# Comprehensive Annual Financial Report

## City of Muskegon

**Fiscal Year Ended June 30, 2019**

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# CITY OF MUSKEGON,
# MICHIGAN

## COMPREHENSIVE
## ANNUAL FINANCIAL REPORT
## FOR THE YEAR ENDED
## JUNE 30, 2019

**Prepared By**

**FINANCIAL SERVICES DIVISION**


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**Finance Director**

**Kenneth Grant**
**Assistant Finance Director**

**Sarah Petersen**
**City Treasurer**

**James Maurer**
**Information Systems Director**

**Mike VanderMolen**
**Management Assistant**

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City of Muskegon

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MUSKEGON

West Michigan's Shoreline City
www.shorelinecity.com

December 2, 2019

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

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

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

Brickley Delong, PC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Muskegon's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

### *Profile of the government*

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

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

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

### *Local economy*

The City of Muskegon is located in western Michigan on the shores of Lake Michigan. The City covers 18 square miles (including 4 miles of water) and, with a 2010 census population of 38,401, is the largest city on the eastern shore of Lake Michigan. The City is located in Muskegon County and is part of the Muskegon-Norton Shores Metropolitan Statistical Area (MSA).

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

- Muskegon is the eastern terminus for the high speed cross-lake ferry. Connecting Muskegon with Milwaukee, Wisconsin, the *Lake Express* service ferries 100,000-plus passengers each season between the two cities. 2019 marks the ferry service's sixteenth 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 *Taste of Muskegon,* which attracts thousands of visitors to Muskegon each June, *Bike Time* and *Rebel Road,* which attract motorcycle enthusiasts to the City in July, the *Unity Christian Music Festival, Shoreline Jazz Festival, Great Lakes Surf Festival,* and the *Burning Foot Beer Fest* in August, and the *Muskegon Polish Festival* and Michigan *Irish Music Festival* in September.

- Muskegon is the cultural hub for west Michigan with numerous museums and live performances. The Muskegon Museum of Art has one of the largest and premier art collections in the Midwest, and the Muskegon County Museum provides insight into the area's history. The former residences of Muskegon's lumber barons, Charles H. Hackley and Thomas Hume, proudly display the glory of the Victorian age. The Fire Barn Museum takes visitors back to an 1890's Muskegon Fire Station. The West Shore Symphony and Muskegon Civic Theater bring the stage of the Frauenthal Center for the Performing Arts to life throughout the year. The Heritage Museum provides historic perspective on the city's industrial roots.
- Muskegon's port welcomed 15 Great Lakes cruise ships in 2019 and expects nearly 30 ships to visit in 2020.
- Muskegon is home to three historic museum ships that attract thousands of visitors each year:
  - *USS Silversides*, a rare surviving World War II submarine maintained in pristine condition is docked at the Muskegon Lake Channel;
  - *LST-393*, a landing craft used in the D-day invasion and one of only two such vessels remaining in existence is docked downtown Muskegon at the West Michigan Dock and Market; and the
  - *Milwaukee Clipper*, a Great Lakes passenger ship built before the *Titanic* that for many years served as a cross-lake ferry between Muskegon and Milwaukee is docked in the Lakeside Business District.

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

The local economy has seen slight decrease in the unemployment rate which stood at 4.8 percent at the end of the fourth quarter of 2018 compared with 4.2 percent at the end of the second quarter of 2019.

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

***Long-term financial planning and major initiatives***

Unassigned fund balance in the General Fund at year end was 23.0% of total General Fund revenues. This amount was well above the policy guidelines set by the Commission for budgetary and planning purposes (i.e., 13% of total actual General Fund revenue for the preceding year). Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns.

The City incorporates a five-year fiscal forecast into its yearly budget process. The forecast is a macro-level projection of major revenue sources, expenses and fund balances, taking into account identifiable factors, recent trends and management's judgment as to future developments. The City recently purchased a new web-based information source providing financial information and forecasting for municipal governments and schools. This new system should provide staff with enhanced information to improve forecasting.

