

# Comprehensive Annual Financial Report

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For The Fiscal Year Ended June 30, 2013



**CITY OF MUSKEGON,  
MICHIGAN**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2013**

**Prepared By  
FINANCIAL SERVICES DIVISION**

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Director of Finance**

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Income Tax Administrator**

**Derrick Smith  
City Treasurer**

**James Maurer  
Information Systems Director**

**Kathy Coleman  
Finance & Payroll Coordinator**

*Cover Photo: Downtown wall mural located on the Russell Block building.*



City of Muskegon

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City Manager  
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Civil Service  
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Clerk  
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Comm. &  
Neigh. Services  
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Finance  
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Fire Department  
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Income Tax  
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Inspection  
Services  
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Leisure Services  
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Mayor's Office  
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Planning/Zoning  
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Department  
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Public Works  
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Treasurer  
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# MUSKEGON



West Michigan's Shoreline City  
[www.shorelinecity.com](http://www.shorelinecity.com)

October 25, 2013

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

Ladies and Gentlemen:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the City of Muskegon, Michigan, for the fiscal year ended June 30, 2013. This report includes the City's audited financial statements in accordance with the requirements of state law. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

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

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



## THE CITY AND THE REGION

The City of Muskegon is located in Western Michigan on the shores of Lake Michigan. The City covers eighteen square miles and, with a 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 MSA.

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

- Michigan Adventure, located north of the City, is the largest amusement park complex in Michigan. The City provides water to both the amusement park and the water park located on the site.
- Muskegon is the eastern terminus for the high speed cross-lake ferry. Connecting Muskegon with Milwaukee, Wisconsin, the *Lake Express* service ferries 100,000-plus passengers each season between the two cities. 2013 marks the ferry service's tenth successful year of operations.
- Muskegon is home to the annual Miss Michigan pageant.
- Pere Marquette beach is nationally recognized as one of the best beaches in the nation and is the only beach in Michigan to receive and maintain the Blue Wave Certification by the Clean Beaches Council. The Blue Wave certification identifies the nation's cleanest, safest and most environmentally well-managed beaches.
- Muskegon is home to successful summertime festivals that attract thousands of visitors to the community. These include the *Bike Time* festival which attracts motorcycle enthusiasts to the City each July, the *Unity Christian Music Festival* and *Irish Fest*.
- Muskegon is the cultural hub for West Michigan with numerous museums and live performances. The Muskegon Museum of Art has one of the best art collections in the Midwest, and the Muskegon County Museum provides insight into the area's history. The former residences of Muskegon's lumber barons, Charles H. Hackley and Thomas Hume, proudly display the glory of the Victorian ages. The Fire Barn Museum takes visitors back to a 1890s Muskegon Fire Station. The West Shore Symphony and Muskegon Civic Theater bring the stage of the Frauenthal Center for the Performing Arts to life throughout the year.
- Muskegon is home to three historic museum ships that attract thousands of visitors each year:
  - *USS Silversides*, a rare surviving World War II submarine maintained in pristine condition;
  - *LST-393*, a landing craft used in the D-day invasion and one of only two such vessels remaining in existence; and the
  - *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.



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

### **COMPONENT UNITS**

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

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

### **LOCAL ECONOMIC CONDITION AND OUTLOOK**

Muskegon has a diverse local economy. The manufacturing sector is strong in the areas of aerospace, chemicals, plastics, defense, metals and castings, office furniture and automotive parts. The City of Muskegon also benefits from being home to large government, corrections, healthcare, and educational employers. Even though these institutions are exempt from paying property taxes, local income tax withholdings remitted by these employers provide stability to City finances.

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

On a more positive note, the local economy has seen improvement as reflected in higher employment levels. According to the September 2013 Business Outlook prepared by the *W.E. Upjohn Institute for Employment Research*:

# MUSKEGON



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*"Total employment in Muskegon County increased by a robust 4.1 percent during the second quarter because of a huge 26.1 percent employment gain in its leisure and hospitality sector. The quarter's gain of nearly 2,500 jobs pushed the county's unemployment rate down to 8.6 percent. Moreover, both of the county's economic indicators were strongly positive during the quarter, which suggests that employment conditions could continue to improve during the fall."*

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

## MAJOR INITIATIVES AND ACCOMPLISHMENTS

Among the City's major initiatives and accomplishments in fiscal year 2012-13 were the following:

- Construction started on a new \$4 million Farmers' Market facility in downtown Muskegon. The new market will be open for business in spring 2014, anchoring a key entrance into the downtown area. The facility is financed through private donations and grants and has been deeded to the City, who will be responsible for its operation;
- The City entered into a development agreement with Harris Hospitality Group for construction of a \$1.5 million food and entertainment facility at Pere Marquette beach. The venue, which will open May 2014, will include a beach restaurant and bar, a banquet center, a self-serve ice cream outlet, a corn-dog stand and beach rental business;
- Ground was broken for new waterfront development featuring seventy-five single family homes in downtown Muskegon. The 10.75 acre site is a former industrial site. The City's Brownfield Redevelopment Authority assisted this project;
- The City's former central fire station was sold to a private developer for reuse as a historically preserved office suite. The architecturally unique building dates to 1927 and had been vacant since the new central fire station opened in 2006;
- Work was completed on a \$20 million, 70,000 square-foot manufacturing addition at ADAC Automotive. 130 new jobs are expected to be created.
- The *Michigan Energy + Technology Center* consortium of companies was formed to focus on developing Muskegon's deep water port facilities. The consortium includes Consumers Energy, Michigan State University, Verplank Dock Co., and Rockford Berge Co. Muskegon is widely recognized as having the best deep water port facilities along the Lake Michigan's eastern shore.



## **OTHER INFORMATION**

### **INTERNAL ACCOUNTING CONTROLS**

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

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

### **BUDGETARY CONTROL**

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

### **LONG TERM FINANCIAL PLANNING**

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

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



## DEBT ADMINISTRATION

At June 30, 2013, the total of City bonds and contractual debt outstanding (including discretely presented component unit debt) was \$29,492,003. Presently there are no plans to issue new debt in the next two years. Standard & Poor's rates the City's general obligation debt **A+**. The City's water revenue bonds carry the **AA-** rating.

## PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The City's defined benefit retirement benefits are administered by the statewide Municipal Employees Retirement System (MERS) of Michigan. The defined benefit program is closed to new employees and all hires since 2007 are covered by a defined contribution retirement program. As of the most recent actuarial report (December 31, 2012), the City's defined benefit retirement program is 94% funded.

The City also provides post-employment healthcare benefits for retirees and their dependents. Since 1986, the City has had an actuarial valuation of its post employment healthcare obligation prepared regularly and has followed a program of prefunding the obligation in the same manner as its pension obligations. The City has implemented the requirements of GASB statements 43 and 45 – "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." As of the most recent actuarial report (December 31, 2011), the City's retiree healthcare program is 76% funded.

## SINGLE AUDIT

The City is required to have a single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-143, "Audits of State, Local Governments and Non-Profit Organizations". Information related to the single audit, including the schedule of federal awards, findings and questioned costs, and auditors' reports on internal control over financial reporting and compliance with certain laws, regulations and grants are included herein. The financial activities related to the single audit requirements, such as the Community Development Block Grant Program, are also included in this financial report.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muskegon for its Comprehensive Annual Financial Report for the year ended June 30, 2012. This marked the twenty-seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

# MUSKEGON



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A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGEMENTS

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Frank Peterson', with a stylized, flowing script.

Frank Peterson  
City Manager

A handwritten signature in dark ink, appearing to read 'Timothy J. Paul', with a stylized, flowing script.

Timothy J. Paul  
Director of Finance



Government Finance Officers Association

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

Presented to

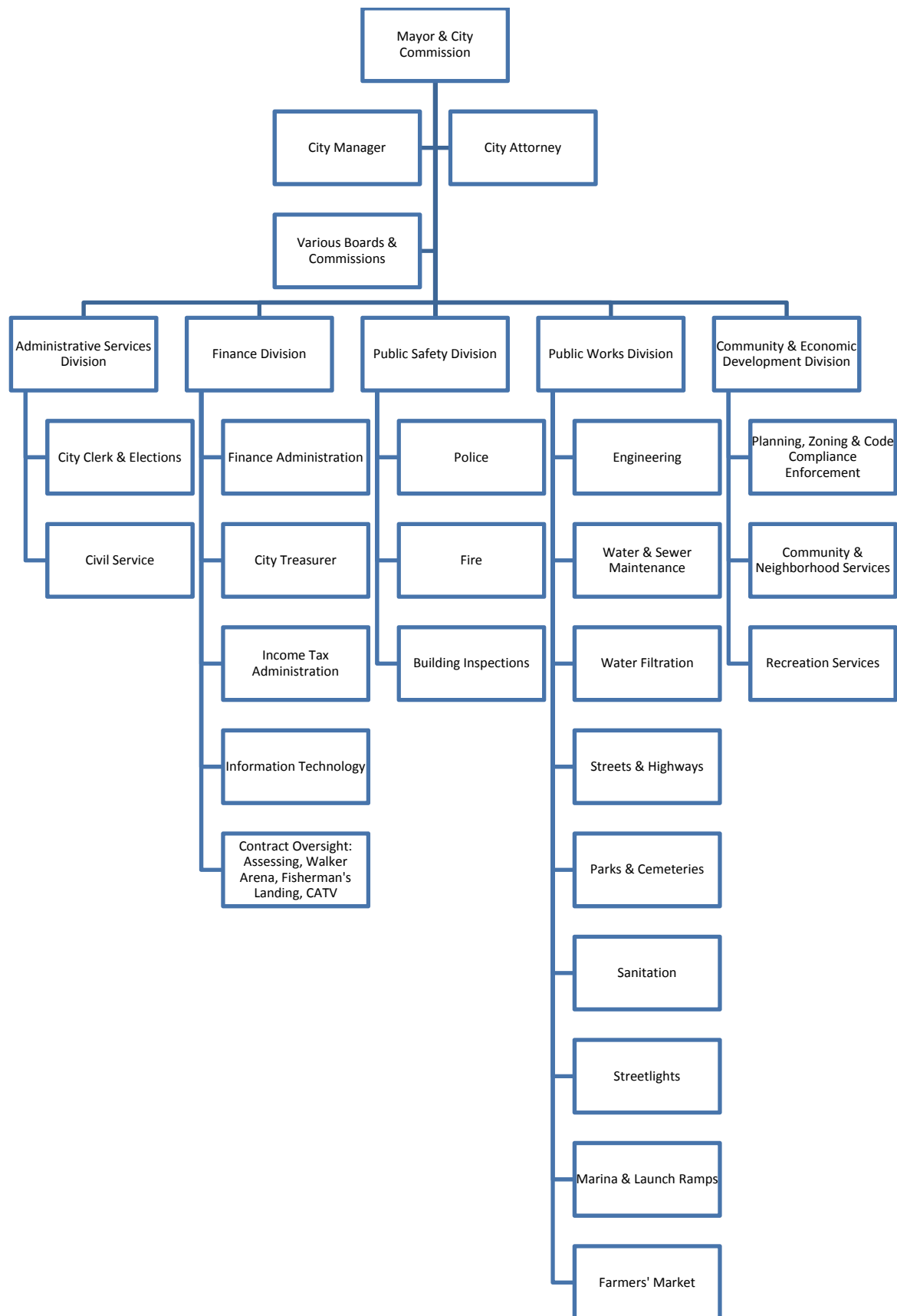
**City of Muskegon  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO





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

**June 30, 2013**

**ELECTED OFFICIALS**

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

Vice Mayor-Commissioner. . . . . Lawrence O. Spataro  
Ward 3

Commissioner. . . . . Eric Hood  
Ward 1

Commissioner. . . . . Willie German  
Ward 2

Commissioner. . . . . Byron Turnquist  
Ward 4

Commissioner. . . . . Lea Markowski  
At Large

Commissioner. . . . . Sue Wierengo  
At Large

**APPOINTED OFFICIALS**

City Manager. . . . . Frank Peterson

City Attorney. . . . . John C. Schrier

Director of Finance. . . . . Timothy J. Paul

## FINANCIAL SECTION



# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

October 25, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

City Commission  
October 25, 2013  
Page 2

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 20 through 31 and 72 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskegon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor funds, schedule of indebtedness, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

City Commission  
October 25, 2013  
Page 3

**Other Matters—Continued**

*Other Supplemental Information—Continued*

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Brickley De Long, P.C.*

Muskegon, Michigan

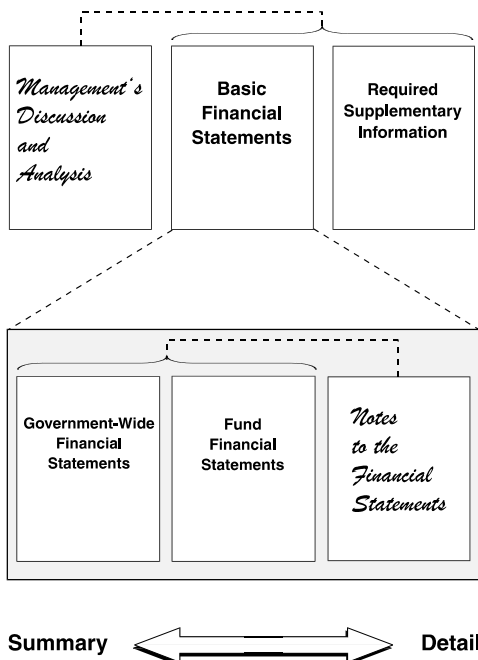
## 2013 MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Muskegon exceeded its liabilities by \$130,838,669 as of June 30, 2013. Of the City's total net position, \$21,791,371 (16.7%) was unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total combined net position decreased by \$1,691,362 during the year ended June 30, 2013 mostly due to normal depreciation of capital assets.
- The City's governmental funds reported combined ending fund balance of \$13,656,058, an increase of \$503,648 (3.8%) from the prior year.
- The City's General Fund reported a total fund balance of \$7,353,558, an increase of \$1,119,161 from the restated prior year balance of \$6,234,397. The favorable increase is the result of sharply reduced costs due to position eliminations, tight budget controls and lower required contributions to fund legacy costs.

### 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 general government, public safety, highways, streets and bridges, public works, community and

economic development, culture and recreation, and interest on long-term debt. Income taxes, federal grants, property taxes and revenues from the State of Michigan finance most of these activities.

Also included in the government-wide statements are the City's business-type activities: water, sewer and marina and launch ramp 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 are generally reported in proprietary funds. The City uses three proprietary funds: water, sewer, and marina. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- The City uses *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.
- *Component units* – Finally, the City of Muskegon's Comprehensive Annual Financial report includes five component units: the Downtown Development Authority (DDA), the Tax Increment Finance Authority (TIFA), the Local Development Finance Authority (LDFA) and, the Brownfield Redevelopment

Authority (BRA 1 and BRA 2). Component units are separate legal entities for which the City of Muskegon has some level of financial accountability. The component units of the City exist primarily for the issuance and repayment of debt to finance projects in specific areas of the City. Accordingly, they are discussed below under the *Capital Assets and Debt Administration* heading.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position.** The Statement of Net Position provides an overview of the City's assets/deferred outflows of resources, liabilities/deferred inflow of resources and net position. Over time this can provide a good indicator of the City's fiscal health. The total net position of the City was \$130,838,669 as of June 30, 2013. This is a decrease of \$1,691,362 from reported net position for the prior year. An overview of the City's net position follows:

City's Net Position/Net Assets							
(In Thousands of Dollars)							
	Governmental		Business-Type		Total		Percentage
	Activities		Activities				
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012	Change
Current and other assets	\$21,670	\$22,690	\$10,227	\$10,581	\$31,897	\$33,271	-4.13%
Capital assets	71,311	72,726	54,014	55,407	125,325	128,133	-2.19%
<b>Total Assets</b>	<b>92,981</b>	<b>95,416</b>	<b>64,241</b>	<b>65,988</b>	<b>157,222</b>	<b>161,405</b>	<b>-2.59%</b>
Long-term liabilities	7,940	8,452	12,790	14,115	20,730	22,567	-8.14%
Other liabilities	3,326	3,738	2,327	2,092	5,653	5,830	-3.04%
<b>Total Liabilities</b>	<b>11,266</b>	<b>12,190</b>	<b>15,117</b>	<b>16,207</b>	<b>26,383</b>	<b>28,397</b>	<b>-7.09%</b>
Net Position/Net assets							
Net investment in capital assets	63,842	66,863	40,033	40,148	103,875	107,011	-2.93%
Restricted	4,573	3,526	599	672	5,172	4,198	23.19%
Unrestricted	13,300	12,837	8,492	8,961	21,792	21,798	-0.03%
<b>Total Net Position/Net Assets</b>	<b>\$81,715</b>	<b>\$83,226</b>	<b>\$49,124</b>	<b>\$49,781</b>	<b>\$130,839</b>	<b>\$133,007</b>	<b>-1.63%</b>

The bulk of the City's net position (\$103,874,950 or 79%) represents investments in capital infrastructure assets (net of depreciation), less the remaining balance of debt issued to acquire those assets. These infrastructure assets are used to provide public services to citizens and are not available for spending.

Another 4.0% (\$5,172,348) of the City's net position are legally restricted as to use. Unrestricted net position (\$21,791,371) represents assets that may be used to meet the City's operating needs and ongoing obligations. The City's unrestricted net position/net assets decreased very slightly (\$6,915) during the year.

**Changes in net position/net assets.** The City's total revenues were \$43,458,834 for the year ended June 30, 2013. This represents a 1.8% increase over total revenues

collected during the prior fiscal year. About 41% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 11% came from grants from the state and federal governments and 36% 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, 2013 was \$45,150,196. This represents a 2% increase from reported expenses for the last fiscal year ended June 30, 2012. 69% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 31% represents the costs of the City's business-type activities, specifically, water, sewer and marina operations.

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

As can be seen, net position for governmental activities decreased \$1,119,722 while net position for business-type activities decreased by \$571,640. These changes represent the downsizing of municipal operations in response to demographic and fiscal realities faced by the City.

See Note J of the *Notes to the Basic Financial Statements* of this report for additional information on the restatement of beginning net position for the governmental and business type activities.

## Changes in City's Net Position/Net Assets

(In thousands of dollars)

	Governmental		Business-Type				
	Activities		Activities		Total		Percentage
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012	Change
Program revenues							
Charges for services	\$4,651	\$4,246	\$13,183	\$11,918	\$17,834	\$16,164	10.33%
Operating grants and contributions	4,681	4,652	6	-	4,687	4,652	0.75%
Capital grants and contributions	886	1,568	88	-	974	1,568	-37.88%
General revenues							
Property taxes	7,593	8,383	-	-	7,593	8,383	-9.42%
Income taxes	8,057	7,664	-	-	8,057	7,664	5.13%
State shared revenues	3,701	3,578	-	-	3,701	3,578	3.44%
All other	580	631	33	46	613	677	-9.45%
<b>Total revenues</b>	<b>30,149</b>	<b>30,722</b>	<b>13,310</b>	<b>11,964</b>	<b>43,459</b>	<b>42,686</b>	<b>1.81%</b>
Governmental activities expenses							
Public representation	894	867	-	-	894	867	3.11%
Administrative services	565	566	-	-	565	566	-0.18%
Financial services	2,241	2,399	-	-	2,241	2,399	-6.59%
Public safety	12,988	13,213	-	-	12,988	13,213	-1.70%
Public works	3,202	2,958	-	-	3,202	2,958	8.25%
Highways, streets and bridges	6,672	6,569	-	-	6,672	6,569	1.57%
Community and economic development	2,499	2,447	-	-	2,499	2,447	2.13%
Culture and recreation	1,593	1,601	-	-	1,593	1,601	-0.50%
General administration	322	792	-	-	322	792	-59.34%
Interest on long-term debt	292	283	-	-	292	283	3.18%
Business-type activities expenses							
Water	-	-	7,227	5,974	7,227	5,974	20.97%
Sewer	-	-	6,229	6,202	6,229	6,202	0.44%
Marina and Launch Ramp	-	-	426	310	426	310	37.42%
<b>Total expenses</b>	<b>31,268</b>	<b>31,695</b>	<b>13,882</b>	<b>12,486</b>	<b>45,150</b>	<b>44,181</b>	<b>2.19%</b>
<b>Change in net position/assets</b>	<b>(1,119)</b>	<b>(973)</b>	<b>(572)</b>	<b>(522)</b>	<b>(1,691)</b>	<b>(1,495)</b>	<b>13.11%</b>
Net position/assets at beginning of year, as restated	82,834	84,199	49,696	50,303	132,530	134,502	-1.47%
<b>Net position/assets at end of year</b>	<b>\$81,715</b>	<b>\$83,226</b>	<b>\$49,124</b>	<b>\$49,781</b>	<b>\$130,839</b>	<b>\$133,007</b>	<b>-1.63%</b>

## 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, 2013 was \$31,268,016.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was \$15,649,992, or 50% of the total.
- The remaining cost was paid by user charges to those directly benefitting from the programs or by state and federal grants and contributions.

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

	Total Cost of Services			Net Cost of Services		
	6/30/2013	6/30/2012	% Change	6/30/2013	6/30/2012	% Change
Governmental activities						
Public safety	\$12,988	\$13,213	-1.70%	\$11,723	\$11,910	-1.57%
Community and economic development	2,499	2,447	2.13%	655	388	68.81%
Culture and recreation	1,592	1,601	-0.56%	968	1,280	-24.38%
Highways, streets and bridges	6,672	6,569	1.57%	2,484	1,826	36.04%
Public works	3,202	2,958	8.25%	2,527	2,468	2.39%
All other	4,315	4,907	-12.06%	2,693	3,358	-19.80%
Total governmental activities	\$31,268	\$31,695	-1.35%	\$21,050	\$21,230	-0.85%

## Business-Type Activities

The financial goal of the City's business-type activities (i.e. water, sewer and marina operations) is to operate on a more or less "break-even" basis without making significant profit or needing general tax subsidies. For the fiscal year ended June 30, 2013, the City's total business-type activities realized an overall decrease in net position of \$571,640.

Sewer Fund net position decreased \$124,124 primarily as result of higher treatment costs caused by extremely heavy rainfalls in the last three months of the fiscal year. The Water Fund saw net position decrease \$303,170. This falloff is attributable to lower consumption levels. Water rates will increase 10% effective October 1, 2013. Marina and Launch Ramp Fund net position decreased \$100,829 due to emergency dredging costs needed to keep launch ramps accessible in light of record low lake levels during 2012-13.

## 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, 2013 were the General Fund and the Major Street and Trunkline Fund.

## General Fund Highlights

The General Fund receives most public attention since it is where local tax revenues are accounted for and where the most visible municipal services such as police, fire and parks are funded. The City reforecasts its General Fund budget on a quarterly basis taking into account changing economic conditions and policy priorities. The following table shows the General Fund year-end fund balance for the last five years.

Year Ended	Year-End Fund Balance	Year-to-Year % Change	Prior Year's Expenditures and Other Uses	Fund Balance as a % of Prior Year Expenditures (Policy Target=13%)
6/30/2013	\$7,353,558	17.95%	\$23,617,448	31.14%
6/30/2012*	6,234,397	3.71%	25,556,758	24.39%
6/30/2011	6,011,382	-0.45%	24,850,082	24.19%
6/30/2010**	6,038,454	268.50%	24,850,082	24.30%
12/31/2009	1,638,662	-31.26%	26,100,530	6.28%

\*As restated    \*\* Six-month fiscal period

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

For the year ended June 30, General Fund revenues 2013 were \$201,735 lower than the final amended budget estimate. This variance is due to lower than expected local income tax and interest revenues.

