAL WEAKNESS—Year-End Closing Procedures for Accounts Payable

Condition: Certain costs paid after the end of the year were not recorded as payables at year-end.

Recommendation: The City should review its policies and procedures surrounding year-end payables and improve them to ensure that expenditures are recorded in the correct accounting period.

Current Status: This recommendation was implemented during the year ended June 30, 2020. **No** similar finding was reported during the single audit for the year ended June 30, 2020.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were ***no*** findings reported in relation to major federal award programs during the single audit for the year ended June 30, 2019.

Sincerely,

Elizabeth Lewis
Finance Director

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CORRECTIVE ACTION PLAN

December 22, 2020

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

City of Muskegon respectfully submits the following Corrective Action Plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2020

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: MATERIAL WEAKNESS—Budgetary Process

Recommendation: The City should review its budgetary policies and procedures to ensure a regular review of the budget is performed and budgets are amended as necessary to ensure compliance with the Budget Act. In addition to complying with the Budget Act, this is also a good governance policy to monitor spending and ensure that all purchases are properly budgeted and authorized.

Action Taken: The City Finance department will ensure that a budget reforecast is submitted and approved by the City Commission each quarter to ensure that all purchases are properly budgeted and authorized.

Responsible Person and Anticipated Completion Date: Finance Director by June 30, 2021.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were ***no*** findings reported in relation to major federal awards during the single audit for the year ended June 30, 2020

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Elizabeth Lewis at (231) 724-6917.

Sincerely,

Elizabeth Lewis
Finance Director