Among the City's major initiatives and accomplishments in fiscal year 2018-19 were the following:

- Downtown Muskegon experienced the commencement of a number of mixed use development projects. Two adaptive reuse projects were undertaken in the, with a total investment in excess of $5 million. Three major new construction projects have been announced with the Lakeview Lofts Phase 2 project, The Leonard project, and the Foundry Square Project, with a total investment in excess of $25 million. Other downtown projects of note include a $6 million investment from Platinum Construction in the Western Place Townhomes, an $8 million investment to upgrade the former Holiday Inn to a Delta Marriott Hotel, and the construction of Pigeon Hill Brewing's new 20,000 square foot brewing facility.
- After several years of perseverance, a plan was put forth to redevelop the former Sappi Paper Mill site in Lakeside. The 120-acre site has already experienced the demolition of more than 1-million square feet of industrial buildings, and the owners have completed a multi-phased visioning process with Miami, Florida-based DPZ Co-Design – a world-renown master-planning group that focuses on high-value developments that embrace the design philosophies of New Urbanism.
- The City broke ground on a new $19.5 Million convention center that will be attached to the both the Delta Marriott hotel and the L.C. Walker Arena.
- Construction of Midtown Square Phase 2, which consists of 10 townhouses and 6 single family homes in the Nelson neighborhood, was started in 2019.
- KL Outdoor, the world's largest manufacturer of kayaks, opened its new 500,000 square foot distribution center in the Port City Industrial Park in early 2019.

- Mercy Health Partners, Muskegon's largest employer completed a $280 million expansion to its existing hospital. The hospital organization is currently exploring opportunities for redevelopment of its other underutilized facilities.

### *Relevant financial policies*

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

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

### *Awards and Acknowledgements*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muskegon for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the 32nd consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

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

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The preparation of this report would not have been possible without the skill, effort, and dedication of the Finance Division and the entire city staff. We express appreciation to those staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Commissioners for their support for maintaining the highest standards of professionalism in the management of the City of Muskegon's finances.

Respectfully submitted,

Frank Peterson
City Manager

Elizabeth Lewis
Finance Director

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Muskegon**

**Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2018**

Christopher P. Morrill

Executive Director/CEO

# Organizational Structure 2019-20

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

**June 30, 2019**

## ELECTED OFFICIALS

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

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

Commissioner. . . . . Willie German
Ward 2

Commissioner. . . . . .Debra Warren
Ward 3

Commissioner. . . . . Byron Turnquist
Ward 4

Commissioner. . . . . Ken Johnson
At Large

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

## APPOINTED OFFICIALS

City Manager. . . . . Frank Peterson

City Attorney. . . . . John C. Schrier

Finance Director. . . . . Elizabeth Lewis

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# FINANCIAL SECTION

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# INDEPENDENT AUDITOR'S REPORT

City Commission
City of Muskegon
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension and other post-employment benefit information on pages 21 through 32 and 84 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskegon, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor funds, schedule of indebtedness, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

**Other Matters—Continued**

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

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

Brickley DeLong, P.C.

Muskegon, Michigan
December 2, 2019

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## 2019 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, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

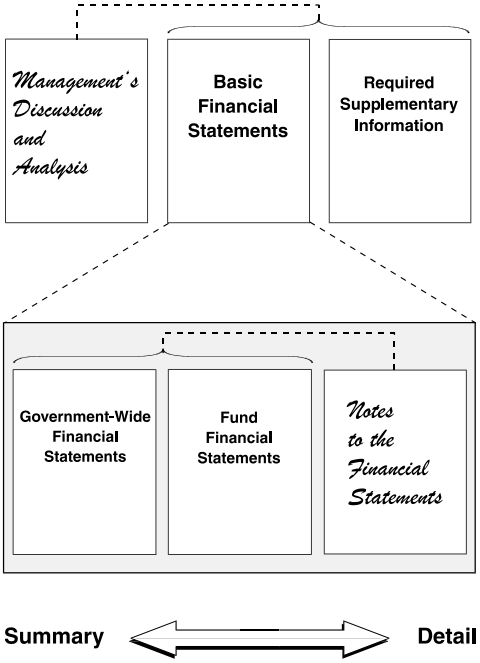
- The assets/deferred outflows of resources of the City of Muskegon exceeded its liabilities/deferred inflows of resources by $102,663,852 as of June 30, 2019. The City has a deficit in unrestricted net position of $11,930,527. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities.

- The City's total combined net position decreased by $1,581,766 during the year ended June 30, 2019.