General Fund expenditures were \$590,784 lower than projected in the final amended budget. Most city departments spent less than expected due to a combination of 1) tight budget controls, 2) conservative budget projections and, 3) cost savings realized from budget cuts made in the prior year.

### **Major Street and Trunkline Fund Highlights**

The Major Street and Trunkline Fund accounts for all of the City's street construction and maintenance activities on its primary road system. Primary funding comes from the State of Michigan. For the year ended June 30, 2013, the fund balance of the Major Street and Trunkline Fund decreased \$353,324 which is attributable to the scheduled use of fund balance reserves for street projects.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2013, the City had invested \$125,324,535 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is a decrease of \$2,808,582 from capital assets reported as of June 30, 2012. The decrease is due to normal depreciation of assets. Additionally, component units have \$2,543,714 invested in capital assets. Note D of the notes to the basic financial statements provides detailed information on capital asset investments.

## Long-Term Debt

At June 30, 2013, the City had \$22,627,134 in bonds and other long-term obligations outstanding. This represents a 7.4% decrease from the prior year. The City did not issue any new debt during the fiscal year.

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

### Bond Ratings

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

City's Long Term Debt – Bonds and Other Obligations  
(In thousands of dollars)

	Governmental		Business-Type				
	Activities		Activities		Total		Percentage
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012	Change
Due w ithin one year	\$582	\$592	\$1,316	\$1,271	\$1,898	\$1,863	1.88%
Due in more than one year	<u>7,940</u>	<u>8,452</u>	<u>12,789</u>	<u>14,115</u>	<u>20,729</u>	<u>22,567</u>	-8.14%
Total bonds & other obligations	\$8,522	\$9,044	\$14,105	\$15,386	\$22,627	\$24,430	-7.38%

In addition to direct City debt, component units such as the Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA) had outstanding debt totaling \$6,864,869 at year-end as shown in the table below. This represents a decrease of 6.8% from the prior year.

Debt issued by component units typically is secured by the limited full faith and credit of the City and so is an important consideration in assessing the City's overall fiscal health. Additional information concerning component units' long-term debt is presented in Note F to the basic financial statements and is summarized as follows:

Component Unit Long Term Debt – Bonds and Other Obligations  
(In thousands of dollars)

	Downtown Development Finance Authority		Local Development Finance Authority		Total		Percentage
	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Change</u>
Due within one year	\$280	\$275	\$260	\$180	\$540	\$455	18.68%
Due in more than one year	<u>2,249</u>	<u>2,534</u>	<u>4,076</u>	<u>4,376</u>	<u>6,325</u>	<u>6,910</u>	-8.47%
Total bonds & other obligations	\$2,529	\$2,809	\$4,336	\$4,556	\$6,865	\$7,365	-6.79%

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2013-14 capital budget anticipates spending \$6,491,000 for capital projects, consisting of street improvements, water and sewer system improvements,



and scheduled equipment replacements. These improvements will be funded by anticipated grants (\$2,187,000) and revenues generated from operations. No new debt issuance is anticipated.

From an operating standpoint, the City's 2013-14 budget will entail continued program downsizing to better balance the City's operating expenses with recurring revenue streams:

- Through attrition the full-time personnel complement will be reduced from 233 positions to 227 positions.
- Staff will explore possible outsourcing of the code enforcement inspections function to SafeBuilt, Inc. In 2012, building and trade inspection functions were outsourced to Safebuilt and this has proven to be a successful venture.

City operations depend on five major sources of revenue: local income taxes, local property taxes, state-shared revenues, state street funds, and water and sewer utility fees. Together, these five income sources account for about three-quarters of total revenues.

#### *Local Income Tax*

The City income tax was approved by voters in 1993 and now is the primary source of funding for police, fire, parks and other general operations. The income tax rate is 1% on City residents and ½ of 1% on non-residents working in the City. The income tax provides key advantages for core cities such as Muskegon. First, it allows the City to regionalize its tax structure by taxing non-residents who work here and use City services. Second, it allows the City to benefit from development occurring outside City limits because City residents employed by non-City employers pay income taxes. Finally, the income tax generates revenue from workers at not-for-profit hospitals, churches, government agencies, colleges and other institutions that are traditionally exempt from paying local property taxes. This is particularly important for Muskegon since it is the regional center for many such institutions.

Income tax revenues increased 1.3% from \$7,412,804 for the year ended June 30, 2012 to \$7,506,472 for the year ended June 30, 2013. For 2013-14, the City has estimated income tax revenue to be \$7,600,000.

Year	City Income Tax Revenues	Percent Change
6/30/2013	\$7,506,472	1.3%
6/30/2012	7,412,804	12.3%
6/30/2011	6,599,753	96.0%
6/30/2010*	3,368,057	-48.0%
12/31/2009	6,482,290	-15.8%

\* Six-month fiscal period

### *Local Property Tax*

City charter and state law authorize the City to levy a general operating millage up to 10 mills and a maximum sanitation millage of 3 mills. Millage rates are applied to the taxable value of property in the City to arrive at the City's property tax levy.

For 2013-14, the City tax levy remains at 9.5 mills for general operations and 2.5 mills for sanitation service. We project that \$6,859,131 in total property tax revenue will be collected during fiscal year 2013-14.

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

### *State Shared Revenues*

State shared sales tax revenues represent about 15% of total General Fund revenue. The City's state shared revenue allocation is made up of two parts. The constitutional component is a fixed percentage of total state sales tax collections that is allocated to cities on a per capita basis and that cannot be reduced by the legislature. The non-constitutional component is determined by a complex formula and is subject to adjustment through the State's annual budget process. Both components depend, of course, on overall state sales tax collections. The City's recent state shared revenue history is summarized below:

Year	State Shared Revenues	Percent Change
6/30/2013	\$3,700,871	3.4%
6/30/2012	3,577,848	-7.0%
6/30/2011	3,846,859	110.0%
6/30/2010*	1,832,066	-52.3%
12/31/2009	3,841,922	-14.4%

\* Six-month fiscal period

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

For 2013-14, the City projects \$3,776,201 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
6/30/2013	\$3,208,769	1.0%
6/30/2012	3,176,984	-2.4%
6/30/2011	3,256,430	87.0%
6/30/2010*	1,741,233	-45.2%
12/31/2009	3,177,862	-0.7%

*\* Six-month fiscal period*

The state is presently considering a major overhaul of the transportation funding system. However, at this time, the City is not projecting any significant change in street revenues for fiscal year 2013-14.

### *Water and Sewer Fees*

From a government-wide entity perspective, combined water and sewer fees represent one of the City's largest income streams, totaling \$12,100,914 during the year ended June 30, 2013. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. Water rates will be increased 10% effective October 1, 2013. Sewer rates may need to be increased during the year as well, depending on whether Muskegon County increases its wastewater treatment charges.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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



## **FINANCIAL STATEMENTS**

City of Muskegon  
**STATEMENT OF NET POSITION**  
June 30, 2013

	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 15,277,164	\$ 6,068,650	\$ 21,345,814	\$ 358,407
Receivables	2,448,800	1,898,116	4,346,916	-
Due from other governmental units	1,567,449	109,745	1,677,194	-
Internal balances	(1,317,577)	1,317,577	-	-
Inventories	20,577	134,532	155,109	-
Prepaid items	850,476	98,842	949,318	-
Total current assets	18,846,889	9,627,462	28,474,351	358,407
Noncurrent assets				
Restricted cash and investments	-	599,500	599,500	-
Advances to component units	1,555,528	-	1,555,528	-
Special assessments receivable, less amounts due within one year	136,870	-	136,870	-
Notes receivable, less amounts due within one year	137,431	-	137,431	-
Net pension asset	993,293	-	993,293	-
Capital assets, net				
Nondepreciable	18,425,840	1,350,788	19,776,628	400,000
Depreciable	52,884,915	52,662,992	105,547,907	2,143,714
Total noncurrent assets	74,133,877	54,613,280	128,747,157	2,543,714
Total assets	92,980,766	64,240,742	157,221,508	2,902,121
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	2,163,988	273,287	2,437,275	25,674
Due to other governmental units	476,324	738,167	1,214,491	-
Unearned revenues - unused Farmers Market tokens	60,196	-	60,196	-
Unearned revenues - expenditure-driven grants	43,743	-	43,743	-
Bonds and other obligations, due within one year	581,600	1,315,700	1,897,300	540,000
Total current liabilities	3,325,851	2,327,154	5,653,005	565,674
Noncurrent liabilities				
Advances from primary government	-	-	-	1,555,528
Bonds and other obligations, less amounts due within one year	7,940,452	12,789,382	20,729,834	6,324,869
Total noncurrent liabilities	7,940,452	12,789,382	20,729,834	7,880,397
Total liabilities	11,266,303	15,116,536	26,382,839	8,446,071
<b>NET POSITION</b>				
Net investment in capital assets	63,842,092	40,032,858	103,874,950	(1,791,858)
Restricted				
Highways, streets and bridges	2,964,094	-	2,964,094	-
Debt service	-	599,500	599,500	-
Law enforcement	172,578	-	172,578	-
Perpetual care				
Expendable	25,816	-	25,816	-
Non-expendable	1,408,881	-	1,408,881	-
Other purposes	1,479	-	1,479	-
Unrestricted	13,299,523	8,491,848	21,791,371	(3,752,092)
Total net position	\$ 81,714,463	\$ 49,124,206	\$ 130,838,669	\$ (5,543,950)

The accompanying notes are an integral part of this statement.

City of Muskegon  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government				Component Units
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Public representation services	\$ 893,981	\$ 173,739	\$ -	\$ -	\$ -
Administrative services	565,307	268,535	10,000	-	(720,242) \$
Financial services	2,241,061	830,919	50,000	-	(286,772) -
Public safety	12,987,842	1,133,666	131,143	-	(1,360,142) -
Public works	3,201,806	671,494	-	3,624	(11,723,033) -
Highways, streets and bridges	6,672,374	245,609	3,145,344	797,320	(2,526,688) -
Community and economic development	2,499,404	432,240	1,326,823	85,164	(2,484,101) -
Culture and recreation	1,592,358	606,818	18,035	-	(655,177) -
General administration	322,348	287,729	-	-	(967,505) -
Interest on long-term debt	291,535	-	-	-	(34,619) -
					(291,535) -
Total governmental activities	31,268,016	4,650,749	4,681,345	886,108	(21,049,814) -
Business-type activities					
Sewer	7,226,839	7,058,315	-	-	(168,524) -
Water	6,228,788	5,890,614	6,188	-	(331,986) -
Marina and Launch Ramp	426,553	234,229	-	88,046	(104,278) -
Total business-type activities	13,882,180	13,183,158	6,188	88,046	(604,788) -
Total primary government	\$ 45,150,196	\$ 17,833,907	\$ 4,687,533	\$ 974,154	(21,049,814) (21,654,602) -
Component units					
Local Development Finance Authority - SmartZone	\$ 323,896	\$ -	\$ -	\$ 235,000	(88,896) -
Downtown Development Authority	54,150	-	-	-	(54,150) -
Tax Increment Finance Authority	50,000	-	-	-	(50,000) -
Brownfield Redevelopment Authority I	63,108	-	-	-	(63,108) -
Brownfield Redevelopment Authority II	42,995	-	-	-	(42,995) -
Total component units	\$ 534,149	\$ -	\$ -	\$ 235,000	(299,149) -
General revenues					
Property taxes					
Income taxes					
Cable franchise agreement					
Grants and contributions not restricted to specific programs					
Unrestricted investment earnings					
Miscellaneous					
Gain on sale of capital asset					
Total general revenues					
Change in net position					
Net position at July 1, 2012, as restated					
Net position at June 30, 2013					
	\$ 81,714,463	\$ 49,124,206	\$ 49,124,206	\$ 130,838,669	\$ (5,543,950)

The accompanying notes are an integral part of this statement.

City of Muskegon  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2013

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 6,102,486	\$ 2,213,220	\$ 3,700,323	\$ 12,016,029
Receivables				
Accounts and loans	163,650	2,693	240,133	406,476
Property taxes	85,565	-	-	85,565
Income taxes	1,716,009	-	-	1,716,009
Special assessments	-	254,328	174,542	428,870
Due from other governmental units	635,303	424,189	507,957	1,567,449
Due from other funds	488,857	-	-	488,857
Advances to component units	-	-	518,510	518,510
Prepaid items	437,341	21,610	4,710	463,661
Total assets	<b>\$ 9,629,211</b>	<b>\$ 2,916,040</b>	<b>\$ 5,146,175</b>	<b>\$ 17,691,426</b>
<b>LIABILITIES</b>				
Accounts payable	1,046,516	\$ 69,409	\$ 223,069	\$ 1,338,994
Accrued liabilities	186,094	5,451	7,986	199,531
Due to other governmental units	12,847	433,168	30,309	476,324
Due to other funds	-	-	488,857	488,857
Unearned revenues - unused Farmers Market tokens	60,196	-	-	60,196
Unearned revenues - expenditure-driven grants	-	-	43,743	43,743
Total liabilities	1,305,653	508,028	793,964	2,607,645
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - income taxes	970,000	-	-	970,000
Unavailable revenues - special assessments	-	254,328	174,645	428,973
Unavailable revenues - other long-term receivables	-	-	28,750	28,750
Total deferred inflows of resources	970,000	254,328	203,395	1,427,723
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	437,341	21,610	4,710	463,661
Long-term loans receivable	-	-	122,592	122,592
Perpetual care	10,000	-	1,398,881	1,408,881
Restricted				
Highways, streets and bridges	-	2,132,074	417,449	2,549,523
Law enforcement	-	-	172,578	172,578
Perpetual care	-	-	25,816	25,816
Other purposes	-	-	1,479	1,479
Assigned				
Capital projects and public improvements	1,700,000	-	2,087,359	3,787,359
Subsequent year's budget appropriation of fund balance	592,495	-	-	592,495
Unassigned	4,613,722	-	(82,048)	4,531,674
Total fund balances	7,353,558	2,153,684	4,148,816	13,656,058
Total liabilities, deferred inflows of resources and fund balances	<b>\$ 9,629,211</b>	<b>\$ 2,916,040</b>	<b>\$ 5,146,175</b>	<b>\$ 17,691,426</b>

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, 2013

Total fund balance—governmental funds \$ 13,656,058

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

The net pension asset is not an available resource and, therefore, is not  
 reported in the governmental funds. 993,293

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

Cost of capital assets	\$ 130,393,096	
Accumulated depreciation	<u>(60,914,278)</u>	69,478,818

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	970,000	
Special assessments	428,973	
Other long-term receivables	<u>28,750</u>	1,427,723

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	(61,054)	
Bonds and notes payable	(7,468,663)	
Compensated absences	<u>(970,809)</u>	(8,500,526)

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	5,976,674	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(1,317,577)</u>	<u>4,659,097</u>
Net position of governmental activities		<u><b>\$ 81,714,463</b></u>

The accompanying notes are an integral part of this statement.

City of Muskegon  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended June 30, 2013

	<b>General Fund</b>	<b>Major Street and Trunkline Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 14,832,027	\$ -	\$ -	\$ 14,832,027
Licenses and permits	1,238,285	-	-	1,238,285
Intergovernmental revenues				
Federal	117,324	794,000	1,317,788	2,229,112
State	3,714,690	2,566,615	843,137	7,124,442
Local	50,000	-	-	50,000
Charges for services	2,375,255	27,885	366,087	2,769,227
Fines and forfeitures	410,978	-	24,915	435,893
Interest and rental income	185,974	24,246	57,177	267,397
Other	482,876	133,583	237,918	854,377
Total revenues	23,407,409	3,546,329	2,847,022	29,800,760
<b>EXPENDITURES</b>				
Current				
Public representation services	892,113	-	-	892,113
Administrative services	508,130	-	-	508,130
Financial services	2,196,917	-	-	2,196,917
Public safety	12,587,265	-	2,351	12,589,616
Public works	2,878,328	-	-	2,878,328
Highways, streets and bridges	-	3,916,862	2,024,312	5,941,174
Community and economic development	1,001,715	-	-	1,001,715
Culture and recreation	1,201,246	-	11,030	1,212,276
Other governmental functions	299,812	-	-	299,812
Debt service				
Principal	70,000	175,000	150,211	395,211
Interest and fees	209,678	57,791	25,085	292,554
Capital outlay	105,651	-	1,745,832	1,851,483
Total expenditures	21,950,855	4,149,653	3,958,821	30,059,329
Excess of revenues over (under) expenditures	1,456,554	(603,324)	(1,111,799)	(258,569)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	190,263	190,263
Transfers in	420,653	250,000	685,576	1,356,229
Transfers out	(758,046)	-	(26,229)	(784,275)
Total other financing sources (uses)	(337,393)	250,000	849,610	762,217
Net change in fund balances	1,119,161	(353,324)	(262,189)	503,648
Fund balances at July 1, 2012, as restated	6,234,397	2,507,008	4,411,005	13,152,410
Fund balances at June 30, 2013	<b>\$ 7,353,558</b>	<b>\$ 2,153,684</b>	<b>\$ 4,148,816</b>	<b>\$ 13,656,058</b>

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, 2013

Net change in fund balances—total governmental funds \$ 503,648

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	\$ (4,542,411)	
Capital outlay	<u>3,230,586</u>	(1,311,825)

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. (175,512)

Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds. 67,217

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		395,211
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	1,946	
Amortization of premiums and discounts	<u>(927)</u>	1,019

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

Change in net pension asset	(3,348)	
Change in compensated absences	<u>121,724</u>	118,376

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	(761,373)	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>43,517</u>	(717,856)
Change in net position of governmental activities		<u><u>\$ (1,119,722)</u></u>

The accompanying notes are an integral part of this statement.

City of Muskegon  
**STATEMENT OF NET POSITION**  
Proprietary Funds  
June 30, 2013

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Sewer</b>	<b>Water</b>	<b>Marina and Ramp</b>	<b>Total</b>	
<b>ASSETS</b>					
Current assets					
Cash and investments	\$ 4,158,969	\$ 1,703,674	\$ 206,007	\$ 6,068,650	\$ 3,261,135
Accounts receivable	975,036	907,066	16,014	1,898,116	86,181
Due from other governmental units	-	42,842	66,903	109,745	-
Inventories	35,391	99,141	-	134,532	20,577
Prepaid items	41,848	54,739	2,255	98,842	386,815
Total current assets	5,211,244	2,807,462	291,179	8,309,885	3,754,708
Noncurrent assets					
Restricted cash and investments	-	599,500	-	599,500	-
Advances to component units	-	-	-	-	1,037,018
Capital assets					
Land	16,188	103,500	22,562	142,250	65,000
Land improvements	-	-	1,888,965	1,888,965	301,715
Buildings, improvements and systems	20,787,414	65,932,429	2,322,488	89,042,331	1,559,334
Machinery and equipment	50,082	2,842,951	-	2,893,033	7,540,942
Construction in progress	168,019	1,040,519	-	1,208,538	-
Less accumulated depreciation	(8,420,733)	(30,165,452)	(2,575,152)	(41,161,337)	(7,635,054)
Net capital assets	12,600,970	39,753,947	1,658,863	54,013,780	1,831,937
Total noncurrent assets	12,600,970	40,353,447	1,658,863	54,613,280	2,868,955
Total assets	17,812,214	43,160,909	1,950,042	62,923,165	6,623,663
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	12,911	132,330	23,667	168,908	545,036
Accrued liabilities	7,250	96,898	231	104,379	19,373
Due to other governmental units	562,732	175,435	-	738,167	-
Bonds and other obligations, due within one year	7,300	1,308,200	200	1,315,700	13,800
Total current liabilities	590,193	1,712,863	24,098	2,327,154	578,209
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	36,393	12,751,916	1,073	12,789,382	68,780
Total liabilities	626,586	14,464,779	25,171	15,116,536	646,989
<b>NET POSITION</b>					
Net investment in capital assets	12,600,970	25,773,025	1,658,863	40,032,858	1,831,937
Restricted for debt service	-	599,500	-	599,500	-
Unrestricted	4,584,658	2,323,605	266,008	7,174,271	4,144,737
Total net position	<u>\$ 17,185,628</u>	<u>\$ 28,696,130</u>	<u>\$ 1,924,871</u>	47,806,629	<u>\$ 5,976,674</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				1,317,577	
Net position of business-type activities				<u>\$ 49,124,206</u>	

The accompanying notes are an integral part of this statement.

City of Muskegon  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Proprietary Funds  
For the year ended June 30, 2013

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Sewer</b>	<b>Water</b>	<b>Marina and Ramp</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 6,502,293	\$ 5,598,621	\$ 219,341	\$ 12,320,255	\$ 7,308,020
Other	556,022	298,181	14,888	869,091	330,758
Total operating revenues	7,058,315	5,896,802	234,229	13,189,346	7,638,778
<b>OPERATING EXPENSES</b>					
Administration	304,916	555,273	11,160	871,349	429,264
Insurance premiums and claims	-	-	-	-	3,925,426
Wastewater treatment	5,286,893	-	-	5,286,893	-
Wastewater maintenance	1,181,143	-	-	1,181,143	-
Filtration plant operations	-	1,499,233	-	1,499,233	-
Water distribution	-	1,674,770	-	1,674,770	-
Other operations	-	-	299,264	299,264	3,142,838
Depreciation	430,270	2,132,243	114,063	2,676,576	434,997
Total operating expenses	7,203,222	5,861,519	424,487	13,489,228	7,932,525
Operating income (loss)	(144,907)	35,283	(190,258)	(299,882)	(293,747)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	20,783	10,982	1,383	33,148	54,339
Gain on sale of capital assets	-	-	-	-	49,989
Interest expense	-	(349,435)	-	(349,435)	-
Total nonoperating revenue (expenses)	20,783	(338,453)	1,383	(316,287)	104,328
Income (loss) before contributions and transfers	(124,124)	(303,170)	(188,875)	(616,169)	(189,419)
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>					
Capital contributions	-	-	88,046	88,046	-
Transfers in	-	-	-	-	28,046
Transfers out	-	-	-	-	(600,000)
Total capital contributions and transfers	-	-	88,046	88,046	(571,954)
Change in net position	(124,124)	(303,170)	(100,829)	(528,123)	(761,373)
Net position at July 1, 2012, as restated	17,309,752	28,999,300	2,025,700		6,738,047
Net position at June 30, 2013	<u>\$ 17,185,628</u>	<u>\$ 28,696,130</u>	<u>\$ 1,924,871</u>		<u>\$ 5,976,674</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.				(43,517)	
Change in net position of business-type activities				<u>\$ (571,640)</u>	

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, 2013

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Sewer</b>	<b>Water</b>	<b>Marina and Launch Ramp</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 7,090,991	\$ 5,929,616	\$ 155,774	\$ 13,176,381	\$ 346,456
Receipts from interfund services provided	13,686	121,415	-	135,101	7,308,020
Payments to suppliers	(5,743,350)	(1,650,384)	(258,859)	(7,652,593)	(5,567,039)
Payments to employees	(430,126)	(1,286,556)	(23,650)	(1,740,332)	(1,275,567)
Payments for interfund services used	(466,540)	(714,740)	(20,049)	(1,201,329)	(835,644)
Net cash provided by (used for) operating activities	464,661	2,399,351	(146,784)	2,717,228	(23,774)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	-	-	-	28,046
Transfers out	-	-	-	-	(600,000)
Advances to component units	-	-	-	-	69,648
Net cash used for noncapital financing activities	-	-	-	-	(502,306)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	-	-	88,046	88,046	-
Purchases of capital assets	(27,937)	(1,255,055)	-	(1,282,992)	(512,549)
Principal paid on capital debt	-	(1,250,000)	-	(1,250,000)	-
Interest paid on capital debt	-	(384,694)	-	(384,694)	-
Proceeds from sale of capital assets	-	-	-	-	55,202
Net cash provided by (used for) capital and related financing activities	(27,937)	(2,889,749)	88,046	(2,829,640)	(457,347)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Investment earnings	20,783	10,982	1,383	33,148	54,339
Net increase (decrease) in cash and investments	457,507	(479,416)	(57,355)	(79,264)	(929,088)
Cash and investments July 1, 2012	3,701,462	2,782,590	263,362	6,747,414	4,190,223
Cash and investments at June 30, 2013	<b>\$ 4,158,969</b>	<b>\$ 2,303,174</b>	<b>\$ 206,007</b>	<b>\$ 6,668,150</b>	<b>\$ 3,261,135</b>
Reconciliation of cash and investments to the Statement of Net Position					
Cash and investments	\$ 4,158,969	\$ 1,703,674	\$ 206,007	\$ 6,068,650	\$ 3,261,135
Restricted cash and investments	-	599,500	-	599,500	-
	<b>\$ 4,158,969</b>	<b>\$ 2,303,174</b>	<b>\$ 206,007</b>	<b>\$ 6,668,150</b>	<b>\$ 3,261,135</b>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (144,907)	\$ 35,283	\$ (190,258)	\$ (299,882)	\$ (293,747)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	430,270	2,132,243	114,063	2,676,576	434,997
Bad debt expense	13,278	18,707	-	31,985	-
Change in assets and liabilities					
Receivables	33,084	135,522	(78,455)	90,151	15,698
Inventories	6,782	7,945	-	14,727	19,010
Prepaid items	1,872	6,704	(51)	8,525	(155,846)
Accounts payable	126,846	65,827	7,905	200,578	(41,292)
Accrued liabilities	(2,564)	(2,880)	12	(5,432)	(2,594)
Net cash provided by (used for) operating activities	<b>\$ 464,661</b>	<b>\$ 2,399,351</b>	<b>\$ (146,784)</b>	<b>\$ 2,717,228</b>	<b>\$ (23,774)</b>

The accompanying notes are an integral part of this statement.

City of Muskegon  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
June 30, 2013

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 799,080
Accounts receivable	<u>1,867</u>
Total assets	<u><b>\$ 800,947</b></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 352,700
Due to other governmental units	316,760
Deposits held for others	<u>131,487</u>
Total liabilities	<u><b>\$ 800,947</b></u>

The accompanying notes are an integral part of this statement.

City of Muskegon  
**STATEMENT OF NET POSITION**  
Discretely Presented Component Units  
June 30, 2013

	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Total
<b>ASSETS</b>						
Current assets						
Cash and investments	\$ 30,266	\$ 167,477	\$ 14,163	\$ 146,501	\$ -	\$ 358,407
Noncurrent assets						
Capital assets, net						
Nondepreciable	400,000	-	-	-	-	400,000
Depreciable	2,143,714	-	-	-	-	2,143,714
Total noncurrent assets	2,543,714	-	-	-	-	2,543,714
Total assets	2,573,980	167,477	14,163	146,501	-	2,902,121
<b>LIABILITIES</b>						
Current liabilities						
Accrued liabilities	21,317	4,357	-	-	-	25,674
Bonds and other obligations, due within one year	260,000	280,000	-	-	-	540,000
Total current liabilities	281,317	284,357	-	-	-	565,674
Noncurrent liabilities						
Advances from primary government	-	-	-	1,555,528	-	1,555,528
Bonds and other obligations, less amounts due within one year	4,075,572	2,249,297	-	-	-	6,324,869
Total noncurrent liabilities	4,075,572	2,249,297	-	1,555,528	-	7,880,397
Total liabilities	4,356,889	2,533,654	-	1,555,528	-	8,446,071
<b>NET POSITION</b>						
Net investment in capital assets	(1,791,858)	-	-	-	-	(1,791,858)
Unrestricted	8,949	(2,366,177)	14,163	(1,409,027)	-	(3,752,092)
Total net position	<u>\$ (1,782,909)</u>	<u>\$ (2,366,177)</u>	<u>\$ 14,163</u>	<u>\$ (1,409,027)</u>	<u>\$ -</u>	<u>\$ (5,543,950)</u>

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, 2013

Functions/Programs	Program Revenue	Net (Expense) Revenue and Changes in Net Position					
		Local		Tax		Brownfield	
		Capital Grants and Contributions	Development Finance Authority - SmartZone	Downtown Development Authority	Increment Finance Authority	Redevelopment Authority I	Redevelopment Authority II
Expenses							Total
\$ 172,648	\$ -	\$ (172,648)	\$ -	\$ -	\$ -	\$ -	\$ (172,648)
151,248	235,000	83,752	-	-	-	-	83,752
323,896	235,000	(88,896)	-	-	-	-	(88,896)
Downtown Development Authority							
Interest on long-term debt	-	-	(54,150)	-	-	-	(54,150)
Tax Increment Finance Authority							
Economic development	-	-	-	-	(50,000)	-	(50,000)
Brownfield Redevelopment Authority I							
Economic development	-	-	-	-	-	(10,000)	-
Interest on long-term debt	53,108	-	-	-	-	(53,108)	(53,108)
Total Brownfield Redevelopment Authority I	63,108	-	-	-	-	(63,108)	(63,108)
Brownfield Redevelopment Authority II							
Economic development	42,995	-	-	-	-	-	(42,995)
Total discretely presented component units	\$ 534,149	\$ 235,000	(88,896)	(54,150)	(50,000)	(63,108)	(299,149)
General revenues							
Property taxes			85,627	313,432	44,439	156,765	643,258
Unrestricted investment income			150	1,435	86	716	2,387
Total general revenues			85,777	314,867	44,525	157,481	645,645
Change in net position			(3,119)	260,717	(5,475)	94,373	346,496
Net position at July 1, 2012, as restated			(1,779,790)	(2,626,894)	19,638	(1,503,400)	(5,890,446)
Net position at June 30, 2013			\$ (1,782,909)	\$ (2,366,177)	\$ 14,163	\$ (1,409,027)	\$ (5,543,950)

The accompanying notes are an integral part of this statement.

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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

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

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

*Brownfield Redevelopment Authority (BRA).* There are two separate designated areas under the aegis of the BRA – the Betten-Henry Street site and former downtown mall site. The Authority's sole purpose is the collection of property tax incremental revenues and promotion of environmental remediation (including issuance of debt) in designated brownfield areas. Members of the BRA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the BRA budget and must approve any debt issuance. The BRA areas are presented as governmental fund types.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**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, 2013, 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, 2011, the date of its latest audited financial statements is as follows:

Total assets	\$ 5,646,184
Total liabilities	(212,771)
Total net assets	<u><u>\$ 5,433,413</u></u>
Total operating income	\$ 1,750,345
Total operating expenses	(1,962,016)
Total nonoperating revenues	39,989
Capital contributions	231,934
Change in net assets	<u><u>\$ 60,252</u></u>

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

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

The City reports the following major governmental funds:

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

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

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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

The City reports the following three major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**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.

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.

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

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**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***

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:

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

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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

***Deferred Outflows/Inflows of Resources***

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

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

***Net Position Flow Assumption***

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

***Fund Balance Flow Assumptions***

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

***Fund Balance Policies***

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

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 formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.



City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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

***Fund Balance Policies—Continued***

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

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

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***

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

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and lien on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2012 state taxable value for real/personal property of the City totaled approximately \$606,327,000 of which approximately \$8,191,000 was captured by the component units. The ad valorem taxes levied consisted of 9.5, 2.5 and .0789 mills for the City's general operating, sanitation and community promotion purposes. These amounts are recognized in the General Fund with captured amounts shown in the TIFA, LDFA SmartZone, DDA, BRA I, and BRA II component units.

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Revenues and Expenditures/Expenses—Continued**

***Compensated Absences***

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

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

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

**Comparative Data**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentation of prior year's totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. Also, certain items in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control is the department level for the General Fund and the total expenditure or "fund" level for all other funds.

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

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**Excess of Expenditures Over Appropriations**

During the year ended June 30, 2013, actual expenditures exceeded appropriations for:

	<u>Amended Budget</u>	<u>Actual</u>
General Fund		
Public safety		
City clerk	\$ 316,769	\$ 337,252
Fire department	3,441,651	3,472,038

These overexpenditures were funded with available fund balance.

**Fund Deficits**

As of June 30, 2013, the HOME Fund had an unassigned fund deficit of \$43,281 and the Neighborhood Stabilization Fund had an unassigned fund deficit of \$38,767. The deficits will be eliminated through future operations.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of June 30, 2013, the City had the following investments:

	<u>Fair value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
<b>Investment Type</b>				
Money market funds	\$ 753,060	1	AAA	8.8%
Negotiable certificates of deposit	996,623	4	not rated	11.6%
US Agency obligations	4,231,132	184	AA+	49.1%
Certificate of Deposit Account				
Registry Service (CDARS)	<u>2,619,444</u>	3	not rated	30.5%
Total fair value	<u><u>\$ 8,600,259</u></u>			<u><u>100.0%</u></u>
Portfolio weighted average maturity		<u><u>92</u></u>		

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Deposit and Investment Risks**

***Interest rate risk***

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At least 10% 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% each of the total portfolio. More than 5 percent of the City's investments are in various U.S. Agency obligations including Federal National Mortgage Association, Federal Home Loan Bank System and Government National Mortgage Association. These investments are 21 percent, 17 percent and 11 percent, respectively of the City's investments.

***Custodial credit risk - deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2013, \$14,031,893 of the City's bank balance of \$14,531,893 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City's investment policy sets certain credit requirements that a bank must meet for the City to deposit funds in it.

***Custodial credit risk - investments***

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

***Foreign currency risk***

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

**Restricted Assets**

Restrictions are placed on assets by bond ordinance and City Commission action. At June 30, 2013, restricted cash and investments in the Water Fund of \$599,500 were restricted by bond ordinance.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<b>Governmental activities:</b>				
<b>Capital assets, no being depreciated:</b>				
Land	\$ 12,381,156	\$ -	\$ 164,621	\$ 12,216,535
Construction in progress	6,599,641	3,125,837	3,516,173	6,209,305
Total capital assets, not being depreciated	18,980,797	3,125,837	3,680,794	18,425,840
<b>Capital assets, being depreciated:</b>				
Land improvements	4,215,004	141,864	-	4,356,868
Leasehold improvements	516,605	18,216	-	534,821
Buildings and improvements	21,345,694	840,386	16,755	22,169,325
Furniture, vehicle and equipment	12,423,374	401,706	242,176	12,582,904
Infrastructure	76,647,841	2,731,299	3,165,712	76,213,428
Shared improvements	5,576,901	-	-	5,576,901
Total capital assets, being depreciated	120,725,419	4,133,471	3,424,643	121,434,247
<b>Less accumulated depreciation:</b>				
Land improvements	1,008,923	145,086	-	1,154,009
Leasehold improvements	249,276	54,628	-	303,904
Buildings and improvements	14,487,224	491,242	5,864	14,972,602
Furniture, vehicle and equipment	10,001,427	544,323	236,963	10,308,787
Infrastructure	38,618,528	3,463,284	3,165,712	38,916,100
Shared improvements	2,615,085	278,845	-	2,893,930
Total accumulated depreciation	66,980,463	4,977,408	3,408,539	68,549,332
Total capital assets, being depreciated, net	53,744,956	(843,937)	16,104	52,884,915
Capital assets, net	<u><b>\$ 72,725,753</b></u>	<u><b>\$ 2,281,900</b></u>	<u><b>\$ 3,696,898</b></u>	<u><b>\$ 71,310,755</b></u>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 142,250	\$ -	\$ -	\$ 142,250
Construction in progress	1,658,879	1,230,247	1,680,588	1,208,538
Total capital assets, not being depreciated	1,801,129	1,230,247	1,680,588	1,350,788
<b>Capital assets, being depreciated:</b>				
Land improvements	1,888,965	-	-	1,888,965
Buildings, improvements and systems	87,361,743	1,680,588	-	89,042,331
Machinery and equipment	2,840,288	52,745	-	2,893,033
Total capital assets, being depreciated	92,090,996	1,733,333	-	93,824,329
<b>Less accumulated depreciation:</b>				
Land improvements	1,718,490	21,089	-	1,739,579
Buildings, improvements and systems	34,996,248	2,332,962	-	37,329,210
Machinery and equipment	1,770,023	322,525	-	2,092,548
Total accumulated depreciation	38,484,761	2,676,576	-	41,161,337
Total capital assets, being depreciated, net	53,606,235	(943,243)	-	52,662,992
Capital assets, net	<u><b>\$ 55,407,364</b></u>	<u><b>\$ 287,004</b></u>	<u><b>\$ 1,680,588</b></u>	<u><b>\$ 54,013,780</b></u>

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE D—CAPITAL ASSETS—Continued**

**Depreciation**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

Administrative services	\$ 52,455
Financial services	29,855
Public safety	146,086
Public works	64,818
Highways, streets and bridges	3,828,597
Community and economic development	75,717
Culture and recreation	322,347
General administration	22,536
Internal Service Fund depreciation	434,997
	<u><u>\$ 4,977,408</u></u>

**Business-type activities:**

Sewer	\$ 430,270
Water	2,132,243
Marina and Launch Ramp	114,063
	<u><u>\$ 2,676,576</u></u>

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Component units:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
<b>Capital assets, being depreciated:</b>				
Building and improvements	3,798,258	-	-	3,798,258
<b>Less accumulated depreciation:</b>				
Building and improvements	1,481,896	172,648	-	1,654,544
Total capital assets, being depreciated, net	2,316,362	(172,648)	-	2,143,714
Capital assets, net	<u><u>\$ 2,716,362</u></u>	<u><u>\$ (172,648)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,543,714</u></u>

**Depreciation**

Depreciation expense was charged to economic development.

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2013 is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Fund	\$ 268,432
General Fund	HOME Rehabilitation Fund	52,011
General Fund	Neighborhood Stabilization Fund	168,414
		<u><u>\$ 488,857</u></u>

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

**Component unit advance:**

The Cemetery Perpetual Care Fund, Equipment Fund, and General Insurance Fund advanced the BRA I \$1,555,528 to enable the BRA I to retire a redevelopment commitment early. The advance will be repaid with future tax captures.

**Interfund transfers:**

<u>Transfers in</u>	<u>Amount</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund	\$ 420,653	Nonmajor Governmental Funds	
		Cemetery Fund	\$ 20,653
		Internal Service Funds	
		General Insurance Fund	400,000
	<u>420,653</u>		<u>420,653</u>
Major Street and Trunkline Fund	250,000	General Fund	250,000
Nonmajor Governmental Funds			
Local Street Fund	680,000	General Fund	480,000
		Internal Service Funds	
		General Insurance Fund	200,000
	<u>680,000</u>		<u>680,000</u>
Nonmajor Governmental Funds		Nonmajor Governmental Funds	
HOME Rehabilitation Fund	5,576	Community Development	
		Block Grant Fund	5,576
Internal Service Funds			
General Insurance Fund	28,046	General Fund	28,046
	<u><u>\$ 1,384,275</u></u>		<u><u>\$ 1,384,275</u></u>

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

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**NOTE F—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2013.

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation debt	\$ 7,152,694	\$ -	\$ 244,073	\$ 6,908,621	\$ 250,000
Intergovernmental					
contractual obligations	150,253	-	20,211	130,042	21,000
Special assessment obligations	560,000	-	130,000	430,000	135,000
Compensated absences	1,181,025	1,092,684	1,220,320	1,053,389	175,600
Governmental activities					
long-term liabilities	<u>\$ 9,043,972</u>	<u>\$ 1,092,684</u>	<u>\$ 1,614,604</u>	<u>\$ 8,522,052</u>	<u>\$ 581,600</u>
<b>Business-type activities:</b>					
Revenue obligations	\$ 15,259,764	\$ -	\$ 1,278,842	\$ 13,980,922	\$ 1,295,000
Compensated absences	126,472	156,043	158,355	124,160	20,700
Business-type activities					
long-term liabilities	<u>\$ 15,386,236</u>	<u>\$ 156,043</u>	<u>\$ 1,437,197</u>	<u>\$ 14,105,082</u>	<u>\$ 1,315,700</u>
<b>Component units:</b>					
Intergovernmental obligations	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
General obligation debt	6,364,932	-	500,063	5,864,869	540,000
Component unit long-					
term liabilities	<u>\$ 7,364,932</u>	<u>\$ -</u>	<u>\$ 500,063</u>	<u>\$ 6,864,869</u>	<u>\$ 540,000</u>
<b>Governmental activities:</b>					
<b>General obligation debt:</b>					
\$5,400,000 Limited Tax General Obligation Bonds of					
2006 payable in annual installments of \$70,000 to					
\$350,000 through October 2032; interest at 4% to 4.2%					\$ 5,095,000
Less bond discount					(11,379)
\$2,000,000 Capital Improvement Bonds of 2011					
payable in annual installments of \$180,000 to					
\$230,000 through September 2021; interest at 2.98%					1,825,000
<b>Intergovernmental contractual obligations:</b>					
\$500,000 State of Michigan Brownfield Redevelopment loan					
of 2008 payable in annual installments of \$23,216 through					
March 2019; including interest at 2%					130,042
<b>Special assessment obligations:</b>					
\$1,575,000 Capital improvement bonds of 2003 payable					
in annual installments of \$135,000 to \$150,000					
through June 2016; interest at 3.9% to 4.05%					430,000
<b>Compensated absences</b>					1,053,389
					<u><u>\$ 8,522,052</u></u>



City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE F—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Business-type activities:**

**Revenue obligations:**

\$5,995,000 Water supply system refunding bonds of 2010 payable in annual installments of \$640,000 to \$770,000 through May 2019; interest at 2.77% to 4.25%	\$ 4,205,000
Add bond premium	90,922
 \$13,900,000 Drinking Water State Revolving Fund loan of 2004 payable in annual installments of \$655,000 to \$840,000 through October 2025; interest at 2.13%	 9,685,000

<b>Compensated absences</b>	124,160
	<b><u>\$ 14,105,082</u></b>

**Component units:**

**Intergovernmental obligations:**

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

\$2,045,000 Downtown Development Authority tax increment refunding bonds of 2011 payable in annual installments of \$280,000 to \$330,000 through June 2018; interest at 2.75% to 4%	1,505,000
Add bond premium	24,297
 \$4,100,000 Local Development Finance Authority tax increment refunding bonds of 2012 payable in annual installments of \$320,000 to \$396,000 through June 2025; interest at 2% to 4%	 4,100,000
Add bond premium	235,572
	<b><u>\$ 6,864,869</u></b>

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

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

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on June 30, 2013 was approximately \$4,733,000. The City is unaware of any circumstances that would cause a shortfall in the near future.

City of Muskegon  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**NOTE F—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

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

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2013.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2013 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 405,615	\$ 276,989	\$ 1,295,000	\$ 352,635	\$ 540,000	\$ 177,588
2015	421,027	263,073	1,330,000	320,857	605,000	164,088
2016	431,448	248,465	1,370,000	283,360	635,000	148,276
2017	286,877	233,425	1,405,000	246,434	655,000	129,251
2018	292,314	224,302	1,450,000	203,106	685,000	107,125
2019-2023	2,197,761	908,699	4,565,000	500,704	2,660,000	262,875
2024-2028	1,695,000	537,256	2,475,000	79,526	825,000	37,725
2029-2033	1,750,000	183,050	-	-	-	-
	<b>\$ 7,480,042</b>	<b>\$ 2,875,259</b>	<b>\$ 13,890,000</b>	<b>\$ 1,986,622</b>	<b>\$ 6,605,000</b>	<b>\$ 1,026,928</b>

Annual debt service requirements to maturity by type of debt as of June 30, 2013 follow:

Year Ending June 30,	General Obligation Debt		Revenue Obligations	Intergovernmental		Special Assessment
	Governmental Activities	Component Units	Business-type Activities	Governmental Activities	Component Units	Governmental Activities
2014	\$ 507,248	\$ 717,588	\$ 1,647,635	\$ 23,216	\$ -	\$ 152,140
2015	504,010	769,088	1,650,857	23,215	-	156,875
2016	500,622	783,276	1,653,360	23,216	-	156,075
2017	497,086	784,251	1,651,434	23,216	-	-
2018	493,400	792,125	1,653,106	23,216	-	-
2019-2023	3,083,244	1,922,875	5,065,704	23,216	1,000,000	-
2024-2028	2,232,253	862,725	2,554,529	-	-	-
2029-2033	1,933,050	-	-	-	-	-
	<b>\$ 9,750,913</b>	<b>\$ 6,631,928</b>	<b>\$ 15,876,625</b>	<b>\$ 139,295</b>	<b>\$ 1,000,000</b>	<b>\$ 465,090</b>

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE G—OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMRMA for its insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. A \$150,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2013 and 2012 were as follows:

<u>Year Ended</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
June 30, 2013	\$ 124,721	\$ 70,391	\$ 129,140	\$ 65,972
June 30, 2012	83,745	113,079	72,103	124,721

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, 2013, the claims liability including incurred but not reported claims was \$12,005. 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 2013 and 2012 were as follows:

<u>Year Ended</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
June 30, 2013	\$ 81,702	\$ 844,407	\$ 914,104	\$ 12,005
June 30, 2012	15,462	1,199,682	1,133,442	81,702

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE G—OTHER INFORMATION—Continued**

**Contingencies**

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

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

**Commitments**

The City has various contract agreements for street projects as of June 30, 2013 of approximately \$1,584,000. The cost of the projects will be paid with available fund balance in the Major Street and Trunkline Fund.

**Leases**

The City leases an office facility under a noncancelable operating lease that expires June 2017 with the option by the tenant to renew the term of the lease for four successive periods of five years each. The City received rental income (including pro-rata utility usage) of \$44,938 for the year ended June 30, 2013. The future minimum rental income for this lease is as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2014	\$ 34,854
2015	34,202
2016	33,864
2017	33,841
	<b><u>\$ 136,761</u></b>

**NOTE H—PENSION PLANS**

**Defined Benefit Pension Plan**

***Plan Description***

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

City of Muskegon  
933 Terrace Street  
Muskegon, MI 49443

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE H—PENSION PLANS—Continued**

**Defined Benefit Pension Plan—Continued**

***Funding Policy***

City employees are required to contribute 5 to 6 percent to the Plan depending on employee contract. The City is required to contribute at an actuarially-determined rate depending upon employee group from 5.80 to 19.80 percent of annual covered payroll depending on the plan. The contributions requirements of plan members and the City are established and may be amended by the City depending on the MERS contribution program adopted by the City.