- The City's governmental funds reported combined ending fund balance of $16,575,017, a decrease of $1,155,778 (7%) from the prior year.

- The City's General Fund reported a total fund balance of $8,505,195, an increase of $113,629 from the prior year balance of $8,391,566. The favorable increase is primarily the result of conservative budgeting.

## OVERVIEW OF THE FINANCIAL STATEMENTS




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

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

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting individual City operations in greater detail than the government-wide statements.

- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains available for future spending.

- *Proprietary fund* statements offer *short-* and *long-term* financial information about activities the City operates *like private businesses*.

- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Government-Wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets/deferred outflows of resources and liabilities/deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The government-wide financial statements of the City include the *governmental activities*. Most of the City's basic services are included here, such as public

representation services, administrative services, financial services, public safety, public works, highways, streets and bridges, community and economic development, culture and recreation, general administration, and interest on long-term debt. Income taxes, federal grants, property taxes and revenues from the State of Michigan finance most of these activities.

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

**Fund Financial Statements**

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

The City has the following kinds of funds:

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

- *Proprietary funds*—Services for which the City charges customers a fee and are intended to be self-supporting are generally reported in proprietary funds. The City uses three proprietary funds: water, sewer, and marina and launch ramp. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

- The City uses *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.

- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

- *Component units* – Finally, the City of Muskegon's Comprehensive Annual Financial report includes six component units: the Downtown Development Authority (DDA), the Tax Increment Finance Authority (TIFA), the Local Development Finance Authority (LDFA) and, the Brownfield Redevelopment Authority (BRA 1, BRA 2 and BRA 3). 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 $102,663,852 as of June 30, 2019. This is a decrease of $1,581,766 from reported net position for the prior year. An overview of the City's net position follows:

City's Net Position
(In Thousands of Dollars)

| | Governmental Activities | | Business-Type Activities | | Total | | Percentage |
|---|---|---|---|---|---|---|---|
| | 6/30/2019 | 6/30/2018 | 6/30/2019 | 6/30/2018 | 6/30/2019 | 6/30/2018 | Change |
| Current and other assets | $23,349 | $23,800 | $6,718 | $9,781 | $30,067 | $33,581 | -10.46% |
| Capital assets | 73,229 | 66,940 | 47,886 | 45,594 | 121,115 | 112,534 | 7.63% |
| **Total Assets** | 96,578 | 90,740 | 54,604 | 55,375 | 151,182 | 146,115 | 3.47% |
| Deferred outflows of resources | 10,997 | 2,282 | 764 | 159 | 11,761 | 2,441 | 381.81% |
| **Total Assets and Deferred Outflows of Resources** | 107,575 | 93,022 | 55,368 | 55,534 | 162,943 | 148,556 | 9.68% |
| Long-term liabilities | 42,851 | 27,960 | 7,517 | 7,200 | 50,368 | 35,160 | 43.25% |
| Other liabilities | 6,482 | 3,876 | 3,061 | 2,995 | 9,543 | 6,871 | 38.89% |
| **Total Liabilities** | 49,333 | 31,836 | 10,578 | 10,195 | 59,911 | 42,031 | 42.54% |
| Deferred inflows of resources | 344 | 2,131 | 24 | 148 | 368 | 2,279 | -83.85% |
| **Total Liabilities and Deferred Outflows of Resources** | 49,677 | 33,967 | 10,602 | 10,343 | 60,279 | 44,310 | 36.04% |
| Net Position | | | | | | | |
| Net investment in capital assets | 66,734 | 61,268 | 41,742 | 38,550 | 108,476 | 99,818 | 8.67% |
| Restricted | 5,519 | 6,138 | 599 | 599 | 6,118 | 6,737 | -9.19% |
| Unrestricted | -14,355 | -8,351 | 2,425 | 6,041 | -11,930 | -2,310 | 416.45% |
| **Total Net Position** | $57,898 | $59,055 | $44,766 | $45,190 | $102,664 | $104,245 | -1.52% |

The bulk of the City's net position of $108,475,672 represents investments in capital assets net of accumulated depreciation, less the remaining balance of debt issued to acquire those assets. These infrastructure assets are used to provide public services to citizens and are not available for spending.

Another $6,118,707 of the City's net position are legally restricted as to use. The City has a deficit in unrestricted net position of $11,930,527. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities. The City's unrestricted net position decreased $9,620,984 during the year.

**Changes in net position.** The City's total revenues were $60,502,468 for the year ended June 30, 2019. This represents a 7.27% increase over total revenues collected during the prior fiscal year. Approximately 39.6% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 18.9% came from grants from the state and federal governments and 28.4% 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, 2019 was $62,084,234. This represents a 20.0% increase from reported expenses for the last fiscal year ended June 30, 2018. 72.1% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 28.9% represents the costs of the City's business-type activities, specifically, water, sewer and marina operations.

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

As can be seen, net position for governmental activities decreased $1,157,410 and the net position for business-type activities decreased by $424,356. For governmental activities, most of these changes are related to the increased net pension liability and net other postemployment benefits liability. For business-type activities, the changes similarly represent the impact of the increased net pension liability and other postemployment benefits liability.

| Changes in City's Net Position (In thousands of dollars) | Governmental Activities | | Business-Type Activities | | Total | | Percentage |
|---|---|---|---|---|---|---|---|
| | 6/30/2019 | 6/30/2018 | 6/30/2019 | 6/30/2018 | 6/30/2019 | 6/30/2018 | Change |
| Program revenues | | | | | | | |
| Charges for services | $7,632 | $7,440 | $16,344 | $15,989 | $23,976 | $23,429 | 2.33% |
| Operating grants and contributions | 6,893 | 6,479 | 511 | 43 | 7,404 | 6,522 | 13.52% |
| Capital grants and contributions | 4,015 | 2,306 | - | - | 4,015 | 2,306 | 74.11% |
| General revenues | | | | | | | |
| Property taxes | 8,230 | 8,450 | - | - | 8,230 | 8,450 | -2.60% |
| Income taxes | 8,940 | 8,995 | - | - | 8,940 | 8,995 | -0.61% |
| State shared revenues | 5,102 | 4,955 | - | - | 5,102 | 4,955 | 2.97% |
| All other | 2,811 | 1,719 | 24 | 28 | 2,835 | 1,747 | 62.28% |
| **Total revenues** | 43,623 | 40,344 | 16,879 | 16,060 | 60,502 | 56,404 | 7.27% |
| Governmental activities expenses | | | | | | | |
| Public representation | 1,336 | 1,348 | - | - | 1,336 | 1,348 | -0.89% |
| Administrative services | 801 | 507 | - | - | 801 | 507 | 57.99% |
| Financial services | 2,701 | 1,995 | - | - | 2,701 | 1,995 | 35.39% |
| Public safety | 20,433 | 12,404 | - | - | 20,433 | 12,404 | 64.73% |
| Public works | 4,438 | 3,472 | - | - | 4,438 | 3,472 | 27.82% |
| Highways, streets and bridges | 7,186 | 6,917 | - | - | 7,186 | 6,917 | 3.89% |
| Community and economic development | 2,890 | 5,015 | - | - | 2,890 | 5,015 | -42.37% |
| Culture and recreation | 4,542 | 3,995 | - | - | 4,542 | 3,995 | 13.69% |
| General administration | 302 | 376 | - | - | 302 | 376 | -19.68% |
| Interest on long-term debt | 151 | 165 | - | - | 151 | 165 | -8.48% |
| Business-type activities expenses | | | | | | | |
| Sewer | - | - | 9,120 | 8,094 | 9,120 | 8,094 | 12.68% |
| Water | - | - | 7,753 | 7,091 | 7,753 | 7,091 | 9.34% |
| Marina and launch ramp | - | - | 430 | 377 | 430 | 377 | 14.06% |
| **Total expenses** | 44,780 | 36,194 | 17,303 | 15,562 | 62,083 | 51,756 | 19.95% |
| **Change in net position** | (1,157) | 4,150 | (424) | 498 | (1,581) | 4,648 | -134.01% |
| Net position at beginning of year | 59,055 | 54,906 | 45,190 | 44,692 | 104,245 | 99,598 | 4.67% |
| **Net position at end of year** | $57,898 | $59,056 | $44,766 | $45,190 | $102,664 | $104,246 | -1.52% |