***Annual Pension Cost and Net Pension Asset***

For the year ended June 30, 2013, the City's annual pension cost of approximately \$1,159,000 was equal to the City's required and actual contribution. The following table shows the components of the City's annual pension cost for the year, the amount actually contributed, and changes in the City's net pension asset:

Annual required contribution	\$ 1,188,934
Interest on net pension asset	(79,731)
Adjustment to annual required contribution	<u>83,079</u>
Annual pension cost	1,192,282
Contributions made	<u>1,188,934</u>
Decrease in net pension asset	(3,348)
Net pension asset at beginning of year	<u>996,641</u>
Net pension asset at end of year	<u><u>\$ 993,293</u></u>

**Trend Information**

<u>Year Ended</u>	<u>Approximate Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 2011	\$ 1,228,000	181 %	\$ (1,000,000)
June 30, 2012	1,159,000	100	(996,641)
June 30, 2013	1,189,000	100	(993,293)

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 8.4 percent, and (c) 1 percent to 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 17 years.

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE H—PENSION PLANS—Continued**

**Defined Benefit Pension Plan—Continued**

***Funding Status and Funding Progress***

As of December 31, 2012, the most recent actuarial valuation date, the plan was 94 percent funded. The actuarial accrued liability for benefits was approximately \$95,220,000, and the actuarial value of assets was approximately \$89,199,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$6,021,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,185,000, and the ratio of the UAAL to the covered payroll was 59 percent.

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

**Defined Contribution Pension Plan**

The City also maintains a defined contribution plan offered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Depending on employee group, the Plan covers all City employees hired after January 2005 to July 2006 and those hired earlier who elected to convert from the defined benefit plan. The authority for establishing or amending the plan's provisions and for establishing or amending contribution requirements rests with the City Commission as determined by negotiated labor contracts. The City is required to contribute 3 percent to 10 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are required to contribute 0 percent to 6 percent of annual compensation depending on employee group. For the year ended June 30, 2013, City and employee contributions were approximately \$179,000 and \$100,000, respectively.

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. Payments from the deferred compensation plan are not available to participants until termination, retirement, death, or unforeseeable emergency. Active participants are allowed to borrow from their accumulated assets for limited purposes such as family education costs, medical costs, or down payment for a new home. The City must approve program loans.

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

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE I—OTHER POST-EMPLOYMENT BENEFITS**

**Retiree Healthcare Plan**

***Plan Description***

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

City of Muskegon  
933 Terrace Street  
Muskegon, MI 49443

***Funding Policy***

Plan members are not required to contribute to the Plan. The City is required to contribute the annual required contribution of the employer (ARC) at an actuarially-determined rate which varies upon employee group from 3.35 to 6.84 percent of covered wages. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The contribution requirements of plan members and the City are established and may be amended by MERS depending on the benefits program adopted by the City.

***Annual OPEB Cost***

For the year ended June 30, 2013, the City's OPEB cost (expense) of approximately \$739,000 was equal to the City's ARC and actual contribution.

**Trend Information**

<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2011	\$ 1,079,000	100 %	\$ -
June 30, 2012	833,000	100	-
June 30, 2013	739,000	100	-

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE I—OTHER POST-EMPLOYMENT BENEFITS—Continued**

**Retiree Healthcare Plan—Continued**

***Actuarial Methods and Assumptions***

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

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

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates include a 4.5 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 is 26 years.

***Funded Status and Progress***

As of December 31, 2011, the most recent actuarial valuation date, the plan was 76 percent funded. The actuarial accrued liability for benefits was approximately \$20,168,000, and the actuarial value of assets was approximately \$15,331,000, resulting in an unfunded actuarial liability (UAAL) of approximately \$4,837,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$12,365,000, and the ratio of the UAAL to the covered payroll was 39 percent.

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

**Healthcare Saving Plan**

The City also maintains a defined contribution Health Care Savings Plan offered by MERS. In this plan, post-employment healthcare benefits depend solely on amounts contributed to the plan plus investment earnings. Depending on employee group, the Plan covers all City employees hired after January 2009 to December 2012 in lieu of the traditional retiree healthcare plan. The authority for establishing or amending the Plan's provisions and for establishing or amending contribution requirements rests with the City Commission as determined by negotiated labor contracts. The City is required to contribute 1 or 2 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are also required to contribute 1 or 2 percent of annual compensation. Additionally, some employees, regardless of hire date, may make voluntary contributions to the HCSP. For the year ended June 30, 2013, City and employee contributions were approximately \$11,000 and \$135,000, respectively.



City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE J—PRIOR PERIOD ADJUSTMENTS**

The net position of the governmental activities, business-type activities (Water Fund), and component units were restated to reflect the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which require that bond issuance costs be recognized as an expense in the period incurred.

The net position of the governmental activities and fund balance of the General Fund were also restated to reflect previously unrecorded income tax credits owed to taxpayers.

The restatement of the beginning of the year net position/fund balance is as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>	
Net position at July 1, 2012	\$ 83,225,722	\$ 49,781,313	\$ (5,731,603)	
Removal of bond issuance costs	(105,889)	(85,467)	(158,843)	
Income tax credits liability	(285,648)	-	-	
Net position at July 1, 2012, as restated	<b>\$ 82,834,185</b>	<b>\$ 49,695,846</b>	<b>\$ (5,890,446)</b>	
	<b>General Fund</b>	<b>Water Fund</b>	<b>LDFA - SmartZone</b>	<b>DDA</b>
Net position/fund balance at July 1, 2012	\$ 6,520,045	\$ 29,084,767	\$ (1,665,024)	\$ (2,582,817)
Removal of bond issuance costs	-	(85,467)	(114,766)	(44,077)
Income tax credits liability	(285,648)	-	-	-
Net position/fund balance at July 1, 2012, as restated	<b>\$ 6,234,397</b>	<b>\$ 28,999,300</b>	<b>\$ (1,779,790)</b>	<b>\$ (2,626,894)</b>

The effect on the change in net position of the prior year is as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>	
Change in net position - June 30, 2012, as previously reported	\$ (973,842)	\$ (522,025)	\$ (1,619,658)	
Amortization of bond issuance costs	7,631	23,152	96,062	
New issuance costs	-	-	(114,766)	
Change in net position - June 30, 2012, as restated	<b>\$ (966,211)</b>	<b>\$ (498,873)</b>	<b>\$ (1,638,362)</b>	
	<b>Water Fund</b>	<b>LDFA - SmartZone</b>	<b>DDA</b>	
Change in net position - June 30, 2012, as previously reported	\$ (677,279)	\$ (231,915)	\$ 177,813	
Amortization of bond issuance costs	23,152	89,500	6,562	
New issuance costs	-	(114,766)	-	
Change in net position - June 30, 2012, as restated	<b>\$ (654,127)</b>	<b>\$ (257,181)</b>	<b>\$ 184,375</b>	

City of Muskegon  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**NOTE K—SUBSEQUENT EVENTS**

Subsequent to year-end, the City entered into contracts for street improvements of approximately \$1,366,000. The projects will be paid with available fund balance in the Major Street and Trunkline and Local Street funds and approximately \$705,000 in grants from the Michigan Department of Transportation.

**NOTE L—UPCOMING ACCOUNTING PRONOUNCEMENT**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of Muskegon  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended June 30, 2013  
 (with comparative actual amounts for the year ended June 30, 2012)

	2013				2012
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
REVENUES					
Taxes					
City income taxes	\$ 7,100,000	\$ 7,600,000	\$ 7,506,472	\$ (93,528)	\$ 7,412,804
Property taxes	7,463,567	7,170,289	7,171,122	833	7,913,724
Industrial facilities taxes	93,463	57,614	58,087	473	84,332
Payments in lieu of taxes	95,000	95,000	96,346	1,346	95,805
Delinquent chargeback collected	1,000	200	-	(200)	3
Total taxes	14,753,030	14,923,103	14,832,027	(91,076)	15,506,668
Licenses and permits					
Business licenses	28,000	29,500	31,623	2,123	30,642
Liquor licenses	61,000	60,000	53,005	(6,995)	56,039
Cable TV fees	340,000	350,000	358,785	8,785	342,376
Rental property registration	130,000	168,030	163,300	(4,730)	162,990
Burial permits	110,000	110,000	89,170	(20,830)	87,768
Building permits	250,000	229,000	278,166	49,166	264,201
Electrical permits	80,000	81,000	67,128	(13,872)	84,907
Plumbing permits	30,000	26,000	26,519	519	26,884
Mechanical permits	60,000	60,000	62,305	2,305	55,169
Vacant building fees	100,000	100,000	108,284	8,284	112,058
Total licenses and permits	1,189,000	1,213,530	1,238,285	24,755	1,223,034
Intergovernmental revenues					
Federal grants	155,524	134,885	117,324	(17,561)	152,300
State					
Grants	20,000	55,000	13,819	(41,181)	14,295
State shared revenue	3,592,422	3,667,621	3,700,871	33,250	3,577,848
Total intergovernmental revenues - State	3,612,422	3,722,621	3,714,690	(7,931)	3,592,143
Local	50,000	50,000	50,000	-	50,000

City of Muskegon  
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**  
 General Fund  
 For the year ended June 30, 2013  
 (with comparative actual amounts for the year ended June 30, 2012)

	2013				2012
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
Charges for services					
Tax administration fees	\$ 272,700	\$ 267,175	\$ 267,293	\$ 118	\$ 289,361
Utility administration fees	250,000	250,000	250,000	-	225,000
Reimbursement for elections	-	250	329	79	13,640
Brownfield authority admin fee	-	52,000	52,995	995	13,828
Indirect cost reimbursements	1,171,531	1,171,531	1,171,536	5	1,144,020
Site plan review fee	3,500	3,500	3,600	100	3,400
Sale of cemetery lots	25,500	29,300	33,207	3,907	24,671
Police miscellaneous	59,000	74,525	92,624	18,099	57,893
Police impound fees	42,000	42,000	38,844	(3,156)	40,920
Landlord's alert fee	40	70	-	(70)	40
Fire protection-state property	84,970	84,970	117,776	32,806	137,127
Zoning fees	11,000	11,000	11,164	164	12,055
Clerk fees	1,500	2,800	2,827	27	1,365
Clerk fees - passport fees	3,500	4,000	4,160	160	3,790
Tax abatement application fees	5,000	6,000	5,904	(96)	3,439
Treasurer fees	65,000	65,000	58,648	(6,352)	61,682
False alarm fees	13,000	13,000	5,265	(7,735)	10,680
Miscellaneous cemetery income	20,000	20,000	17,369	(2,631)	61,645
Senior transit program fees	-	8,382	8,382	-	11,123
Fire miscellaneous	2,000	2,000	2,843	843	703
Sanitation stickers	80,000	81,300	81,116	(184)	87,303
Lot cleanup fees	30,000	35,000	32,462	(2,538)	43,028
Reimbursements - lot mowing and demolitions	50,000	50,000	43,648	(6,352)	58,740
Special events reimbursements	50,000	75,000	66,596	(8,404)	95,788
Recreation program fees	5,000	6,500	6,667	167	6,551
Total charges for services	2,245,241	2,355,303	2,375,255	19,952	2,407,792
Fines and forfeitures					
Income tax - penalty and interest	180,000	170,000	174,801	4,801	191,679
Late fees on current taxes	40,000	40,000	30,872	(9,128)	24,051
Interest on late invoices	-	-	2,318	2,318	2,328
Parking fines	125,000	90,000	77,803	(12,197)	105,995
Court fines	140,000	130,000	125,184	(4,816)	123,926
Total fines and forfeitures	485,000	430,000	410,978	(19,022)	447,979
Interest and rental income					
Interest income	77,000	52,000	69,568	17,568	9,378
Net increase (decrease) in the fair value of investments	-	-	(123,263)	(123,263)	(34,662)
Flea market	35,000	35,000	30,935	(4,065)	28,664
Farmers' market	40,000	40,000	42,599	2,599	47,805
City right of way rental	8,561	6,800	6,800	-	6,800
Fire station lease - Central Dispatch	45,000	45,000	44,938	(62)	43,526
Great Lakes Naval Memorial lease	5,000	15,000	15,000	-	15,000
McGraft park rentals	46,000	60,000	61,053	1,053	48,213
Other park rentals	52,200	60,200	38,344	(21,856)	37,576
Total interest and rental income	308,761	314,000	185,974	(128,026)	202,300

City of Muskegon  
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**  
 General Fund  
 For the year ended June 30, 2013  
 (with comparative actual amounts for the year ended June 30, 2012)

	2013				2012
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Other					
Sale of land and assets	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)	\$ -
Police sale and auction proceeds	2,000	2,000	6,058	4,058	10,598
CDBG program reimbursements	337,870	337,870	344,568	6,698	424,549
Fisherman's Landing reimbursement	16,775	17,471	17,471	-	16,775
Contributions	11,000	16,850	10,485	(6,365)	3,876
Contributions - Veteran's Park maintenance	18,500	16,155	16,155	-	18,502
Community Foundation for Muskegon County	1,500	4,800	14,800	10,000	10,000
Miscellaneous and sundry	71,000	69,556	73,339	3,783	56,244
Total other	459,645	465,702	482,876	17,174	540,544
Total revenues	23,258,623	23,609,144	23,407,409	(201,735)	24,122,760
EXPENDITURES					
Current					
Public representation services					
City commission	85,216	98,675	93,509	5,166	82,906
City promotions and public relations	9,350	9,800	9,832	(32)	7,214
City manager	282,961	273,259	269,910	3,349	273,309
Contributions to outside agencies	202,824	203,819	197,926	5,893	149,468
City attorney	332,000	342,000	320,936	21,064	354,865
Total public representation services	912,351	927,553	892,113	35,440	867,762
Administrative services					
City clerk	312,269	316,769	337,252	(20,483)	288,959
Civil service	91,270	87,505	88,439	(934)	98,543
Affirmative action	85,439	84,378	82,439	1,939	82,987
Total administrative services	488,978	488,652	508,130	(19,478)	470,489
Financial services					
Finance administration	362,253	360,228	364,146	(3,918)	421,130
Assessing	367,610	345,000	330,190	14,810	425,160
Arena administration	235,000	239,538	238,961	577	240,091
Income tax administration	459,888	442,385	388,767	53,618	432,397
Information systems	394,458	394,025	391,345	2,680	371,201
City treasurer	501,307	493,918	483,508	10,410	517,152
Total financial services	2,320,516	2,275,094	2,196,917	78,177	2,407,131
Public safety					
Police department	9,450,146	8,816,000	8,642,294	173,706	8,680,770
Fire department	3,412,375	3,441,651	3,472,038	(30,387)	3,674,677
Fire safety inspections	597,301	459,000	472,933	(13,933)	603,463
Total public safety	13,459,822	12,716,651	12,587,265	129,386	12,958,910

City of Muskegon  
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**  
 General Fund  
 For the year ended June 30, 2013  
 (with comparative actual amounts for the year ended June 30, 2012)

	2013				2012
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
Public works					
Street lighting	\$ 745,000	\$ 655,000	\$ 655,118	\$ (118)	\$ 560,199
Community event support	20,600	16,800	19,270	(2,470)	20,212
Senior citizen transit	-	38,256	41,816	(3,560)	76,309
General sanitation	1,577,048	1,553,605	1,541,931	11,674	1,561,378
Storm water management	17,786	15,000	12,994	2,006	13,270
City hall maintenance	288,983	268,131	244,296	23,835	235,086
Cemeteries maintenance	339,312	367,931	362,903	5,028	368,546
Total public works	2,988,729	2,914,723	2,878,328	36,395	2,835,000
Community and economic development					
Planning, zoning and economic development	313,973	293,070	300,222	(7,152)	292,915
Environmental services	558,304	574,781	541,493	33,288	541,665
Edison Landing subsidy	160,000	160,000	160,000	-	100,000
Total community and economic development	1,032,277	1,027,851	1,001,715	26,136	934,580
Culture and recreation					
Parks maintenance	1,144,761	1,117,441	1,009,455	107,986	1,050,464
McGraft park maintenance	44,600	45,200	23,461	21,739	39,876
General and inner city recreation programs	96,000	98,900	95,944	2,956	109,065
Graffiti removal	9,861	7,861	3,854	4,007	5,090
Parking operations	3,000	4,700	5,266	(566)	4,484
Farmers' market and flea market	77,093	58,013	63,266	(5,253)	54,407
Total culture and recreation	1,375,315	1,332,115	1,201,246	130,869	1,263,386
Other governmental functions					
Insurance premiums	224,982	252,000	233,873	18,127	257,320
Other	250,000	200,000	65,939	134,061	513,590
Total other governmental functions	474,982	452,000	299,812	152,188	770,910
Debt service					
Principal	70,000	70,000	70,000	-	70,000
Interest and fees	208,345	210,000	209,678	322	211,954
Total debt service	278,345	280,000	279,678	322	281,954
Capital outlay	257,000	127,000	105,651	21,349	244,280
Total expenditures	23,588,315	22,541,639	21,950,855	590,784	23,034,402
Excess of revenues over (under) expenditures	(329,692)	1,067,505	1,456,554	389,049	1,088,358

City of Muskegon  
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**  
 General Fund  
 For the year ended June 30, 2013  
 (with comparative actual amounts for the year ended June 30, 2012)

	2013			2012	
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 262,000	\$ 223,000	\$ 420,653	\$ 197,653	\$ 3,351
Transfers out	(508,046)	(758,046)	(758,046)	-	(583,046)
Total other financing sources (uses)	(246,046)	(535,046)	(337,393)	197,653	(579,695)
Net change in fund balance	<u><b>\$ (575,738)</b></u>	<u><b>\$ 532,459</b></u>	1,119,161	<u><b>\$ 586,702</b></u>	508,663
Fund balance at beginning of year, as restated			<u>6,234,397</u>		<u>5,725,734</u>
Fund balance at end of year			<u><b>\$ 7,353,558</b></u>		<u><b>\$ 6,234,397</b></u>

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



City of Muskegon  
**BUDGETARY COMPARISON SCHEDULE**  
Major Street and Trunkline Fund  
For the year ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues				
Federal	\$ 1,095,000	\$ 453,000	\$ 794,000	\$ 341,000
State	2,663,163	2,663,163	2,566,615	(96,548)
Charges for services	-	-	27,885	27,885
Investment earnings	25,000	25,000	24,246	(754)
Other	145,000	149,772	133,583	(16,189)
Total revenues	3,928,163	3,290,935	3,546,329	255,394
EXPENDITURES				
Current				
Highways, streets and bridges	5,258,258	4,449,500	3,916,862	532,638
Debt service				
Principal	175,000	175,000	175,000	-
Interest	56,993	57,791	57,791	-
Total expenditures	5,490,251	4,682,291	4,149,653	532,638
Excess of revenues over (under) expenditures	(1,562,088)	(1,391,356)	(603,324)	788,032
OTHER FINANCING SOURCES (USES)				
Transfers in	-	250,000	250,000	-
Transfers out	(225,000)	-	-	-
Total other financing sources (uses)	(225,000)	250,000	250,000	-
Net change in fund balance	\$ (1,787,088)	\$ (1,141,356)	(353,324)	\$ 788,032
Fund balance at July 1, 2012			2,507,008	
Fund balance at June 30, 2013			\$ 2,153,684	

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

City of Muskegon  
Required Supplemental Information  
**SCHEDULE OF FUNDING PROGRESS**  
For the year ended June 30, 2013

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

*(Dollar amounts in thousands)*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAAL as a Percentage of Covered Payroll</b>
12/31/10	\$ 88,810	\$ 88,391	\$ (419)	100 %	\$ 11,533	(4) %
12/31/11	89,501	92,614	3,113	97	10,651	29
12/31/12	89,199	95,220	6,021	94	10,185	59

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

*(Dollar amounts in thousands)*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAAL as a Percentage of Covered Payroll</b>
12/31/07	\$ 13,831	\$ 29,722	\$ 15,891	47 %	\$ 13,290	120 %
12/31/09	13,260	24,024	10,764	55	13,293	81
12/31/11	15,331	20,168	4,837	76	12,365	39

## **OTHER SUPPLEMENTAL INFORMATION**

## **DESCRIPTION OF OTHER GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

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

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

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

### **Capital Projects Funds**

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

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

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

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

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

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

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

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

## **DESCRIPTION OF OTHER GOVERNMENTAL FUNDS—CONTINUED**

### **Capital Projects Funds—Continued**

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

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

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

### **Permanent Funds**

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

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

City of Muskegon  
**COMBINING BALANCE SHEET**  
Other Governmental Funds  
June 30, 2013

	<b>Total Other Governmental Funds</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Fund - Cemetery Perpetual Care</b>
<b>ASSETS</b>				
Cash and investments	\$ 3,700,323	\$ 652,775	\$ 2,145,818	\$ 901,730
Receivables				
Accounts and loans (net of allowance for uncollectibles)	240,133	4,577	231,099	4,457
Special assessments	174,542	133,923	40,619	-
Due from other governmental units	507,957	106,728	401,229	-
Advances to component units	518,510	-	-	518,510
Prepaid items	4,710	4,710	-	-
Total assets	<b>\$ 5,146,175</b>	<b>\$ 902,713</b>	<b>\$ 2,818,765</b>	<b>\$ 1,424,697</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 223,069	\$ 164,292	\$ 58,777	\$ -
Accrued liabilities	7,986	4,625	3,361	-
Due to other governmental units	30,309	3,657	26,652	-
Due to other funds	488,857	-	488,857	-
Unearned revenues - expenditure-driven grants	43,743	-	43,743	-
Total liabilities	793,964	172,574	621,390	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - special assessments	174,645	133,923	40,722	-
Unavailable revenues - other long-term receivables	28,750	-	28,750	-
Total deferred inflows of resources	203,395	133,923	69,472	-
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	4,710	4,710	-	-
Long-term loans receivable	122,592	-	122,592	-
Perpetual care	1,398,881	-	-	1,398,881
Restricted				
Highways, streets and bridges	417,449	417,449	-	-
Law enforcement	172,578	172,578	-	-
Perpetual care	25,816	-	-	25,816
Other purposes	1,479	1,479	-	-
Assigned for capital projects	2,087,359	-	2,087,359	-
Unassigned	(82,048)	-	(82,048)	-
Total fund balances	4,148,816	596,216	2,127,903	1,424,697
Total liabilities, deferred inflows of resources and fund balances	<b>\$ 5,146,175</b>	<b>\$ 902,713</b>	<b>\$ 2,818,765</b>	<b>\$ 1,424,697</b>

City of Muskegon  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Other Governmental Funds  
For the year ended June 30, 2013

	<b>Total Other Governmental Funds</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Fund - Cemetery Perpetual Care</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Federal	\$ 1,317,788	\$ -	\$ 1,317,788	\$ -
State	843,137	793,262	49,875	-
Charges for services	366,087	7,831	321,774	36,482
Fines and forfeitures	24,915	24,915	-	-
Investment earnings	57,177	18,911	17,264	21,002
Other	237,918	127,966	109,952	-
Total revenues	2,847,022	972,885	1,816,653	57,484
<b>EXPENDITURES</b>				
Current				
Public safety	2,351	2,351	-	-
Highways, streets and bridges	2,024,312	2,024,312	-	-
Culture and recreation	11,030	11,030	-	-
Debt service				
Principal	150,211	-	150,211	-
Interest and fees	25,085	-	25,085	-
Capital outlay	1,745,832	-	1,745,832	-
Total expenditures	3,958,821	2,037,693	1,921,128	-
Excess of revenues over (under) expenditures	(1,111,799)	(1,064,808)	(104,475)	57,484
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	190,263	-	190,263	-
Transfers in	685,576	680,000	5,576	-
Transfers out	(26,229)	-	(5,576)	(20,653)
Total other financing sources (uses)	849,610	680,000	190,263	(20,653)
Net change in fund balances	(262,189)	(384,808)	85,788	36,831
Fund balances at July 1, 2012	4,411,005	981,024	2,042,115	1,387,866
Fund balances at June 30, 2013	<b>\$ 4,148,816</b>	<b>\$ 596,216</b>	<b>\$ 2,127,903</b>	<b>\$ 1,424,697</b>