## 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, 2019 was $44,781,159.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was $17,170,460, or about 39% 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 | | |
|---|---|---|---|---|---|---|
| | 6/30/2019 | 6/30/2018 | % Change | 6/30/2019 | 6/30/2018 | % Change |
| Governmental activities | | | | | | |
| Public safety | $20,433 | $12,404 | 64.73% | $18,049 | $9,550 | 88.99% |
| Public works | 4,438 | 3,472 | 27.82% | 3,747 | 2,726 | 37.45% |
| Highways, streets and bridges | 7,186 | 6,917 | 3.89% | 544 | 721 | -24.55% |
| Community and economic development | 2,890 | 5,015 | -42.37% | (1,118) | 2,174 | -151.43% |
| Culture and recreation | 4,542 | 3,995 | 13.69% | 1,600 | 2,162 | -25.99% |
| All other | 5,291 | 4,391 | 20.50% | 3,419 | 2,637 | 29.65% |
| Total governmental activities | $44,780 | $36,194 | 23.72% | $26,241 | $19,970 | 31.40% |

### Business-Type Activities

The financial goal of the City's business-type activities (i.e. water, sewer and marina and launch ramp operations) is to operate on a self-supporting basis without making significant profit or needing general tax subsidies. For the fiscal year ended June 30, 2019, the City's total business-type activities realized an overall decrease in net position of $424,356.

Sewer Fund net position decreased $979,425 primarily as result of an increased wastewater treatment costs. The Water Fund saw a net position increase of $798,122. This is primarily attributable to the managing costs and achieving economies of scale with the addition of Fruitport Township and the City of Norton Shores as wholesale customers. Marina and Launch Ramp Fund net position decreased $128,974 due to lower revenues.

## 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, 2019 were the General Fund, the Major Street and Trunkline Fund, and the State Grants Fund.

### General Fund Highlights

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

| Year Ended | Year-End Unassigned Fund Balance | Year-to-Year % Change | Prior Year's Revenues | Unassigned Fund Balance as a % of Prior Year Revenues (Policy Target=13%) |
|---|---|---|---|---|
| 6/30/2019 | $6,563,511 | 1.46% | $28,729,919 | 22.85% |
| 6/30/2018 | 6,469,108 | 5.22% | 27,051,766 | 23.91% |
| 6/30/2017 | 6,148,292 | 0.81% | 25,821,114 | 23.81% |
| 6/30/2016 | 6,098,977 | 3.67% | 24,890,399 | 24.50% |
| 6/30/2015 | 5,883,318 | 19.10% | 23,960,758 | 24.55% |

For the year ended June 30, 2019, General Fund revenues were $67,827 higher than the final amended budget estimate. This variance is primarily due to higher than expected property tax income.

General Fund expenditures were $164,907 higher than projected in the final amended budget. This was mostly due to salary and wages in Police and Fire coming in higher than expectations.

### Major Street and Trunkline and State Grant 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, 2019, the fund balance of the Major Street and Trunkline Fund decreased $533,616 which is attributable to an increase in construction projects including Lakeshore Drive from Laketon to McCracken.

The State Grants Fund received an upfront payment of $4,000,000 on a Michigan Enhancement Grant at the former prison site. The project is expected to be complete in FY2019-20.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2019, the City had invested $119,363,274 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is an increase of $6,828,680 from capital assets reported as of June 30, 2018. The increase is due to current year additions exceeding normal depreciation of assets. Note F of the notes to the basic financial statements provides detailed information on the City's capital asset investment.

### Long-Term Debt

At June 30, 2019, the City had $12,855,959 in bonds and other long-term obligations outstanding. This represents

**Bond Ratings**

The City's limited full faith and credit bonds (bonds guaranteed by the City's taxing powers) were upgraded by Standard & Poor's from a rating of "A+" to "AA-" in early 2016. The City's rating remained at "AA-" in 2019 The City's Water System revenue bonds carry the "AA-" S&P rating.

an 11.0% 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 H to the basic financial statements.

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

| | Governmental Activities | | Business-Type Activities | | Total | | Percentage |
|---|---|---|---|---|---|---|---|
| | 6/30/2019 | 6/30/2018 | 6/30/2019 | 6/30/2018 | 6/30/2019 | 6/30/2018 | Change |
| Due within one year | $818 | $550 | $780 | $1,529 | $1,598 | $2,079 | -23.14% |
| Due in more than one year | 6,283 | 6,655 | 4,975 | 5,719 | 11,258 | 12,374 | -9.02% |
| Total bonds & other obligations | $7,101 | $7,205 | $5,755 | $7,248 | $12,856 | $14,453 | -11.05% |

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 $3,167,419 at year-end as shown in the table below. This represents a decrease of 11.1% 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 H to the basic financial statements and is summarized as follows:

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

| | Downtown Development Authority | | Local Development Finance Authority | | Total | | Percentage |
|---|---|---|---|---|---|---|---|
| | 6/30/2019 | 6/30/2018 | 6/30/2019 | 6/30/2018 | 6/30/2019 | 6/30/2018 | Change |
| Due within one year | $1,000 | $0 | $390 | $375 | $1,390 | $375 | 270.67% |
| Due in more than one year | 0 | 1,000 | 1,777 | 2,188 | 1,777 | 3,188 | -44.26% |
| Total bonds & other obligations | $1,000 | $1,000 | $2,167 | $2,563 | $3,167 | $3,563 | -11.11% |

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

The City's fiscal year 2019-20 capital budget anticipates spending $24,906,226 for capital projects, consisting of street improvements, water and sewer system improvements, scheduled equipment replacements, improvements to the L. C. Walker Arena, the rehab of houses in a city neighborhood and the replacement of fire department rescue equipment. These improvements will be funded by anticipated

grants ($4,650,000), State Revolving Loan revenue ($13,500,000) revenues generated from operations and fund balance.

From an operating standpoint, the City's 2019-20 budget will be relatively stable while the City attempts to maintain a healthy fund balance and allow time to plan for and address economic challenges with a long-term solution:

- The full-time personnel complement will be increased from 232 positions to 245 positions for a net gain of 13.
- Some user fees will be increased and new fees recommended during the course of the year.
- The City will continue to look for opportunities to partner with other entities to deliver quality services in a cost effective manner (e.g. Farmers' Market kitchen management, Marsh Field and recreation programs).

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

*Local Income Tax*

The City income tax was approved by voters in 1993 and 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 decreased 0.8% from $8,758,674 for the year ended June 30, 2019 to $8,691,673 for the year ended June 30, 2019. For 2019-20, the City has estimated income tax revenue to be $8,700,000.

| Year | City Income Tax Revenues | Percent Change |
|---|---|---|
| 6/30/2019 | $8,691,673 | -0.8% |
| 6/30/2018 | 8,758,674 | 1.7% |
| 6/30/2017 | 8,610,812 | 5.6% |
| 6/30/2016 | 8,151,902 | -1.5% |
| 6/30/2015 | 8,274,666 | 5.7% |

*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 2019-20, the City tax levy will be at 10 mills for general operations and 3 mills for sanitation service. We project that $7,040,000 in total property tax revenue will be collected during fiscal year 2019-20.

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

*State Shared Revenues*

State shared sales tax revenues represent about 14% of total General Fund revenue. The City's state shared revenue allocation is made up of two parts. The constitutional component is a fixed percentage of total state sales tax collections that is allocated to cities on a per capita basis and that cannot be reduced by the legislature. The non-constitutional component is determined by a complex formula and is subject to adjustment through the State's annual budget process. Both components depend, of course, on overall state sales tax collections. The City's recent state shared revenue history is summarized as follows:

| Year | State Shared Revenues | Percent Change |
|---|---|---|
| 6/30/2019 | $4,271,438 | 2.8% |
| 6/30/2018 | 4,153,072 | 2.8% |
| 6/30/2017 | 4,046,147 | 4.1% |
| 6/30/2016 | 3,886,514 | -0.1% |
| 6/30/2015 | 3,889,178 | 2.0% |

For 2019-20, the City projects $4,376,711 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 |
|---|---|---|
| 6/30/2019 | $5,134,277 | 1.4% |
| 6/30/2018 | 5,060,936 | 25.9% |
| 6/30/2017 | 4,020,630 | 10.8% |
| 6/30/2016 | 3,981,345 | 1.0% |
| 6/30/2015 | 3,592,756 | 10.8% |

Based on recent legislative changes, the City began seeing increases in street funding that will carry into future years. At this time, the City is projecting an increase in street revenues for fiscal year 2019-20 up to $5,507,650.