City of Muskegon  
**COMBINING BALANCE SHEET**  
Other Special Revenue Funds  
June 30, 2013

	<b>Total Other Special Revenue Funds</b>	<b>Local Street</b>	<b>Criminal Forfeitures</b>	<b>Tree Replacement</b>
<b>ASSETS</b>				
Cash and investments	\$ 652,775	\$ 478,682	\$ 172,578	\$ 1,515
Receivables				
Accounts	4,577	4,577	-	-
Special assessments	133,923	133,923	-	-
Due from other governmental units	106,728	106,728	-	-
Prepaid items	4,710	4,710	-	-
Total assets	<b>\$ 902,713</b>	<b>\$ 728,620</b>	<b>\$ 172,578</b>	<b>\$ 1,515</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 164,292	\$ 164,256	\$ -	\$ 36
Accrued liabilities	4,625	4,625	-	-
Due to other governmental units	3,657	3,657	-	-
Total liabilities	172,574	172,538	-	36
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - special assessments	133,923	133,923	-	-
<b>FUND BALANCES</b>				
Nonspendable - prepaid items	4,710	4,710	-	-
Restricted				
Highways, streets and bridges	417,449	417,449	-	-
Law enforcement	172,578	-	172,578	-
Other purposes	1,479	-	-	1,479
Total fund balances	596,216	422,159	172,578	1,479
Total liabilities, deferred inflows of resources and fund balances	<b>\$ 902,713</b>	<b>\$ 728,620</b>	<b>\$ 172,578</b>	<b>\$ 1,515</b>



City of Muskegon  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Other Special Revenue Funds  
For the year ended June 30, 2013

	<b>Total Other Special Revenue Funds</b>	<b>Local Street</b>	<b>Criminal Forfeitures</b>	<b>Tree Replacement</b>
<b>REVENUES</b>				
Intergovernmental revenues - State	\$ 793,262	\$ 788,262	\$ -	\$ 5,000
Charges for services	7,831	5,335	-	2,496
Fines and forfeitures	24,915	-	24,915	-
Investment earnings	18,911	18,057	840	14
Other	127,966	127,966	-	-
Total revenues	972,885	939,620	25,755	7,510
<b>EXPENDITURES</b>				
Current				
Public safety	2,351	-	2,351	-
Highways, streets and bridges	2,024,312	2,024,312	-	-
Culture and recreation	11,030	-	-	11,030
Total expenditures	2,037,693	2,024,312	2,351	11,030
Excess of revenues over (under) expenditures	(1,064,808)	(1,084,692)	23,404	(3,520)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	680,000	680,000	-	-
Net change in fund balances	(384,808)	(404,692)	23,404	(3,520)
Fund balances at July 1, 2012	981,024	826,851	149,174	4,999
Fund balances at June 30, 2013	<b>\$ 596,216</b>	<b>\$ 422,159</b>	<b>\$ 172,578</b>	<b>\$ 1,479</b>

City of Muskegon  
**BUDGETARY COMPARISON SCHEDULE**  
Other Special Revenue Funds  
For the year ended June 30, 2013

	Local Street			Criminal Forfeitures		
	Final Budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
<b>REVENUES</b>						
Intergovernmental revenues						
Federal	\$ 32,000	\$ -	\$ (32,000)	\$ -	\$ -	\$ -
State	775,482	788,262	12,780	-	-	-
Charges for services	-	5,335	5,335	-	-	-
Fines and forfeitures	-	-	-	18,000	24,915	6,915
Investment earnings	20,000	18,057	(1,943)	700	840	140
Other	131,616	127,966	(3,650)	-	-	-
Total revenues	959,098	939,620	(19,478)	18,700	25,755	7,055
<b>EXPENDITURES</b>						
Current						
Public safety	-	-	-	3,155	2,351	804
Highways, streets and bridges	2,304,592	2,024,312	280,280	-	-	-
Total expenditures	2,304,592	2,024,312	280,280	3,155	2,351	804
Excess of revenues over (under) expenditures	(1,345,494)	(1,084,692)	260,802	15,545	23,404	7,859
<b>OTHER FINANCING SOURCES</b>						
Transfers in	680,000	680,000	-	-	-	-
Net change in fund balances	<u><b>\$ (665,494)</b></u>	(404,692)	<u><b>\$ 260,802</b></u>	<u><b>\$ 15,545</b></u>	23,404	<u><b>\$ 7,859</b></u>
Fund balances at July 1, 2012		<u>826,851</u>			<u>149,174</u>	
Fund balances at June 30, 2013		<u><b>\$ 422,159</b></u>			<u><b>\$ 172,578</b></u>	

City of Muskegon  
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**  
Other Special Revenue Funds  
For the year ended June 30, 2013

	<b>Tree Replacement</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance - Positive (Negative)</b>
<b>REVENUES</b>			
Intergovernmental revenues - State	\$ 5,000	\$ 5,000	\$ -
Charges for services	2,500	2,496	(4)
Investment earnings	50	14	(36)
Total revenues	7,550	7,510	(40)
<b>EXPENDITURES</b>			
Current			
Culture and recreation	11,500	11,030	470
Net change in fund balances	<u><u>\$ (3,950)</u></u>	(3,520)	<u><u>\$ 430</u></u>
Fund balance at July 1, 2012		<u>4,999</u>	
Fund balance at June 30, 2013		<u><u>\$ 1,479</u></u>	

City of Muskegon  
COMBINING BALANCE SHEET  
Other Capital Projects Funds  
June 30, 2013

	Total Other Capital Projects Funds	Public Improvement	Sidewalk Replacement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Arena Capital Improvements	Neighborhood Stabilization	Economic Development - Sappi
<b>ASSETS</b>											
Cash and investments	\$ 2,145,818	\$ 714,819	\$ 469,591	\$ 218,631	\$ 183,510	\$ -	\$ 45,059	\$ -	\$ 4,867	\$ -	\$ 509,341
Receivables											
Accounts and loans (net of allowance for uncollectibles)	231,099	15,740	-	-	20,000	79,017	102,592	-	13,750	-	-
Special assessments	40,619	-	40,619	-	-	-	-	-	-	-	-
Due from other governmental units	401,229	-	-	-	-	209,990	42,822	18,026	-	130,391	-
Total assets	<b>\$ 2,818,765</b>	<b>\$ 730,559</b>	<b>\$ 510,210</b>	<b>\$ 218,631</b>	<b>\$ 203,510</b>	<b>\$ 289,007</b>	<b>\$ 190,473</b>	<b>\$ 18,026</b>	<b>\$ 18,617</b>	<b>\$ 130,391</b>	<b>\$ 509,341</b>
<b>LIABILITIES</b>											
Accounts payable	\$ 58,777	\$ 34,941	\$ -	\$ -	\$ -	\$ 14,019	\$ 473	\$ 8,733	\$ -	\$ 611	\$ -
Accrued liabilities	3,361	-	-	-	-	2,665	-	563	-	133	-
Due to other governmental units	26,652	2,761	-	-	-	3,891	20,000	-	-	-	-
Due to other funds	488,857	-	-	-	-	268,432	-	52,011	-	168,414	-
Unearned revenues - expenditure-driven grants	43,743	-	-	-	-	-	43,743	-	-	-	-
Total liabilities	<b>621,390</b>	<b>37,702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>289,007</b>	<b>64,216</b>	<b>61,307</b>	<b>-</b>	<b>169,158</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Unavailable revenues - special assessments	40,722	-	40,722	-	-	-	-	-	-	-	-
Unavailable revenues - other long-term receivables	28,750	15,000	-	-	-	-	-	-	13,750	-	-
Total deferred inflows of resources	<b>69,472</b>	<b>15,000</b>	<b>40,722</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,750</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>											
Nonspendable - long-term loans receivable	122,592	-	-	-	20,000	-	102,592	-	-	-	-
Assigned for capital projects	2,087,359	677,857	469,488	218,631	183,510	-	23,665	-	4,867	-	509,341
Unassigned	(82,048)	-	-	-	-	-	-	(43,281)	-	(38,767)	-
Total fund balances (deficits)	<b>2,127,903</b>	<b>677,857</b>	<b>469,488</b>	<b>218,631</b>	<b>203,510</b>	<b>-</b>	<b>126,257</b>	<b>(43,281)</b>	<b>4,867</b>	<b>(38,767)</b>	<b>509,341</b>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<b>\$ 2,818,765</b>	<b>\$ 730,559</b>	<b>\$ 510,210</b>	<b>\$ 218,631</b>	<b>\$ 203,510</b>	<b>\$ 289,007</b>	<b>\$ 190,473</b>	<b>\$ 18,026</b>	<b>\$ 18,617</b>	<b>\$ 130,391</b>	<b>\$ 509,341</b>

City of Muskegon  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
Other Capital Projects Funds  
For the year ended June 30, 2013

	Total Other Capital Projects funds	Public Improvement	Sidewalk Replacement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Arena Capital Improvements	Neighborhood Stabilization	Economic Development - Sappi
<b>REVENUES</b>											
Intergovernmental revenues											
Federal	\$ 1,317,788	\$ -	\$ -	\$ -	\$ -	\$ 800,414	\$ -	\$ 296,483	\$ -	\$ 220,891	\$ -
State	49,875	-	-	-	-	-	49,875	-	-	-	-
Charges for services	321,774	313,609	-	-	-	-	-	-	8,165	-	-
Investment earnings	17,264	3,555	6,681	1,179	944	352	1,708	-	97	-	2,748
Other	109,952	1,000	39,349	-	35,289	12,229	-	-	-	22,085	-
Total revenues	1,816,653	318,164	46,030	1,179	36,233	812,995	51,583	296,483	8,262	242,976	2,748
<b>EXPENDITURES</b>											
Debt service											
Principal	150,211	-	130,000	-	-	-	20,211	-	-	-	-
Interest and fees	25,085	-	22,080	-	-	-	3,005	-	-	-	-
Capital outlay	1,745,832	205,745	236	-	19,753	833,034	49,876	321,686	27,174	288,328	-
Total expenditures	1,921,128	205,745	152,316	-	19,753	833,034	73,092	321,686	27,174	288,328	-
Excess of revenues over (under) expenditures	(104,475)	112,419	(106,286)	1,179	16,480	(20,039)	(21,509)	(25,203)	(18,912)	(45,352)	2,748
<b>OTHER FINANCING SOURCES (USES)</b>											
Proceeds from sale of capital assets	190,263	5,801	-	-	-	25,615	-	158,847	-	-	-
Transfers in	5,576	-	-	-	-	-	-	5,576	-	-	-
Transfers out	(5,576)	-	-	-	-	(5,576)	-	-	-	-	-
Total other financing sources (uses)	190,263	5,801	-	-	-	20,039	-	164,423	-	-	-
Net change in fund balances	85,788	118,220	(106,286)	1,179	16,480	-	(21,509)	139,220	(18,912)	(45,352)	2,748
Fund balances (deficits) at July 1, 2012	2,042,115	559,637	575,774	217,452	187,030	-	147,766	(182,501)	23,779	6,585	506,593
Fund balances (deficits) at June 30, 2013	<b>\$ 2,127,903</b>	<b>\$ 677,857</b>	<b>\$ 469,488</b>	<b>\$ 218,631</b>	<b>\$ 203,510</b>	<b>\$ -</b>	<b>\$ 126,257</b>	<b>\$ (43,281)</b>	<b>\$ 4,867</b>	<b>\$ (38,767)</b>	<b>\$ 509,341</b>



## **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, 2013

	<b>Total Internal Service Funds</b>	<b>Engineering Services</b>	<b>Equipment</b>	<b>General Insurance</b>	<b>Public Service Building</b>
<b>ASSETS</b>					
Current assets					
Cash and investments	\$ 3,261,135	\$ 123,887	\$ 1,821,689	\$ 880,314	\$ 435,245
Accounts receivable	86,181	15,434	8,292	62,455	-
Inventories	20,577	-	20,577	-	-
Prepaid items	386,815	2,738	55,740	322,964	5,373
Total current assets	3,754,708	142,059	1,906,298	1,265,733	440,618
Noncurrent assets					
Advances to component units	1,037,018	-	518,509	518,509	-
Capital assets					
Land	65,000	-	-	-	65,000
Land improvements	301,715	-	-	-	301,715
Buildings and improvements	1,559,334	-	-	-	1,559,334
Machinery and equipment	7,540,942	26,355	7,467,938	-	46,649
Less accumulated depreciation	(7,635,054)	(26,355)	(6,262,679)	-	(1,346,020)
Net capital assets	1,831,937	-	1,205,259	-	626,678
Total noncurrent assets	2,868,955	-	1,723,768	518,509	626,678
Total assets	6,623,663	142,059	3,630,066	1,784,242	1,067,296
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	545,036	869	183,864	351,496	8,807
Accrued liabilities	19,373	4,328	4,876	485	9,684
Bonds and other obligations, due within one year	13,800	2,700	3,400	300	7,400
Total current liabilities	578,209	7,897	192,140	352,281	25,891
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	68,780	13,669	16,841	1,528	36,742
Total liabilities	646,989	21,566	208,981	353,809	62,633
<b>NET POSITION</b>					
Net investment in capital assets	1,831,937	-	1,205,259	-	626,678
Unrestricted	4,144,737	120,493	2,215,826	1,430,433	377,985
Total net position	<b>\$ 5,976,674</b>	<b>\$ 120,493</b>	<b>\$ 3,421,085</b>	<b>\$ 1,430,433</b>	<b>\$ 1,004,663</b>



City of Muskegon  
**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
Internal Service Funds  
For the year ended June 30, 2013

	<b>Total Internal Service Funds</b>	<b>Engineering Services</b>	<b>Equipment</b>	<b>General Insurance</b>	<b>Public Service Building</b>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 7,308,020	\$ 267,209	\$ 2,151,279	\$ 3,804,243	\$ 1,085,289
Other	330,758	257,075	57,817	15,656	210
Total operating revenues	7,638,778	524,284	2,209,096	3,819,899	1,085,499
<b>OPERATING EXPENSES</b>					
Administration	429,264	72,396	95,016	107,400	154,452
Insurance premiums and claims	3,925,426	-	-	3,925,426	-
Other operations	3,142,838	368,686	1,973,590	32,998	767,564
Depreciation	434,997	-	360,617	-	74,380
Total operating expenses	7,932,525	441,082	2,429,223	4,065,824	996,396
Operating income (loss)	(293,747)	83,202	(220,127)	(245,925)	89,103
<b>NONOPERATING REVENUES</b>					
Investment earnings	54,339	564	27,585	23,989	2,201
Gain on sale of capital assets	49,989	-	49,989	-	-
Total nonoperating revenues	104,328	564	77,574	23,989	2,201
Income (loss) before transfers	(189,419)	83,766	(142,553)	(221,936)	91,304
<b>TRANSFERS</b>					
Transfers in	28,046	-	-	28,046	-
Transfers out	(600,000)	-	-	(600,000)	-
Total transfers	(571,954)	-	-	(571,954)	-
Change in net position	(761,373)	83,766	(142,553)	(793,890)	91,304
Net position at July 1, 2012	6,738,047	36,727	3,563,638	2,224,323	913,359
Net position at June 30, 2013	<b>\$ 5,976,674</b>	<b>\$ 120,493</b>	<b>\$ 3,421,085</b>	<b>\$ 1,430,433</b>	<b>\$ 1,004,663</b>

City of Muskegon  
**COMBINING STATEMENT OF CASH FLOWS**  
Internal Service Funds  
For the year ended June 30, 2013

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers									
Receipts from interfund services provided									
Payments to suppliers									
Payments to employees									
Payments for interfund services used									
Net cash provided by (used for) operating activities									

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers in									
Transfers out									
Collections on advances to component units									
Net cash provided by (used for) noncapital financing activities									

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of capital assets									
Proceeds from sale of capital assets									
Net cash used for capital and related financing activities									

**CASH FLOW FROM INVESTING ACTIVITIES**

Investment earnings									
Net increase (decrease) in cash and investments									
Cash and investments at July 1, 2012									
Cash and investments at June 30, 2013									

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities

Operating income (loss)									
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities									
Depreciation expense									
Change in assets and liabilities									
Receivables									
Inventories									
Prepaid items									
Accounts payable									
Accrued liabilities									

Net cash provided by (used for) operating activities

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
\$	346,456	\$ 255,234	\$ 57,697	\$ 33,315	\$ 210
	7,308,020	267,209	2,151,279	3,804,243	1,085,289
	(5,567,039)	(116,500)	(959,335)	(4,154,592)	(336,612)
	(1,275,567)	(239,646)	(325,277)	(220,445)	(490,199)
	(835,644)	(96,391)	(638,443)	(2,708)	(98,102)
	(23,774)	69,906	285,921	(540,187)	160,586
	28,046	-	-	28,046	-
	(600,000)	-	-	(600,000)	-
	69,648	-	34,824	34,824	-
	(502,306)	-	34,824	(537,130)	-
	(512,549)	-	(401,706)	-	(110,843)
	55,202	-	55,202	-	-
	(457,347)	-	(346,504)	-	(110,843)
	54,339	564	27,585	23,989	2,201
	(929,088)	70,470	1,826	(1,053,328)	51,944
	4,190,223	53,417	1,819,863	1,933,642	383,301
<b>\$</b>	<b>3,261,135</b>	<b>\$ 123,887</b>	<b>\$ 1,821,689</b>	<b>\$ 880,314</b>	<b>\$ 435,245</b>
\$	(293,747)	\$ 83,202	\$ (220,127)	\$ (245,925)	\$ 89,103
	434,997	-	360,617	-	74,380
	15,698	(1,841)	(120)	17,659	-
	19,010	-	19,010	-	-
	(155,846)	(43)	(1,239)	(153,867)	(697)
	(41,292)	(12,145)	135,127	(158,184)	(6,090)
	(2,594)	733	(7,347)	130	3,890
<b>\$</b>	<b>(23,774)</b>	<b>\$ 69,906</b>	<b>\$ 285,921</b>	<b>\$ (540,187)</b>	<b>\$ 160,586</b>

## **DESCRIPTION OF FIDUCIARY FUNDS**

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

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

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

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

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

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

City of Muskegon  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
 Agency Funds  
 June 30, 2013

	<b><u>Total Agency Funds</u></b>	<b><u>Collector</u></b>	<b><u>Current Tax</u></b>	<b><u>Rehab Loan Escrow</u></b>
<b>ASSETS</b>				
Cash and investments	\$ 799,080	\$ 799,080	\$ -	\$ -
Accounts receivable	1,867	1,867	-	-
Total assets	<b>\$ 800,947</b>	<b>\$ 800,947</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 352,700	\$ 352,700	\$ -	\$ -
Due to other governmental units	316,760	316,760	-	-
Deposits held for others	131,487	131,487	-	-
Total liabilities	<b>\$ 800,947</b>	<b>\$ 800,947</b>	<b>\$ -</b>	<b>\$ -</b>

City of Muskegon  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
Agency Funds  
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b><u>COLLECTOR FUND</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 705,475	\$ 7,245,370	\$ 7,151,765	\$ 799,080
Accounts receivable	1,867	270,362	270,362	1,867
Total assets	<b>\$ 707,342</b>	<b>\$ 7,515,732</b>	<b>\$ 7,422,127</b>	<b>\$ 800,947</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 228,052	\$ 3,283,432	\$ 3,158,784	\$ 352,700
Due to other governmental units	389,927	2,057,841	2,131,008	316,760
Deposits held for others	89,363	2,411,090	2,368,966	131,487
Total liabilities	<b>\$ 707,342</b>	<b>\$ 7,752,363</b>	<b>\$ 7,658,758</b>	<b>\$ 800,947</b>
<b><u>CURRENT TAX FUND</u></b>				
<b>ASSETS</b>				
Cash and investments	<b>\$ 165</b>	<b>\$ 28,976,744</b>	<b>\$ 28,976,909</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Due to other governmental units	\$ 165	\$ 20,017,196	\$ 20,017,361	\$ -
Due to other funds	-	7,494,018	7,494,018	-
Due to component units	-	643,259	643,259	-
Deposits held for others	-	68,433	68,433	-
Total liabilities	<b>\$ 165</b>	<b>\$ 28,222,906</b>	<b>\$ 28,223,071</b>	<b>\$ -</b>
<b><u>REHAB LOAN ESCROW FUND</u></b>				
<b>ASSETS</b>				
Cash and investments	<b>\$ -</b>	<b>\$ 1,718</b>	<b>\$ 1,718</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts payable	<b>\$ -</b>	<b>\$ 1,718</b>	<b>\$ 1,718</b>	<b>\$ -</b>
<b><u>ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 705,640	\$ 36,223,832	\$ 36,130,392	\$ 799,080
Accounts receivable	1,867	270,362	270,362	1,867
Total assets	<b>\$ 707,507</b>	<b>\$ 36,494,194</b>	<b>\$ 36,400,754</b>	<b>\$ 800,947</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 228,052	\$ 3,285,150	\$ 3,160,502	\$ 352,700
Due to other governmental units	390,092	22,075,037	22,148,369	316,760
Due to other funds	-	7,494,018	7,494,018	-
Due to component units	-	643,259	643,259	-
Deposits held for others	89,363	2,479,523	2,437,399	131,487
Total liabilities	<b>\$ 707,507</b>	<b>\$ 35,976,987</b>	<b>\$ 35,883,547</b>	<b>\$ 800,947</b>



## **DESCRIPTION OF DISCRETELY PRESENTED COMPONENT UNITS**

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

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

Local Development Finance Authority - SmartZone – to account for the collection of tax increment revenues and the construction of public facilities to promote and facilitate economic growth in the SmartZone Hi-Tech Park.

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

Brownfield Redevelopment Authority – to account for the collection of tax increment revenues for environmental remediation in designated brownfield areas. Currently there are two designated brownfield areas capturing tax increments.