*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 $15,616,060 during the year ended June 30, 2019. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. During the year ended June 30, 2019 water rates increased by 4%. Water rates will increase by 4% in each of the next four fiscal years to pay for improvements being made at the Water Filtration Plant. The City began providing treated water to the City of Norton Shores and Fruitport Charter Township in May 2015. The addition of these two new large municipal customers allows the spreading of water treatment costs over a larger customer base while remaining well within the plant's rated treatment capacity.

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

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

# FINANCIAL STATEMENTS

City of Muskegon
**STATEMENT OF NET POSITION**
June 30, 2019

| | Governmental Activities | Business-type Activities | Total | Component Units |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets | | | | |
| Cash and investments | $ 16,619,698 | $ 2,312,963 | $ 18,932,661 | $ 167,080 |
| Assets managed by others | 1,234,689 | - | 1,234,689 | - |
| Receivables | 3,868,011 | 2,767,193 | 6,635,204 | - |
| Due from other governmental units | 1,982,232 | 471,664 | 2,453,896 | - |
| Internal balances | (926,936) | 926,936 | - | - |
| Inventories | 9,325 | 125,717 | 135,042 | - |
| Prepaid items | 562,101 | 113,029 | 675,130 | - |
| Total current assets | 23,349,120 | 6,717,502 | 30,066,622 | 167,080 |
| Noncurrent assets | | | | |
| Restricted cash and investments | - | 599,500 | 599,500 | - |
| Advances to component units | 852,752 | - | 852,752 | - |
| Notes receivable, less amounts due within one year | 299,250 | - | 299,250 | - |
| Capital assets, net | | | | |
| Nondepreciable | 18,855,320 | 3,866,864 | 22,722,184 | 400,000 |
| Depreciable | 53,221,288 | 43,419,802 | 96,641,090 | 1,107,825 |
| Total noncurrent assets | 73,228,610 | 47,886,166 | 121,114,776 | 1,507,825 |
| Total assets | 96,577,730 | 54,603,668 | 151,181,398 | 1,674,905 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Related to pension | 8,431,476 | 586,145 | 9,017,621 | - |
| Related to other postemployment benefits | 2,565,944 | 178,381 | 2,744,325 | - |
| Total deferred outflows of resources | 10,997,420 | 764,526 | 11,761,946 | - |
| Total assets and deferred outflows of resources | 107,575,150 | 55,368,194 | 162,943,344 | 1,674,905 |
| **LIABILITIES** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 2,837,431 | 780,413 | 3,617,844 | 12,250 |
| Due to other governmental units | 115,294 | 1,501,360 | 1,616,654 | - |
| Unearned revenues - unused Farmers Market tokens | 106,366 | - | 106,366 | - |
| Unearned revenues - expenditure-driven grants | 2,604,645 | - | 2,604,645 | - |
| Bonds and other obligations, due within one year | 817,899 | 779,900 | 1,597,799 | 1,390,000 |
| Total current liabilities | 6,481,635 | 3,061,673 | 9,543,308 | 1,402,250 |
| Noncurrent liabilities | | | | |
| Advances from primary government | - | - | - | 852,752 |
| Bonds and other obligations, less amounts due within one year | 6,283,492 | 4,974,668 | 11,258,160 | 1,777,419 |
| Net pension liability | 27,664,870 | 1,923,226 | 29,588,096 | - |
| Net other postemployment benefits liability | 8,902,759 | 618,908 | 9,521,667 | - |
| Total noncurrent liabilities | 42,851,121 | 7,516,802 | 50,367,923 | 2,630,171 |
| Total liabilities | 49,332,756 | 10,578,475 | 59,911,231 | 4,032,421 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Related to other postemployment benefits | 344,324 | 23,937 | 368,261 | - |
| Total liabilities and deferred inflows of resources | 49,677,080 | 10,602,412 | 60,279,492 | 4,032,421 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 66,734,006 | 41,741,666 | 108,475,672 | (659,594) |
| Restricted | | | | |
| Highways, streets and bridges | 3,397,011 | - | 3,397,011 | - |
| Debt service | - | 599,500 | 599,500 | - |
| L.C. Walker Arena | 26,636 | - | 26,636 | - |
| Law enforcement | 36,337 | - | 36,337 | - |
| Downtown BID | 137,794 | - | 137,794 | - |
| Perpetual care | | | | |
| Expendable | 336,104 | - | 336,104 | - |
| Non-expendable | 1,577,180 | - | 1,577,180 | - |
| Other purposes | 8,145 | - | 8,145 | - |
| Unrestricted | (14,355,143) | 2,424,616 | (11,930,527) | (1,697,922) |
| Total net position | **$ 57,898,070** | **$ 44,765,782** | **$ 102,663,852** | **$ (2,357,516)** |

The accompanying notes are an integral part of this statement.