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

City of Muskegon  
**COMBINING BALANCE SHEET**  
Discretely Presented Component Units  
June 30, 2013

	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
<b>ASSETS</b>						
Cash and investments	\$ 358,407	\$ 30,266	\$ 167,477	\$ 14,163	\$ 146,501	\$ -
<b>LIABILITIES</b>						
Advances from primary government	\$ 1,555,528	\$ -	\$ -	\$ -	\$ 1,555,528	\$ -
<b>FUND BALANCES (DEFICITS)</b>						
Unassigned	(1,197,121)	30,266	167,477	14,163	(1,409,027)	-
Total liabilities and fund balances (deficits)	\$ 358,407	\$ 30,266	\$ 167,477	\$ 14,163	\$ 146,501	\$ -



City of Muskegon  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
 Discretely Presented Component Units  
 June 30, 2013

Total fund balances—governmental funds	\$ (1,197,121)
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Amounts reported for governmental activities in the Statement of Net Position  
 are different because:

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

Cost of capital assets	\$4,198,258	
Accumulated depreciation	<u>(1,654,544)</u>	2,543,714

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	(25,674)	
Bonds and notes payable	<u>(6,864,869)</u>	<u>(6,890,543)</u>

Net position of governmental activities		<u><u>\$ (5,543,950)</u></u>
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City of Muskegon  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
Discretely Presented Component Units  
For the year ended June 30, 2013

	Total Discretely Presented Component Units	Local				Tax Incremental Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II
		Development Finance Authority - SmartZone	Downtown Development Authority					
<b>REVENUES</b>								
Property taxes	\$ 643,258	\$ 85,627	\$ 313,432	\$	\$ 44,439	\$	156,765	\$ 42,995
Intergovernmental revenues - Local	160,000	160,000	-		-		-	-
Investment earnings	2,387	150	1,435		86		716	-
Other	75,000	75,000	-		-		-	-
Total revenues	880,645	320,777	314,867		44,525		157,481	42,995
<b>EXPENDITURES</b>								
Current								
Community and economic development	102,995	-	-		50,000		10,000	42,995
Debt service								
Principal	455,000	180,000	275,000		-		-	-
Interest and fees	319,525	207,255	59,162		-		53,108	-
Total expenditures	877,520	387,255	334,162		50,000		63,108	42,995
Net change in fund balances (deficits)	3,125	(66,478)	(19,295)		(5,475)		94,373	-
Fund balances (deficits) at July 1, 2012	(1,200,246)	96,744	186,772		19,638		(1,503,400)	-
Fund balances (deficits) at June 30, 2013	<b>\$ (1,197,121)</b>	<b>\$ 30,266</b>	<b>\$ 167,477</b>		<b>\$ 14,163</b>		<b>\$ (1,409,027)</b>	<b>\$ -</b>

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, 2013

Net change in fund balances—total governmental funds	\$	3,125
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

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

Repayment of principal on long-term debt		455,000
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Changes in accrual of interest and amortization of premiums and discounts

Change in accrued interest payable	\$ 15,956		
Amortization of premiums	45,063	61,019	

Change in net position of governmental activities		\$ <b>346,496</b>	
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## **SCHEDULE OF INDEBTEDNESS**

## City of Muskegon

## SCHEDULE OF INDEBTEDNESS

June 30, 2013

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2012	6/30/2013	Annual Interest Payable
<b>Business-Type Activities Bonds and Loans Payable:</b>							
Water supply system bonds	4/1/2010	\$ 5,995,000	3.00%	05/01/13	\$ 610,000	\$ -	\$ -
(\$90,922 unamortized premium)			2.77%	05/01/14	640,000	640,000	153,788
			3.50%	05/01/15	660,000	660,000	136,088
Type of debt: revenue bond			3.25%	05/01/16	685,000	685,000	112,988
Revenue pledged: water system net revenues			4.00%	05/01/17	710,000	710,000	90,725
			4.00%	05/01/18	740,000	740,000	62,325
			4.25%	05/01/19	770,000	770,000	32,725
					<u>4,815,000</u>	<u>4,205,000</u>	<u>588,638</u>
Drinking Water State Revolving Fund	3/2/2004	\$ 13,900,000	2.13%	10/01/12	640,000	-	-
			2.13%	10/01/13	655,000	655,000	198,847
			2.13%	10/01/14	670,000	670,000	184,769
Type of debt: state loan			2.13%	10/01/15	685,000	685,000	170,372
Revenue pledged: water system net revenues			2.13%	10/01/16	695,000	695,000	155,709
			2.13%	10/01/17	710,000	710,000	140,781
			2.13%	10/01/18	725,000	725,000	125,534
			2.13%	10/01/19	745,000	745,000	109,916
			2.13%	10/01/20	760,000	760,000	93,925
			2.13%	10/01/21	775,000	775,000	77,616
			2.13%	10/01/22	790,000	790,000	60,988
			2.13%	10/01/23	810,000	810,000	43,988
			2.13%	10/01/24	825,000	825,000	26,616
			2.13%	10/01/25	840,000	840,000	8,925
					<u>10,325,000</u>	<u>9,685,000</u>	<u>1,397,984</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE</b>					<u>\$ 15,140,000</u>	<u>\$ 13,890,000</u>	<u>\$ 1,986,622</u>

## City of Muskegon

## SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2013

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2012	6/30/2013	Annual Interest Payable
<b>Governmental Activities Bonds and Loans Payable:</b>							
Capital improvement bonds of 2003 (sidewalks)	3/1/2003	\$ 1,575,000	3.80%	06/01/13	\$ 130,000	\$ -	\$ -
			3.90%	06/01/14	135,000	135,000	17,140
			4.00%	06/01/15	145,000	145,000	11,875
Type of debt: limited G.O. bond			4.05%	06/01/16	150,000	150,000	6,075
Revenue pledged: special assessments, general revenues					560,000	430,000	35,090
Capital improvement bonds of 2006 (fire station, recreation) (\$11,379 unamortized discount)	10/24/2006	\$ 5,400,000	4.00%	10/01/12	70,000	-	-
			4.00%	10/01/13	70,000	70,000	205,545
			4.00%	10/01/14	70,000	70,000	202,745
			4.00%	10/01/15	70,000	70,000	199,945
Type of debt: limited G.O. bond			4.00%	10/01/16	70,000	70,000	197,145
Revenue pledged: general revenues			4.00%	10/01/17	70,000	70,000	194,345
			4.00%	10/01/18	70,000	70,000	191,545
			4.00%	10/01/19	295,000	295,000	184,245
			4.00%	10/01/20	305,000	305,000	172,245
			4.00%	10/01/21	315,000	315,000	159,845
			4.00%	10/01/22	315,000	315,000	147,245
			4.00%	10/01/23	320,000	320,000	134,545
			4.00%	10/01/24	340,000	340,000	121,345
			4.00%	10/01/25	345,000	345,000	107,645
			4.00%	10/01/26	345,000	345,000	93,845
			4.10%	10/01/27	345,000	345,000	79,873
			4.10%	10/01/28	350,000	350,000	65,625
			4.10%	10/01/29	350,000	350,000	51,275
			4.20%	10/01/30	350,000	350,000	36,750
			4.20%	10/01/31	350,000	350,000	22,050
			4.20%	10/01/32	350,000	350,000	7,350
					5,165,000	5,095,000	2,575,153
Capital improvement bonds of 2011 (streets)	9/30/2011	\$ 2,000,000	2.98%	09/01/12	175,000	-	-
			2.98%	09/01/13	180,000	180,000	51,703
			2.98%	09/01/14	185,000	185,000	46,265
Type of debt: limited G.O. bond			2.98%	09/01/15	190,000	190,000	40,677
Revenue pledged: gas tax, general revenues			2.98%	09/01/16	195,000	195,000	34,941
			2.98%	09/01/17	200,000	200,000	29,056
			2.98%	09/01/18	210,000	210,000	22,947
			2.98%	09/01/19	215,000	215,000	16,614
			2.98%	09/01/20	220,000	220,000	10,132
			2.98%	09/01/21	230,000	230,000	3,427
					2,000,000	1,825,000	255,762
State of Michigan environmental assessment loan	6/18/2010	\$ 500,000	2.00%	03/18/13	20,211	-	-
			2.00%	03/18/14	20,615	20,615	2,601
			2.00%	03/18/15	21,027	21,027	2,189
Type of debt: state loan			2.00%	03/18/16	21,448	21,448	1,768
Revenue pledged: general revenues			2.00%	03/18/17	21,877	21,877	1,339
			2.00%	03/18/18	22,314	22,314	902
			2.00%	03/18/19	22,761	22,761	455
					150,253	130,042	9,254
<b>TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE</b>					<b>\$ 7,875,253</b>	<b>\$ 7,480,042</b>	<b>\$ 2,875,259</b>
<b>TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE</b>					<b>\$ 23,015,253</b>	<b>\$ 21,370,042</b>	<b>\$ 4,861,880</b>

## City of Muskegon

## SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2013

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2012	6/30/2013	Annual Interest Payable
<b>Discretely Presented Component Unit Bonds and Loans Payable:</b>							
Downtown Development Authority promissory note to Muskegon County	8/10/1989	\$ 1,000,000	0.00%	08/30/19	\$ 1,000,000	\$ 1,000,000	\$ -
					1,000,000	1,000,000	-
Type of debt: intergovernmental note							
Revenue pledged: DDA tax increments							
Downtown Development Authority refunding bonds	3/22/2011	\$ 2,045,000	2.50%	06/01/13	275,000	-	-
			2.75%	06/01/14	280,000	280,000	52,288
(\$24,297 unamortized premium)			3.25%	06/01/15	285,000	285,000	44,588
			3.50%	06/01/16	300,000	300,000	35,326
Type of debt: limited G.O. bond			3.75%	06/01/17	310,000	310,000	24,826
Revenue pledged: DDA tax increments, general revenues			4.00%	06/01/18	330,000	330,000	13,200
					1,780,000	1,505,000	170,228
Local Development Finance Authority Smartzone Bonds	11/1/2002	\$ 4,725,000	4.00%	11/01/12	180,000	-	-
			3.90%	11/01/13	-	-	-
			4.05%	11/01/14	-	-	-
Type of debt: limited G.O. bond			4.05%	11/01/15	-	-	-
Revenue pledged: LDFA tax increments, general revenues			4.15%	11/01/16	-	-	-
			4.25%	11/01/17	-	-	-
			4.35%	11/01/18	-	-	-
			4.45%	11/01/19	-	-	-
			4.60%	11/01/20	-	-	-
			4.60%	11/01/21	-	-	-
			4.60%	11/01/22	-	-	-
			4.85%	11/01/23	-	-	-
			4.85%	11/01/24	-	-	-
			4.85%	11/01/25	-	-	-
					180,000	-	-
Local Development Finance Authority Smartzone Refunding Bonds	3/20/2012	\$ 4,100,000	2.00%	11/01/13	260,000	260,000	125,300
			2.00%	11/01/14	320,000	320,000	119,500
(\$235,572 unamortized premium)			2.00%	11/01/15	335,000	335,000	112,950
			3.00%	11/01/16	345,000	345,000	104,425
Type of debt: limited G.O. bond			3.00%	11/01/17	355,000	355,000	93,925
Revenue pledged: LDFA tax increments, general revenues			4.00%	11/01/18	375,000	375,000	81,100
			4.00%	11/01/19	390,000	390,000	65,800
			4.00%	11/01/20	395,000	395,000	50,100
			4.00%	11/01/21	245,000	245,000	37,300
			3.00%	11/01/22	255,000	255,000	28,575
			3.00%	11/01/23	265,000	265,000	20,775
			3.00%	11/01/24	275,000	275,000	12,675
			3.00%	11/01/25	285,000	285,000	4,275
					4,100,000	4,100,000	856,700
<b>TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE</b>					\$ 7,060,000	\$ 6,605,000	\$ 1,026,928
<b>TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE</b>					\$ 30,075,253	\$ 27,975,042	\$ 5,888,808



## 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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	110
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	115
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	121
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	125
<b>Operating Information</b>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	127

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

City of Muskegon

NET ASSETS/NET POSITION BY COMPONENT

Last Ten Fiscal Years

	December 31										June 30	
	2004	2005 (a)	2006	2007	2008	2009	2010	2011	2012	2013 (b)		
<b>Governmental Activities</b>												
<b>Net Investment in Capital Assets</b>												
Restricted	\$ 40,663,844	\$ 67,119,658	\$ 68,189,021	\$ 68,059,626	\$ 69,564,935	\$ 69,064,800	\$ 67,809,630	\$ 67,944,957	\$ 66,862,806	\$ 63,842,092		
Unrestricted	5,209,654	5,420,482	5,378,669	5,485,703	3,557,678	2,956,449	3,059,208	3,656,410	3,526,343	4,572,848		
	7,407,355	7,811,489	8,778,786	10,162,425	10,708,529	8,920,621	13,828,231	12,598,197	12,836,573	13,299,523		
<b>Total Governmental Net Assets/Net Position</b>	<b>\$ 53,280,853</b>	<b>\$ 80,351,629</b>	<b>\$ 82,346,476</b>	<b>\$ 83,707,754</b>	<b>\$ 83,831,142</b>	<b>\$ 80,941,870</b>	<b>\$ 84,697,069</b>	<b>\$ 84,199,564</b>	<b>\$ 83,225,722</b>	<b>\$ 81,714,463</b>		
<b>Business-type Activities</b>												
<b>Net Investment in Capital Assets</b>												
Restricted	\$ 31,609,016	\$ 36,742,669	\$ 39,441,912	\$ 39,356,966	\$ 40,876,621	\$ 41,876,507	\$ 41,105,739	\$ 40,419,728	\$ 40,147,600	\$ 40,032,858		
Unrestricted	822,559	822,559	822,559	822,559	822,559	672,000	672,000	672,000	672,000	599,500		
	8,647,716	6,663,563	6,910,247	7,980,823	6,775,508	5,983,935	7,630,396	9,211,610	8,961,713	8,491,848		
<b>Total Business-type Activities Net Assets/Net Position</b>	<b>\$ 41,079,291</b>	<b>\$ 44,228,791</b>	<b>\$ 47,174,718</b>	<b>\$ 48,160,348</b>	<b>\$ 48,474,688</b>	<b>\$ 48,532,442</b>	<b>\$ 49,408,135</b>	<b>\$ 50,303,338</b>	<b>\$ 49,781,313</b>	<b>\$ 49,124,206</b>		
<b>Primary Government</b>												
<b>Net Investment in Capital Assets</b>												
Restricted	\$ 72,272,860	\$ 103,862,327	\$ 107,630,933	\$ 107,416,592	\$ 110,441,556	\$ 110,941,307	\$ 108,915,369	\$ 108,364,685	\$ 107,010,406	\$ 103,874,950		
Unrestricted	6,032,213	6,243,041	6,201,228	6,308,262	4,380,237	3,628,449	3,731,208	4,328,410	4,198,343	5,172,348		
	16,055,071	14,475,052	15,689,033	18,143,248	17,484,037	14,904,556	21,458,627	21,809,807	21,798,286	21,791,371		
<b>Total Primary Government Net Assets/Net Position</b>	<b>\$ 94,360,144</b>	<b>\$ 124,580,420</b>	<b>\$ 129,521,194</b>	<b>\$ 131,868,102</b>	<b>\$ 132,305,830</b>	<b>\$ 129,474,312</b>	<b>\$ 134,105,204</b>	<b>\$ 134,502,902</b>	<b>\$ 133,007,035</b>	<b>\$ 130,838,669</b>		

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

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

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

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Year Ended December 31					Period Ended		Year Ended June 30		2013 (a)
	2004	2005	2006	2007	2008	2009	June 30 2010	2011	2012	
<b>EXPENSES</b>										
<b>Governmental Activities</b>										
Public representation	\$ 866,689	\$ 885,365	\$ 904,109	\$ 925,124	\$ 986,696	\$ 923,911	\$ 445,251	\$ 854,249	\$ 866,809	\$ 893,981
Administrative services	1,132,229	803,783	732,715	783,713	782,362	698,022	317,873	645,585	566,161	565,307
Financial services	1,809,136	1,872,159	2,061,836	2,205,411	2,292,430	2,406,517	1,209,694	2,373,141	2,393,147	2,241,061
Public safety	12,164,389	12,481,826	13,059,358	12,802,488	13,955,811	13,614,112	6,332,728	13,390,888	13,213,251	12,987,842
Public works	2,847,755	2,853,497	3,089,522	2,989,433	3,019,411	2,986,747	1,640,946	3,471,051	2,958,367	3,201,806
Highways, streets and bridges	3,979,462	5,910,307	5,672,590	7,272,288	7,265,438	7,160,797	3,680,196	7,013,216	6,568,448	6,672,374
Community and economic development	2,652,497	3,383,187	3,383,157	3,054,087	3,174,508	4,139,765	1,275,026	2,830,867	2,447,373	2,499,404
Culture and recreation	2,468,059	2,504,992	2,464,567	2,433,020	2,623,501	2,463,375	759,392	1,524,331	1,601,316	1,592,358
General administration	1,725,225	1,608,108	1,143,963	358,225	574,955	451,651	210,117	794,115	791,197	322,348
Interest on long-term debt	193,021	170,814	206,768	343,106	324,076	288,073	139,006	272,940	283,186	281,535
Total Governmental Activities Expenses	\$ 29,738,442	\$ 32,783,738	\$ 32,718,585	\$ 33,166,525	\$ 34,999,188	\$ 35,132,970	\$ 16,010,229	\$ 33,170,383	\$ 31,695,255	\$ 31,268,016
<b>Business-type Activities</b>										
Water	4,122,822	4,181,855	4,500,578	5,795,279	5,800,977	6,080,230	2,958,795	5,869,241	5,974,173	6,228,788
Sewer	3,145,156	3,953,838	5,006,594	5,066,693	5,503,144	5,426,321	2,525,067	5,288,622	6,202,359	7,226,839
Marina and launch ramp	351,705	343,599	332,826	392,994	347,642	310,773	150,055	292,889	310,174	426,553
Total Business-type Activities Expenses	\$ 8,219,683	\$ 8,479,292	\$ 9,839,998	\$ 11,254,966	\$ 11,651,763	\$ 11,817,324	\$ 5,633,917	\$ 11,450,752	\$ 12,486,706	\$ 13,882,180
Total Primary Government Expenses	\$ 37,958,125	\$ 41,263,030	\$ 42,558,583	\$ 44,421,491	\$ 46,650,951	\$ 46,950,294	\$ 21,644,146	\$ 44,621,135	\$ 44,181,961	\$ 45,150,196
<b>PROGRAM REVENUES</b>										
<b>Governmental Activities</b>										
Charges for Services	\$ 210,238	\$ 195,316	\$ 202,939	\$ 199,759	\$ 188,467	\$ 213,885	\$ 100,177	\$ 196,886	\$ 196,886	\$ 173,739
Public representation	314,028	311,529	306,964	287,011	257,850	271,117	129,630	263,473	270,886	268,535
Administrative services	645,166	537,445	728,332	744,109	726,572	818,845	475,031	879,905	881,229	830,919
Financial services	1,098,793	1,116,755	1,134,686	1,224,062	1,217,616	1,117,476	536,419	1,109,659	1,136,942	1,133,666
Public safety	452,606	467,849	588,566	407,569	382,072	383,733	209,203	642,082	480,487	671,494
Public works	555,018	267,689	263,423	372,133	301,965	251,840	139,009	451,473	230,241	245,609
Highways, streets and bridges	414,543	815,980	762,220	297,854	297,854	249,241	186,572	457,952	617,379	432,240
Community and economic development	1,151,687	1,141,865	809,228	454,154	405,520	445,891	129,025	300,367	315,010	606,818
Culture and recreation	200,434	314,658	170,240	64,364	99,494	123,426	59,373	116,690	116,690	287,729
General administration	6,008,978	6,017,421	5,093,355	5,229,279	5,367,152	6,443,223	3,131,811	5,425,165	4,651,576	4,681,345
Operating grants and contributions	5,785,604	5,894,358	5,360,014	3,347,680	3,444,957	2,105,557	255,234	2,257,163	1,568,005	886,108
Capital grants and contributions	16,837,095	17,080,865	15,419,967	12,686,173	12,689,509	12,424,234	5,351,484	12,100,815	10,465,331	10,218,202
Total Governmental Program Revenues										
<b>Business-type Activities</b>										
Water	4,977,320	6,912,719	6,342,110	6,589,228	6,240,060	5,883,830	2,891,169	5,454,760	5,254,095	5,890,614
Sewer	4,083,591	4,149,187	4,803,702	5,179,095	5,326,787	5,720,171	3,441,924	6,652,851	6,455,634	7,058,315
Marina and launch ramp	266,981	248,460	267,412	281,679	250,266	242,055	156,767	194,311	208,370	234,229
Operating grants and contributions	-	-	-	-	-	-	-	-	-	6,188
Capital grants and contributions	657,521	100,373	710,641	-	-	5,179	-	20,074	-	88,046
Total Business-type program revenues	\$ 9,985,413	\$ 11,410,739	\$ 12,123,865	\$ 12,030,002	\$ 11,817,113	\$ 11,851,235	\$ 6,489,860	\$ 12,321,996	\$ 11,918,099	\$ 13,277,392
Total Primary Government program revenues	\$ 26,822,508	\$ 28,491,604	\$ 27,543,832	\$ 24,716,175	\$ 24,506,622	\$ 24,275,469	\$ 11,841,344	\$ 24,422,811	\$ 22,383,430	\$ 23,495,594
<b>NET (EXPENSE) REVENUE</b>										
Governmental Activities	\$ (12,901,347)	\$ (15,702,873)	\$ (17,298,618)	\$ (20,480,352)	\$ (22,309,679)	\$ (22,708,736)	\$ (10,658,746)	\$ (21,069,568)	\$ (21,229,924)	\$ (21,049,814)
Business-type Activities	1,765,730	2,893,147	2,283,867	775,036	165,350	33,911	855,943	871,244	(568,607)	(604,788)
Total Primary Government net expense	\$ (11,135,617)	\$ (12,771,426)	\$ (15,014,751)	\$ (19,705,316)	\$ (22,144,329)	\$ (22,674,825)	\$ (9,802,802)	\$ (20,198,324)	\$ (21,798,531)	\$ (21,654,602)

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION - CONTINUED

Last Ten Fiscal Years

	Year Ended December 31					Period Ended June 30		Year Ended June 30		
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (a)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION										
Governmental Activities										
Property taxes	\$ 6,962,453	\$ 7,670,384	\$ 7,846,707	\$ 8,014,102	\$ 8,349,341	\$ 8,492,507	\$ 8,681,256	\$ 8,844,004	\$ 8,383,224	\$ 7,592,847
Income taxes	7,326,811	7,238,552	7,673,696	7,757,707	8,117,566	6,628,365	3,505,264	6,866,967	7,663,534	8,057,145
Franchise fees	-	286,265	285,124	297,200	304,812	321,852	178,239	362,103	342,376	358,785
Grants and contributions not restricted for specific programs	4,645,348	4,627,915	4,674,157	4,475,462	4,487,698	3,841,922	1,832,066	3,846,859	3,577,848	3,700,871
Unrestricted investment earnings	170,094	420,595	832,300	1,247,520	730,142	185,436	104,086	193,435	100,073	73,157
Miscellaneous	68,405	70,402	64,645	88,035	160,460	226,124	51,638	432,880	154,531	102,388
Gain on sale of capital asset	70,886	300,037	81,372	1,604	323,048	123,258	65,155	25,815	34,499	44,899
Transfers	(142,420)	(80,000)	(540,000)	(40,000)	(40,000)	-	(3,760)	-	-	-
Total Governmental Program Revenues	19,101,577	20,534,150	20,918,001	21,841,630	22,433,067	19,819,464	14,413,944	20,572,063	20,256,082	19,930,092
Business-type Activities										
Unrestricted investment earnings	51,768	138,053	122,060	170,594	108,990	23,843	15,990	23,959	46,582	33,148
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Transfers	142,420	80,000	540,000	40,000	40,000	-	3,760	-	-	-
Total Business-type program revenues	194,188	218,053	662,060	210,594	148,990	23,843	19,750	23,959	46,582	33,148
Total Primary Government program revenues	\$ 19,295,765	\$ 20,752,203	\$ 21,580,061	\$ 22,052,224	\$ 22,582,057	\$ 19,843,307	\$ 14,433,694	\$ 20,596,022	\$ 20,302,664	\$ 19,963,240
CHANGE IN NET ASSETS/NET POSITION										
Governmental Activities										
Business-type Activities	\$ 6,200,230	\$ 4,831,277	\$ 3,619,383	\$ 1,361,278	\$ 123,388	\$ (2,889,272)	\$ 3,755,199	\$ (497,505)	\$ (973,842)	\$ (1,119,722)
Total Primary Government	1,959,918	3,149,500	2,945,927	985,630	314,340	57,754	875,693	895,203	(522,025)	(571,640)
Total Primary Government	\$ 8,160,148	\$ 7,980,777	\$ 6,565,310	\$ 2,346,908	\$ 437,728	\$ (2,831,518)	\$ 4,630,892	\$ 397,698	\$ (1,495,867)	\$ (1,691,362)

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

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

City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	December 31					June 30				
	2004	2005	2006	2007	2008	2009	2010	2011 (a)	2012	2013
<b>General fund</b>										
Reserved	\$ 74,349	\$ 79,356	\$ 177,076	\$ 180,410	\$ 214,819	\$ 187,633	\$ 300,969	\$ 251,173	\$ 178,468	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	447,341
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	2,385,728	2,075,738	2,292,495
Unassigned	-	-	-	-	-	-	-	3,374,481	4,265,839	4,613,722
Unreserved	2,370,842	2,440,249	2,512,963	2,740,222	2,168,906	1,451,029	5,737,485	-	-	-
<b>Total general fund</b>	<b>\$ 2,445,191</b>	<b>\$ 2,519,605</b>	<b>\$ 2,690,039</b>	<b>\$ 2,920,632</b>	<b>\$ 2,383,725</b>	<b>\$ 1,638,662</b>	<b>\$ 6,038,454</b>	<b>\$ 6,011,382</b>	<b>\$ 6,520,045</b>	<b>\$ 7,353,558</b>
<b>All other governmental funds</b>										
Reserved	\$ 1,187,662	\$ 2,915,106	\$ 7,044,394	\$ 4,130,995	\$ 4,382,118	\$ 3,613,858	\$ 3,887,289	\$ 1,704,256	\$ 1,568,318	\$ -
Nonspendable	-	-	-	-	-	-	-	1,375,779	3,485,073	1,547,793
Restricted	-	-	-	-	-	-	-	2,073,027	2,055,904	2,749,396
Assigned	-	-	-	-	-	-	-	(238,104)	(191,282)	2,087,359
Unassigned	-	-	-	-	-	-	-	-	-	(82,048)
Unreserved, reported in:										
Special revenue funds	2,692,431	2,910,285	3,030,096	4,462,015	2,768,886	2,060,117	2,163,041	-	-	-
Capital project funds	2,187,667	1,239,763	390,282	635,676	675,898	554,273	6,035	-	-	-
Permanent funds	22,896	22,890	77,300	84,413	60,813	15,613	16,979	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 6,090,656</b>	<b>\$ 7,088,044</b>	<b>\$ 10,542,072</b>	<b>\$ 9,313,099</b>	<b>\$ 7,887,715</b>	<b>\$ 6,243,861</b>	<b>\$ 6,073,344</b>	<b>\$ 4,914,958</b>	<b>\$ 6,918,013</b>	<b>\$ 6,302,500</b>

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

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

City of Muskegon

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Year Ended December 31					Period Ended		Year Ended June 30	
	2004	2005	2006	2007	2008	2009	June 30 2010	2011	2012 2013
<b>Revenues</b>									
<b>Taxes</b>									
Intergovernmental	\$ 13,767,040	\$ 14,521,769	\$ 15,052,708	\$ 15,420,032	\$ 15,728,859	\$ 14,673,012	\$ 11,855,182	\$ 15,146,430	\$ 15,506,668
Charges for services	15,448,865	15,445,949	14,703,371	12,752,363	13,012,035	12,400,408	4,785,494	11,525,749	9,899,379
Other	3,437,220	3,147,066	2,938,246	2,722,894	2,463,975	2,620,372	1,338,194	2,769,204	2,596,328
	3,828,223	4,134,604	3,758,956	4,618,149	3,624,579	3,177,522	1,768,895	3,461,292	3,237,189
<b>Total revenues</b>	<b>36,481,348</b>	<b>37,249,388</b>	<b>36,453,281</b>	<b>35,513,438</b>	<b>34,829,448</b>	<b>32,871,314</b>	<b>19,747,765</b>	<b>32,902,675</b>	<b>31,239,564</b>
									<b>29,800,760</b>
<b>Expenditures</b>									
<b>Public representation</b>									
Administrative services	869,342	886,717	903,895	927,320	987,229	923,923	448,703	851,918	867,762
Financial services	704,667	748,588	669,789	644,913	632,513	645,704	303,555	586,328	515,988
Public safety	1,829,276	1,905,714	2,056,580	2,231,519	2,298,830	2,406,623	1,241,430	2,352,709	2,407,131
Public works	12,277,677	12,624,532	13,002,233	12,902,815	13,754,394	13,567,101	6,578,735	13,087,976	12,963,122
Highways, streets and bridges	2,543,512	2,661,073	2,730,415	2,768,906	2,831,177	2,860,510	1,589,090	3,079,342	2,835,000
Community and economic development	8,654,931	9,531,840	8,023,539	6,504,915	6,414,453	3,436,069	1,823,089	3,226,377	2,756,010
Culture and recreation	797,072	784,396	763,211	894,879	1,077,312	4,440,687	1,330,794	3,109,693	2,850,593
Other governmental functions	2,259,699	2,197,276	2,190,835	2,254,117	2,394,031	2,196,186	639,852	1,197,020	1,265,743
Debt service	1,708,868	1,603,292	1,139,148	350,385	562,341	438,292	200,623	1,775,128	770,910
<b>Principal</b>									
Interest and issuance costs	1,335,000	1,115,000	1,189,785	1,241,921	999,148	663,371	303,466	1,345,183	289,597
Capital outlay	201,447	166,071	271,233	324,577	310,432	282,174	136,013	267,258	268,315
	6,139,597	3,734,082	6,066,783	5,683,657	5,473,828	3,517,741	980,822	3,301,273	2,948,610
<b>Total expenditure</b>	<b>39,321,088</b>	<b>37,958,581</b>	<b>39,007,446</b>	<b>36,729,924</b>	<b>37,735,688</b>	<b>35,378,381</b>	<b>15,576,172</b>	<b>34,180,205</b>	<b>30,738,781</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,839,740)</b>	<b>(709,193)</b>	<b>(2,554,165)</b>	<b>(1,216,486)</b>	<b>(2,906,240)</b>	<b>(2,507,067)</b>	<b>4,171,593</b>	<b>(1,277,530)</b>	<b>500,783</b>
									<b>(258,569)</b>
<b>Other financing sources (uses)</b>									
Transfers in	3,342,612	1,839,631	2,358,509	1,926,538	1,477,717	1,359,608	342,188	1,348,694	510,907
Transfers out	(3,233,369)	(1,947,677)	(2,926,554)	(1,994,584)	(1,409,491)	(1,309,910)	(359,971)	(1,376,740)	(613,953)
Bonds issued	-	1,061,900	5,626,331	-	500,000	-	-	-	2,000,000
Sale of capital assets	483,544	827,141	1,120,341	286,152	375,723	68,452	75,465	120,118	113,981
<b>Total other financing sources (uses)</b>	<b>592,787</b>	<b>1,780,995</b>	<b>6,178,627</b>	<b>218,106</b>	<b>943,949</b>	<b>118,150</b>	<b>57,682</b>	<b>92,072</b>	<b>2,010,935</b>
<b>Net change in fund balances</b>	<b>\$ (2,246,953)</b>	<b>\$ 1,071,802</b>	<b>\$ 3,624,462</b>	<b>\$ (998,380)</b>	<b>\$ (1,962,291)</b>	<b>\$ (2,388,917)</b>	<b>\$ 4,229,275</b>	<b>\$ (1,185,458)</b>	<b>\$ 2,511,718</b>
									<b>\$ 503,648</b>
<b>Debt service as a percentage of noncapital expenditures</b>	4.63%	3.74%	4.44%	5.05%	4.06%	2.97%	3.01%	5.22%	2.01%
									2.56%

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

City of Muskegon

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Property Tax	% of Total	Income Tax	% of Total	Intergovernmental	% of Total	Charges for Service	% of Total	Licenses and Permits	% of Total	Fines and Fees	% of Total	Interest and Rent	% of Total	Other	% of Total	Total	% Change
2004	\$ 6,733,653	18.5%	\$ 7,033,387	19.3%	\$ 15,448,865	42.3%	\$ 3,437,220	9.4%	\$ 1,139,014	3.1%	\$ 622,165	1.7%	\$ 435,152	1.2%	\$ 1,631,892	4.5%	\$ 36,481,348	-6.8%
2005	7,438,382	20.0%	7,083,023	19.0%	15,445,949	41.5%	3,147,066	8.4%	1,047,981	2.8%	648,300	1.7%	684,165	1.8%	1,754,158	4.7%	37,249,024	2.1%
2006	7,627,535	20.9%	7,425,173	20.4%	14,703,371	40.3%	2,938,246	8.1%	1,009,023	2.8%	544,902	1.5%	1,139,466	3.1%	1,065,565	2.9%	36,453,281	-2.1%
2007	7,801,571	22.0%	7,618,461	21.5%	12,752,363	35.9%	2,722,894	7.7%	1,115,518	3.1%	606,545	1.7%	1,348,819	3.8%	1,547,267	4.4%	35,513,438	-2.6%
2008	8,034,079	23.1%	7,694,780	22.1%	13,012,035	37.4%	2,463,975	7.1%	1,089,187	3.1%	570,526	1.6%	861,515	2.5%	1,103,351	3.2%	34,829,448	-1.9%
2009	8,190,722	24.9%	6,482,290	19.7%	12,400,408	37.7%	2,620,372	8.0%	1,032,681	3.1%	582,394	1.8%	400,900	1.2%	1,161,547	3.5%	32,871,314	-5.6%
2010*	8,487,125	43.0%	3,368,057	17.1%	4,785,494	24.2%	1,338,194	6.8%	584,162	3.0%	297,043	1.5%	193,873	1.0%	693,817	3.5%	19,747,765	-39.9%
2011	8,546,677	26.0%	6,599,753	20.1%	11,525,749	35.0%	2,769,204	8.4%	1,179,639	3.6%	447,254	1.4%	412,498	1.3%	1,421,901	4.3%	32,902,675	66.6%
2012	8,093,864	25.9%	7,412,804	23.7%	9,899,379	31.7%	2,596,328	8.3%	1,223,034	3.9%	459,401	1.5%	307,891	1.0%	1,246,863	4.0%	31,239,564	-5.1%
2013	7,325,555	24.6%	7,506,472	25.2%	9,403,554	31.6%	2,769,227	9.3%	1,238,285	4.2%	435,893	1.5%	267,397	0.9%	854,377	2.9%	29,800,760	-4.6%

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

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

City of Muskegon

Taxable, Assessed and Equalized and Estimated Actual Valuation of Property

Last Ten Fiscal Years

Taxable Valuation of Property

Industrial and Commercial Facilities Assessment Roll																	
Ad Valorem 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
					Real	Property			Real	Property	Real	Property					
2003	\$ 295,311,699	\$ 163,844	\$ 124,679,713	\$ 101,987,394	\$ 522,142,650	\$ 124,833,198	\$ 646,975,848	\$ 9,114,034	\$ 51,183,000	\$ -	\$ 60,297,034	\$ 707,272,882	10,0774	85.80%			
2004	309,291,380	167,357	123,303,933	103,175,554	535,938,224	115,456,493	651,394,717	7,564,826	51,056,856	-	58,621,682	710,016,399	11,0768	87.00%			
2005	322,359,014	164,935	126,046,550	104,163,650	552,734,149	109,273,769	662,007,918	7,235,276	47,458,411	-	54,693,687	716,701,605	11,0755	87.62%			
2006	341,365,730	-	132,415,743	105,982,619	579,764,092	103,282,670	683,046,762	6,062,774	44,389,891	-	50,452,665	733,499,427	11,0732	87.46%			
2007	364,789,125	-	143,991,195	109,089,684	617,870,004	111,824,925	729,694,929	5,433,443	31,408,300	-	36,841,743	766,536,672	11,0685	87.21%			
2008	376,414,856	160,219	140,833,691	109,931,336	627,340,102	114,100,484	741,440,586	5,747,358	24,617,400	-	30,364,758	771,805,344	11,0682	86.71%			
2009	376,545,791	157,682	147,276,887	114,185,691	638,166,051	111,493,852	749,659,903	5,259,649	25,616,400	-	30,876,049	780,535,952	11,0680	91.48%			
2010	332,105,030	-	144,721,736	109,507,141	586,333,907	104,029,037	690,362,944	4,111,154	9,129,000	-	13,240,154	703,603,098	12,0680	94.04%			
2011	331,901,631	-	144,675,509	87,261,346	563,838,486	93,465,537	657,304,023	3,071,654	9,129,000	-	12,200,654	669,504,677	12,0749	94.95%			
2012	312,930,252	-	134,635,427	81,575,476	529,141,155	91,750,891	620,892,046	3,587,223	6,161,900	-	9,749,123	630,641,169	12,0789	96.40%			

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												
2003	\$ 383,845,613	\$ 181,300	\$ 144,310,700	\$ 110,600,499	\$ 638,938,112	\$ 124,840,700	\$ 763,778,812	\$ 9,333,500	\$ 51,183,000	\$ -	\$ -	\$ 824,295,312	\$ 1,648,590,624												
2004	384,763,400	184,800	141,579,300	114,496,500	641,044,000	115,591,300	756,635,300	7,717,000	51,785,000	-	-	816,137,300	1,632,274,600												
2005	397,915,080	200,800	142,436,699	112,694,600	653,247,179	109,280,200	762,527,379	7,481,500	47,924,200	-	-	817,933,079	1,635,866,158												
2006	420,608,600	-	149,948,800	113,890,900	684,448,300	103,288,100	787,736,400	6,454,200	44,470,600	-	-	838,661,200	1,677,322,400												
2007	448,120,317	-	160,361,200	121,432,880	729,914,397	111,829,191	841,743,588	5,850,600	31,408,300	-	-	879,002,488	1,758,004,976												
2008	466,633,100	194,800	156,596,000	121,810,900	745,234,800	114,104,600	859,339,400	6,162,900	24,617,400	-	-	890,119,700	1,780,239,400												
2009	426,002,850	191,100	161,966,600	122,301,800	710,492,350	111,497,300	821,989,650	5,606,100	25,616,400	-	-	853,212,150	1,706,424,300												
2010	354,044,700	-	154,185,000	122,703,400	630,933,100	104,020,200	734,953,300	4,120,400	9,129,000	-	-	748,202,700	1,496,405,400												
2011	354,307,945	-	154,700,200	90,467,700	599,475,845	93,465,700	692,932,545	3,080,900	9,129,000	-	-	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	-	-	654,170,834	1,308,341,668												

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, 2013

	6/30/2013			12/31/2003		
	Taxpayer	Taxable Valuation	Rank	Total Taxable Valuation	Rank	Percent of Total Taxable Valuation
	Consumers Energy	\$ 46,472,581	1	\$ 67,742,451	1	9.4%
	DTE Energy (formerly MichCon)	6,918,200	2	7,504,300	7	1.0%
	ESCO Company	6,798,181	3	5,894,099	10	0.8%
	GE Aviation (Johnson Technology)	6,123,500	4	8,318,424	4	1.2%
	ADAC Plastics Inc	6,079,926	5	8,748,038	3	1.2%
	Muskegon SC Holdings LLC	4,240,100	6	-	-	0.0%
	Glen Oaks Apartments LLC	3,914,200	7	-	-	0.0%
	Lorin Industries	3,854,731	8	7,016,999	9	1.0%
	Coles Quality Foods	3,491,200	9	-	-	0.0%
	P&G Holdings NY LLC	3,462,180	10	-	-	0.0%
	Sappi (S.D. Warren Co.)	-	-	56,456,875	2	7.8%
	Terrace Partners LLC	-	-	7,776,200	5	1.1%
	Brunswick	-	-	7,358,099	6	1.0%
	Holland Neway International	-	-	6,322,100	8	0.9%
	Total - 10 Largest	91,354,799		183,137,585		25.4%
	Total - All Other	539,286,370		538,300,070		74.6%
		\$ 630,641,169		\$ 721,437,655		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**

<b>Year</b>	<b>Operating</b>	<b>Promotion</b>	<b>Sanitation</b>	<b>Total City</b>	<b>Library District</b>
<b>2003</b>	7.5000	0.0774	2.5000	10.0774	2.4000
<b>2004</b>	8.5000	0.0768	2.5000	11.0768	2.4000
<b>2005</b>	8.5000	0.0755	2.5000	11.0755	2.4000
<b>2006</b>	8.5000	0.0732	2.5000	11.0732	2.4000
<b>2007</b>	8.5000	0.0685	2.5000	11.0685	2.4000
<b>2008</b>	8.5000	0.0682	2.5000	11.0682	2.4000
<b>2009</b>	8.9000	0.0680	2.1000	11.0680	2.4000
<b>2010</b>	9.5000	0.0680	2.5000	12.0680	2.4000
<b>2011</b>	9.5000	0.0749	2.5000	12.0749	2.4000
<b>2012</b>	9.5000	0.0789	2.5000	12.0789	2.4000

**Overlapping - County-Wide Rates**

<b>Year</b>	<b>Muskegon County</b>	<b>Intermediate School</b>	<b>Special Education</b>	<b>Vocational Education</b>	<b>Community College</b>
<b>2003</b>	6.7957	0.4597	2.2983	1.0000	2.2037
<b>2004</b>	6.7957	0.4597	2.2983	1.0000	2.2037
<b>2005</b>	6.7757	0.4597	2.2983	1.0000	2.2037
<b>2006</b>	6.7557	0.4597	2.2987	0.9996	2.2037
<b>2007</b>	6.7357	0.4597	2.2987	0.9996	2.2037
<b>2008</b>	6.6957	0.4597	2.2987	0.9996	2.2037
<b>2009</b>	6.6957	0.4597	2.2987	0.9996	2.2037
<b>2010</b>	6.6957	0.4597	2.2987	0.9996	2.2037
<b>2011</b>	6.6957	0.4597	2.2987	0.9996	2.2037
<b>2012</b>	6.6957	0.4597	2.2987	0.9996	2.2037

**Overlapping - School District**

<b>Year</b>	<b>Operating</b>	<b>Debt</b>	<b>Total</b>	<b>State Education</b>
<b>2003</b>	18.0000	7.0000	25.0000	5.0000
<b>2004</b>	18.0000	7.0000	25.0000	6.0000
<b>2005</b>	18.0000	7.0000	25.0000	6.0000
<b>2006</b>	18.0000	7.0000	25.0000	6.0000
<b>2007</b>	18.0000	7.0000	25.0000	6.0000
<b>2008</b>	18.0000	5.5000	23.5000	6.0000
<b>2009</b>	18.0000	5.6000	23.6000	6.0000
<b>2010</b>	18.0000	5.7500	23.7500	6.0000
<b>2011</b>	18.0000	6.2500	24.2500	6.0000
<b>2012</b>	18.0000	7.1000	25.1000	6.0000

**Grand Total**

<b>Homestead</b>	<b>Non-Homestead</b>
37.2348	55.2348
39.2342	57.2342
39.2129	57.2129
39.1906	57.1906
39.1659	57.1659
37.6256	55.6256
37.7254	55.7254
38.8754	56.8754
39.3823	57.3823
40.2363	58.2363

City of Muskegon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as % of Levy	Charge backs			Outstanding Delinquent Personal	Outstanding Delinquent Specific	Percent of Delinquent Taxes to Levy
							On Uncollected Delinquent Taxes					
2003	\$ 8,095,194	\$ 7,201,599	89.0%	\$ 710,353	\$ 7,911,952	97.7%	\$ 27,338	\$	154,843	\$	20,856	2.51%
2004	8,292,451	7,230,231	87.2%	772,545	8,002,776	96.5%	36,179		82,305		22,655	1.70%
2005	8,121,734	6,920,960	85.2%	1,027,932	7,948,892	97.9%	28,156		78,641		21,100	1.57%
2006	8,207,019	7,231,508	88.1%	885,675	8,117,183	98.9%	13,461		65,297		24,539	1.26%
2007	8,542,477	7,509,102	87.9%	949,754	8,458,856	99.0%	-		67,586		20,748	1.03%
2008	8,466,096	7,219,540	85.3%	1,135,738	8,355,278	98.7%	36,917		73,430		37,388	1.75%
2009	8,700,017	7,522,462	86.5%	1,102,891	8,625,353	99.1%	25,755		73,440		34,758	1.54%
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%

SOURCE: City of Muskegon Treasurer's Office

City of Muskegon  
**SEGMENTED DATA ON INCOME TAX FILERS, RATES AND LIABILITY**  
 Most recent Year and Ten Years Previous

Year Ended June 30, 2013										Year Ended December 31, 2003				
Taxable Income per Return Individual and Joint Returns	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars		# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars			
<b>Resident Taxpayers:</b> (City resident income, after exemptions, exclusions and deductions is taxed at a flat rate of 1%.)														
\$2,500 or less	981	5%	\$ 802,331	\$ 8,107	0%		1,166	5%	\$ 1,137,300	\$ 11,373	0%			
\$2,501-\$7,500	562	3%	5,199,570	52,538	1%		942	4%	6,332,200	63,322	1%			
\$7,501-\$25,000	1,395	8%	41,298,132	417,286	6%		2,368	10%	54,614,300	546,143	8%			
\$25,001-\$50,000	1,276	7%	85,392,385	862,825	11%		2,046	9%	103,327,800	1,033,278	16%			
\$50,001-\$100,000	747	4%	92,624,938	935,905	12%		858	4%	80,331,000	803,310	12%			
More than \$100,000	149	1%	41,126,244	415,550	6%		147	1%	26,075,200	260,752	4%			
Subtotal	5,110	29%	\$ 266,443,600	\$ 2,692,211	36%		7,527	32%	\$ 271,817,800	\$ 2,718,178	42%			

<b>Non-Residents Taxpayers:</b> <i>(Non-residents are taxed at a rate of 0.5% on income earned within the City.)</i>										
\$2,500 or less		1,732	10%	\$ 928,400	\$ 7,112	0%				
\$2,501-\$7,500		1,049	6%	4,987,000	38,199	1%				
\$7,501-\$25,000		2,469	14%	39,882,400	305,490	4%				
\$25,001-\$50,000		2,969	17%	108,340,800	829,865	11%				
\$50,001-\$100,000		2,169	12%	144,571,000	1,107,380	15%				
More than \$100,000		609	3%	130,870,000	1,002,434	13%				
Subtotal		10,997	62%	\$ 429,579,600	\$ 3,290,480	44%				

<b>All Other Returns</b> <i>(Mostly corporate returns which pay at a rate of 1% on income earned in City and partnerships which pay based on partners residence status.)</i>										
Subtotal		1,750	10%	\$ 1,523,781		20%		\$ 501,959		8%
Total		17,857	100%	\$ 7,506,472		100%		\$ 6,542,355		100%

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

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

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Year	Governmental Activities				Business-Type Activities					Per Capita
	General Obligation Limited Tax Bonds	Special Assessment Bonds	Total Governmental Activities		Revenue Bonds	Intergovernmental Contactual Debt	State Loans	Total Business-Type Activities	Total Primary Government	
2004	\$ 3,700,000	\$ 1,140,000	\$ 976,900	\$ 5,816,900	\$ 8,925,000	\$ 4,779,656	\$ 8,483,766	\$ 22,188,422	\$ 28,005,322	\$ 703
2005	3,615,824	865,000	1,282,976	5,763,800	8,490,000	3,606,017	13,900,000	25,996,017	31,759,817	797
2006	8,246,039	615,000	1,356,900	10,217,939	8,035,000	2,454,101	13,335,000	23,824,101	34,042,040	855
2007	7,444,118	395,000	1,136,900	8,976,018	7,565,000	1,221,207	12,760,000	21,546,207	30,522,225	766
2008	6,844,970	215,000	1,416,900	8,476,870	7,075,000	-	12,170,000	19,245,000	27,721,870	696
2009	6,623,499	70,000	1,120,000	7,813,499	6,565,000	-	11,570,000	18,135,000	25,948,499	659
2010*	6,444,605	-	1,065,428	7,510,033	5,995,000	-	11,570,000	17,565,000	25,075,033	639
2011	5,920,000	-	244,850	6,164,850	5,415,000	-	10,955,000	16,370,000	22,534,850	587
2012	7,725,000	-	150,253	7,875,253	4,815,000	-	10,325,000	15,140,000	23,015,253	599
2013	7,350,000	-	130,042	7,480,042	4,205,000	-	9,685,000	13,890,000	21,370,042	577

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

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

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

**City of Muskegon**

**DIRECT AND OVERLAPPING DEBT**

**June 30, 2013**

<b>Name of Governmental Unit</b>	<b>Total Debt Outstanding</b>	<b>Self Supporting</b>	<b>Debt Supported by City General Revenues</b>
<b><u>Direct Debt</u></b>			
<b>City of Muskegon:</b>			
Revenue Bonds	\$ 13,890,000	\$ 13,890,000	\$ -
Capital Improvement Bonds	7,350,000	-	7,350,000
Intergovernmental Bonds	130,042	-	130,042
<b>Component Unit Debt:</b>			
Downtown Development Authority	2,505,000	2,505,000	-
Local Development Finance Authority	4,100,000	4,100,000	-
<b>Total City Direct Debt</b>	<b>\$ 27,975,042</b>	<b>\$ 20,495,000</b>	<b>\$ 7,480,042</b>

	<b>Gross</b>	<b>City Share as Percent of Gross</b>	<b>Net</b>
<b><u>Overlapping Debt</u></b>			
Muskegon School District	\$ 40,610,000	95.04%	\$ 38,595,744
Orchard View School District	42,852,440	25.85%	11,077,356
Reeths Puffer School District	75,732,825	6.20%	4,695,435
Muskegon Intermediate School District	-		-
Muskegon County	37,170,000	14.12%	5,248,404
Muskegon Community College	7,195,000	14.12%	1,015,934
<b>Total Overlapping Debt</b>	<b>\$ 203,560,265</b>		<b>60,632,873</b>
<b>Total City Direct and Overlapping Debt</b>			<b>\$ 68,112,915</b>

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

The percentage of overlapping debt is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the City's taxable value that is within each overlapping government unit's boundaries. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

SOURCE: Municipal Advisory Council of Michigan and City of Muskegon Finance Department. The information in these schedules (unless otherwise noted) is derived from the comprehensive annual financial reports for the relevant year.

City of Muskegon

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010*	2011	2012	2013
<b>Debt Limit</b>										
	\$ 75,663,530	\$ 76,252,738	\$ 78,773,640	\$ 84,174,359	\$ 85,933,940	\$ 82,198,965	\$ 82,198,965	\$ 78,306,925	\$ 73,585,150	\$ 68,555,700
<b>Total net debt applicable to limit</b>										
	9,191,900	9,918,800	16,142,939	15,591,018	15,481,870	14,778,499	14,435,033	12,929,850	14,375,253	13,655,042
<b>Legal debt margin</b>	\$ 66,471,630	\$ 66,333,938	\$ 62,630,701	\$ 68,583,341	\$ 70,452,070	\$ 67,420,466	\$ 67,763,932	\$ 65,379,075	\$ 59,209,897	\$ 54,900,658

Total net debt applicable to the limit as a percentage of debt limit

	12.15%	13.01%	20.49%	18.52%	18.02%	17.98%	17.56%	16.51%	19.54%	19.92%
--	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Legal Debt Margin Calculation for 2013:

Assessed Valuation:	\$	685,557,000
Legal Debt Limit (10% )		68,555,700
Total Indebtedness:	\$	27,975,042
Debt not Subject to Limitation:		
Paid by Special Assessment		(430,000)
Revenue Bonds		(13,890,000)
Debt Subject to Limitation		13,655,042
Legal Debt Margin	\$	54,900,658

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

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

**City of Muskegon**  
**REVENUE BOND COVERAGE**  
**Water Supply System**

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 5,016,267	\$ 3,186,067	\$ 1,830,200	\$ 420,000	\$ 411,867	\$ 831,867	2.20
2005	7,017,844	3,197,232	3,820,612	435,000	418,549	853,549	4.48
2006	6,424,971	3,172,882	3,252,089	1,020,000	662,774	1,682,774	1.93
2007	6,705,739	3,404,649	3,301,090	1,045,000	632,036	1,677,036	1.97
2008	6,336,135	3,407,903	2,928,232	1,080,000	600,377	1,680,377	1.74
2009	5,906,313	3,498,263	2,408,050	1,110,000	567,462	1,677,462	1.44
2010*	2,904,735	1,575,275	1,329,460	535,000	271,522	806,522	1.65
2011	5,467,785	3,294,530	2,173,255	1,195,000	451,323	1,646,323	1.32
2012	5,273,720	3,441,078	1,832,642	1,230,000	410,187	1,640,187	1.12
2013	5,907,784	3,729,276	2,178,508	1,250,000	384,694	1,634,694	1.33

**Sewage Disposal System**

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 4,096,412	\$ 3,038,939	\$ 1,057,473	\$ 455,179	\$ 110,520	\$ 565,699	1.87
2005	4,182,115	3,128,119	1,053,996	522,956	114,388	637,344	1.65
2006	4,842,901	4,270,296	572,605	511,626	63,233	574,859	1.00
2007	5,213,140	4,435,211	777,929	506,822	25,221	532,043	1.46
2008	5,338,647	4,979,343	359,304	546,278	12,550	558,828	0.64
2009			No Direct System Indebtedness				
2010*			No Direct System Indebtedness				
2011			No Direct System Indebtedness				
2012			No Direct System Indebtedness				
2013			No Direct System Indebtedness				

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

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

(a) "Gross Revenue" equals total operating revenues plus interest income.

(b) "Direct Operating Expenses" equal total operating expenses net of depreciation expense.

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



**City of Muskegon**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	Public School Enrollment	Building Permits		Unemployment
						Number	Value	
2004	39,825	\$ 643,568,157	\$ 16,160	32.3	6,088	1,152	\$ 37,963,075	11.1%
2005	39,825	659,657,361	16,564	32.3	5,862	966	30,041,025	9.0%
2006	39,825	676,148,795	16,978	32.3	5,625	1,063	27,328,144	8.6%
2007	39,825	693,052,515	17,402	32.3	5,534	941	36,129,064	9.5%
2008	39,825	710,378,828	17,838	32.3	5,361	946	23,001,998	11.5%
2009	39,401	720,386,117	18,283	32.8	5,931	909	18,417,289	16.2%
2010	39,259	735,734,614	18,741	32.8	5,931	374	11,900,915	17.8%
2011	38,401	737,646,617	19,209	34.1	5,162	835	18,829,825	13.8%
2012	38,225	752,622,470	19,689	34.1	5,428	891	21,932,738	8.5%
2013	37,046	747,644,037	20,182	34.1	4,367	826	24,613,938	12.0%

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

**City of Muskegon  
PRINCIPAL EMPLOYERS**

Current Year and Ten Years Ago

	2013				2004			
	Employees	Rank	Percentage of total City employment		Employees	Rank	Percentage of total City employment	
Employer								
Mercy General Health Partners*	3,657	1	24.7%		2,000	1	11.7%	
County of Muskegon	1,028	2	7.0%		1,200	3	7.0%	
Muskegon Public Schools	941	3	6.4%		1,100	4	6.5%	
State of Michigan	772	4	5.2%		900	5	5.3%	
ADAC Plastics	750	5	5.1%		470	7	2.8%	
GE Aviation formerly Johnson Technology	644	6	4.4%		425	8	2.5%	
Port City Group	419	7	2.8%		-	-	0.0%	
Knoll Group	403	8	2.7%		-	-	0.0%	
SAF Holland USA	330	9	2.2%		-	-	0.0%	
Muskegon Community College	211	10	1.4%		-	-	0.0%	
Hackley Hospital*	-	-	0.0%		1,300	2	7.6%	
Sappi/S.D. Warren Company	-	-	0.0%		600	6	3.5%	
Verizon	-	-	0.0%		350	9	2.1%	
Brunswick	-	-	0.0%		330	10	1.9%	

\* Hackley Hospital merged with the former Mercy Hospital.

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

City of Muskegon

BUDGETED FULL-TIME CITY GOVERNMENT POSITIONS BY DEPARTMENT

Last Ten Fiscal Years

Department	2004	2005	2006	2007	2008	2009	2010*	2011	2012	2013
Administration	1.50	1.50	1.50	1.50	1.50	-	-	0.40	0.40	0.40
Affirmative Action	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.10	1.10	1.10
Cemetaries	3.52	3.25	3.00	3.25	3.25	3.25	2.50	2.20	1.75	1.25
City Clerk & Elections	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00
City Commission	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Hall Maintenance	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.55	0.55	0.55
City Manager's Office	1.75	1.75	1.75	1.75	1.75	3.25	2.25	2.25	2.25	2.25
City Treasurer's Office	5.00	5.00	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00
Civil Service	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	-	-
Environmental Services	3.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	5.00	5.00
Farmers Market	0.12	-	-	-	-	0.05	0.05	0.05	0.05	0.05
Finance Administration	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	2.00
Fire	41.00	40.00	38.00	38.00	38.00	38.00	36.00	33.00	35.00	28.00
Fire Safety Inspections	12.00	10.00	12.00	12.00	12.00	12.00	9.00	8.00	6.00	6.00
Forestry	0.93	-	-	-	-	-	-	-	-	-
General Recreation	1.24	1.00	1.17	1.33	1.66	1.66	2.00	-	-	-
Income Tax Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Information Systems	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Parks	9.68	8.48	8.25	8.15	8.15	7.99	7.15	6.00	6.05	6.05
Planning, Zoning & Economic Development	6.50	6.00	6.00	6.00	6.00	6.00	5.00	4.00	3.00	3.00
Police	94.00	94.00	94.00	94.00	94.00	94.00	88.00	88.00	88.00	88.00
Sanitation	1.10	1.10	1.00	1.00	1.00	1.00	-	0.30	0.20	0.20
Senior Transit	-	-	-	-	-	-	-	-	0.05	0.05
MVH-Major Streets	15.45	15.25	16.00	17.75	15.75	13.75	12.00	12.00	11.70	10.70
MVH-Local Streets	7.00	7.00	7.00	7.00	6.00	8.00	7.00	7.00	6.70	6.70
MVH-State Trunklines	2.00	2.00	2.00	-	-	-	-	-	-	-
Walker Arena	0.12	-	-	-	-	-	-	-	-	-
Community Development	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Home Program	1.00	1.00	1.00	1.00	1.00	1.00	0.25	0.25	-	-
Lead Program	-	-	-	-	-	-	0.75	0.75	-	-
Sewer Maintenance	14.55	15.05	16.00	16.20	15.20	13.20	10.20	10.20	9.75	9.75
Water Filtration	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00	10.00
Water Maintenance	15.15	14.65	13.00	12.50	13.50	15.40	12.40	12.40	11.75	11.75
Hartshorn Marina Fund	0.79	0.67	0.73	0.67	0.34	0.05	0.05	0.05	0.30	0.30
Public Service Building	3.65	3.85	3.45	3.45	3.45	3.70	8.95	8.05	7.95	8.45
Engineering	7.70	7.70	7.45	7.45	7.45	7.45	5.45	4.95	4.95	4.95
Equipment	8.00	8.00	8.95	8.25	8.25	8.50	7.25	6.25	6.25	6.25
	294.00	284.00	284.00	282.00	280.00	280.00	256.00	244.00	241.00	233.00

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

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010*	2011	2012	2013
<b><u>Administrative Services</u></b>										
<b><u>Elections</u></b>										
Number of registered voters	25,261	25,918	26,028	26,345	27,678	26,136	26,136	26,330	26,324	26,098
Number of votes cast:										
Last general election	14,169	14,169	10,410	10,410	15,271	15,271	15,271	8,106	1,933	13,487
Last city election	4,325	4,022	4,022	1,101	1,101	2,254	2,254	8,106	1,933	2,131
Percentage of registered voters voting:										
Last general election	56%	55%	40%	40%	55%	58%	58%	31%	7%	52%
Last city election	17%	16%	15%	4%	4%	9%	9%	31%	7%	8%
<b><u>Financial Services</u></b>										
<b><u>Property Tax Bills</u></b>										
Income Tax Returns	15,403	15,404	15,354	15,376	15,350	15,435	-	15,351	15,261	15,291
Paper Check Issued to Vendors	24,378	23,884	23,493	23,141	22,598	21,071	19,963	19,688	18,699	17,857
Electronic Payments to Vendors	3,405	3,205	3,248	3,347	3,346	3,113	1,486	2,986	3,746	1,677
	752	828	800	772	763	963	450	884	1,334	1,251
<b><u>Public Safety</u></b>										
<b><u>Fire Protection</u></b>										
Number of firefighter and officer positions	41	41	41	41	41	37	37	37	36	41
Number of emergency calls	4,116	4,206	4,092	4,171	4,298	4,220	2,062	4,402	4,676	4,563
<b><u>Police Protection</u></b>										
Number of sworn officer positions	83	83	84	84	84	79	79	79	79	79
Part I (Major) Crimes	3,360	3,303	3,495	2,997	3,107	3,071	1,305	2,859	2,772	2,647
<b><u>Public Works</u></b>										
Refuse Collected (Tons per Year)	11,925	11,074	11,192	10,375	10,401	10,526	6,042	12,703	10,153	9,958
Recyclables Collected (Tons per Year)	779	588	559	629	626	309	-	-	-	-
<b><u>Water &amp; Sewer</u></b>										
<b><u>Number of consumers</u></b>										
Average daily water consumption (GPD)	14,917	14,455	14,412	14,364	13,131	12,987	12,966	13,037	13,109	13,144
Water main breaks repaired	8,870,000	9,582,000	8,998,000	9,314,000	8,879,000	7,976,000	7,163,000	8,417,000	7,700,000	7,651,000
Sewer flows (Millions Gallons per Year)	10	5	13	21	34	17	6	12	5	11
Sewer Service Calls	1,475	1,700	2,040	1,945	2,181	1,979	965	1,625	1,695	1,777
	568	638	605	598	533	508	263	591	522	508

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

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010*	2011	2012	2013
<b>Public Safety</b>										
<b>Fire Protection</b>										
Number of stations	3	3	3	3	3	3	3	3	3	3
<b>Police Protection</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
<b>Highways, Streets and Bridges</b>										
<b>Miles of Streets</b>	196.95	196.95	197.48	197.79	197.79	196.95	196.95	196.95	196.95	196.95
Number of streetlights	3,111	3,159	3,159	3,134	3,134	3,192	3,125	3,065	2,838	2,838
<b>Culture and Recreation</b>										
<b>Number of parks (acres)</b>	701	701	701	701	701	701	701	701	701	701
Lake Michigan beaches (acres)	119	119	119	119	119	119	119	119	119	119
Hockey/Entertainment Arena	1	1	1	1	1	1	1	1	1	1
<b>Sewer</b>										
<b>Sanitary sewers (miles)</b>	178.02	179.41	175.74	177.04	177.04	177.04	177.04	177.04	177.04	177.04
Storm sewers (miles)	178.61	179.23	180.48	183.25	183.60	184.35	184.35	184.35	184.35	184.35
<b>Water</b>										
<b>Water mains (miles)</b>	194.14	194.14	194.15	195.63	195.58	195.69	195.69	195.69	195.40	195.95

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

SOURCE: City of Muskegon Departments



**SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

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

October 25, 2013

City Commission  
City of Muskegon  
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Muskegon's basic financial statements, and have issued our report thereon dated October 25, 2013.

## **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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City Commission  
October 25, 2013  
Page 2

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Brickley De Long, P.C.*

Muskegon, Michigan

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

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

October 25, 2013

City Commission  
City of Muskegon  
Muskegon, Michigan

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Muskegon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Muskegon's major federal programs for the year ended June 30, 2013. The City of Muskegon's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Muskegon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Muskegon's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Muskegon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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City Commission  
October 25, 2013  
Page 2

***Report on Internal Control Over Compliance***

Management of the City of Muskegon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Muskegon's internal control over compliance with the types of requirements that could have a direct and material effect on 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Muskegon's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Brickley De Long, P.C.*

Muskegon, Michigan

City of Muskegon  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entitlement Program or Award Amount	Accrued (Deferred) Revenue July 1, 2012	Cash or Payments In-Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Deferred) Revenue June 30, 2013	Notes
<b>U.S. Department of Housing and Urban Development</b>							
Direct programs							
Community Development Block Grants/Entitlement Grants	14.218						
B-11-MC-26-0026		\$ 911,340	\$ 452,380	\$ 474,866	\$ 22,486	\$ -	
B-12-MC-26-0026		827,856	-	567,938	777,928	209,990	
Program Income		38,196	-	38,196	38,196	-	
Total Community Development Block Grants/Entitlement Grants		1,777,392	452,380	1,081,000	838,610	209,990	5
HOME Investment Partnerships Program	14.239						
M-09-MC-26-0215		322,469	-	915	915	-	
M-10-MC-26-0215		320,710	-	98,811	98,811	-	
M-11-MC-26-0215		284,337	19,254	111,091	91,837	-	
M-12-MC-26-0215		246,299	-	86,894	104,920	18,026	
Program Income		158,847	-	158,847	158,847	-	
Total HOME Investment Partnerships Program		1,332,662	19,254	456,558	455,330	18,026	
Total direct programs		3,110,054	471,634	1,537,558	1,293,940	228,016	
Passed through Michigan State Housing Development Authority							
Community Development Block Grants/Entitlement Grants	14.218						
Neighborhood Stabilization Program							
NSP-2008-0280-ENT		1,670,891	85,603	176,103	220,891	130,391	
Program Income		22,085	3,918	26,003	22,085	-	
Total Neighborhood Stabilization Program		1,692,976	89,521	202,106	242,976	130,391	5
Total U.S. Department of Housing and Urban Development		4,803,030	561,155	1,739,664	1,536,916	358,407	

City of Muskegon  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued**  
For the year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entitlement Program or Award Amount	Accrued (Deferred) Revenue July 1, 2012	Cash or Payments In-Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Deferred) Revenue June 30, 2013	Notes
<i>U.S. Department of Justice</i>							
Direct programs							
Bulletproof Vest Partnership Grant	16.607						
2010 Grant		\$ 1,110	\$ 1,110	\$ 1,110	\$ -	\$ -	
2012 Grant		3,500	-	825	825	-	
		4,610	1,110	1,935	825	-	
Edward Byrne Memorial Justice Assistance Grant Program	16.738						
2011-DJ-BX-2380		55,831	-	21,133	21,133	-	
2012-DJ-BX-0725		46,074	-	28,513	28,513	-	
		101,905	-	49,646	49,646	-	
Total direct programs		106,515	1,110	51,581	50,471	-	
Passed through Ottawa County							
Edward Byrne Memorial Justice Assistance Grant Program	16.738						
70834-513B		21,585	-	21,585	21,585	-	
Passed through Muskegon County							
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804						
2009-SB-B9-1824		218,169	6,949	52,217	45,268	-	
Total U.S. Department of Justice		346,269	8,059	125,383	117,324	-	
<b>TOTAL FEDERAL ASSISTANCE</b>		<b>\$ 5,149,299</b>	<b>\$ 569,214</b>	<b>\$ 1,865,047</b>	<b>\$ 1,654,240</b>	<b>\$ 358,407</b>	

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, 2013

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in net position of the City.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. The following is a reconciliation of federal revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of the City of Muskegon financial statements for the year ended June 30, 2013 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	
General Fund	\$ 117,324
Major Street and Trunkline Fund	794,000
Other governmental funds	1,317,788
	<u>2,229,112</u>
Plus program income	219,128
Less MDOT contracted projects as shown below	<u>(794,000)</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,654,240</u></u>

4. The Michigan Department of Transportation (MDOT) requires that cities report all federal and state grants pertaining to their city. During the year ended June 30, 2013 the federal aid received and expended by the City of Muskegon was \$794,000 for contracted projects as shown below. Contracted projects are defined as projects performed by private contractors and paid for and administered 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
<i>U.S Department of Transportation, Federal Highway Administration (contracted projects)</i>			
Passed through the Michigan Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		
Proj STP 1261(219) Fed Item HH7944 Contract 12-5241		\$ 481,000	\$ 481,000
Proj STP 1361(013) Fed Item HH8489 Contract 13-5050		313,000	313,000
Total U.S. Department of Transportation, Federal Highway Administration (contracted projects)		<u><u>\$ 794,000</u></u>	<u><u>\$ 794,000</u></u>

City of Muskegon  
**SCHEDULE OF FINDINGS AND RESPONSES**  
Year ended June 30, 2013

**SECTION I—SUMMARY OF AUDITORS' RESULTS**

**A. Financial Statements**

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

**B. Federal Awards**

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

4. Identification of major programs:

CFDA Number(s)

Name of Federal Program/Cluster

**U.S. Department of Housing and Urban Development**

**14.218**

**Community Development Block**

**Grants/Entitlement Grants**

**14.239**

**HOME Investment Partnerships Program**

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE





## **CLIENT DOCUMENTS**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

October 25, 2013

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

The City of Muskegon respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2012 dated October 23, 2012.

### SECTION II – FINANCIAL STATEMENT FINDINGS

**Finding 2012-1: MATERIAL WEAKNESS—Year-end Procedures Should Be Improved To Enhance Year-end Financial Reporting**

*Condition:* Three material audit adjustments were required to correct general ledger balances at year-end.

*Recommendation:* The City should improve its year-end procedures to ensure that its general ledger is properly adjusted.

*Current Status:* The recommendation was implemented during the year ended June 30, 2013. **No** similar finding was reported during the year ended June 30, 2013.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### COMPLIANCE

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

#### SIGNIFICANT DEFICIENCIES

There were **no** reportable conditions reported in relation to major federal award programs.

Sincerely,



Timothy J. Paul  
Finance Director

**CORRECTIVE ACTION PLAN**

October 25, 2013

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

The City of Muskegon respectfully submits the following Corrective Action Plan for the year ended June 30, 2013.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2013

The findings from the Schedule of Findings and Responses for the year ended June 30, 2013 provided **no** findings in either Section II or Section III. Accordingly, there are **no** matters requiring corrective action as shown below.

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were **no** compliance findings and **no** significant deficiencies in relation to the financial statement audit.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were **no** compliance findings and **no** significant deficiencies in relation to the major federal award programs.

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

Sincerely,



Timothy J. Paul  
Finance Director