City of Muskegon
**STATEMENT OF ACTIVITIES**
For the year ended June 30, 2019

| | | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | |
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **Total** | **Component Units** |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| Public representation services | $ 1,336,014 | $ 250,931 | $ - | $ - | $ (1,085,083) | $ - | $ (1,085,083) | $ - |
| Administrative services | 800,887 | 604,290 | 15,000 | - | (181,597) | - | (181,597) | - |
| Financial services | 2,700,775 | 921,748 | 40,000 | - | (1,739,027) | - | (1,739,027) | - |
| Public safety | 20,433,642 | 2,292,158 | 92,989 | - | (18,048,495) | - | (18,048,495) | - |
| Public works | 4,438,358 | 691,312 | - | - | (3,747,046) | - | (3,747,046) | - |
| Highways, streets and bridges | 7,185,642 | 191,883 | 5,620,645 | 828,688 | (544,426) | - | (544,426) | - |
| Community and economic development | 2,890,216 | 786,120 | 1,035,805 | 2,186,409 | 1,118,118 | - | 1,118,118 | - |
| Culture and recreation | 4,541,739 | 1,853,547 | 88,091 | 1,000,000 | (1,600,101) | - | (1,600,101) | - |
| General administration | 302,582 | 40,400 | - | - | (262,182) | - | (262,182) | - |
| Interest on long-term debt | 151,304 | - | - | - | (151,304) | - | (151,304) | - |
| Total governmental activities | 44,781,159 | 7,632,389 | 6,892,530 | 4,015,097 | (26,241,143) | - | (26,241,143) | - |
| Business-type activities | | | | | | | | |
| Sewer | 9,119,941 | 8,098,828 | - | - | - | (1,021,113) | (1,021,113) | - |
| Water | 7,752,703 | 7,946,983 | 510,533 | - | - | 704,813 | 704,813 | - |
| Marina and launch ramp | 430,431 | 298,312 | - | - | - | (132,119) | (132,119) | - |
| Total business-type activities | 17,303,075 | 16,344,123 | 510,533 | - | - | (448,419) | (448,419) | - |
| Total primary government | **$ 62,084,234** | **$ 23,976,512** | **$ 7,403,063** | **$ 4,015,097** | (26,241,143) | (448,419) | (26,689,562) | - |
| Component units | | | | | | | | |
| Local Development Finance Authority - SmartZone | $ 230,341 | $ - | $ - | $ 360,000 | - | - | - | 129,659 |
| Downtown Development Authority | 1,010,930 | - | - | - | - | - | - | (1,010,930) |
| Tax Increment Finance Authority | 40,000 | - | - | - | - | - | - | (40,000) |
| Brownfield Redevelopment Authority I | 30,813 | - | - | - | - | - | - | (30,813) |
| Brownfield Redevelopment Authority II | 162,000 | - | - | - | - | - | - | (162,000) |
| Brownfield Redevelopment Authority III | 205,552 | - | - | - | - | - | - | (205,552) |
| Total component units | **$ 1,679,636** | **$ -** | **$ -** | **$ 360,000** | - | - | - | (1,319,636) |
| General revenues | | | | | | | | |
| Property taxes | | | | | 8,230,573 | - | 8,230,573 | 1,728,439 |
| Income taxes | | | | | 8,939,887 | - | 8,939,887 | - |
| Cable franchise agreement | | | | | 380,343 | - | 380,343 | - |
| Grants and contributions not restricted to specific programs | | | | | 5,102,602 | - | 5,102,602 | 19,425 |
| Unrestricted investment earnings | | | | | 546,533 | 24,063 | 570,596 | 1,476 |
| Miscellaneous | | | | | 550,381 | - | 550,381 | - |
| Gain on sale of capital asset | | | | | 1,333,414 | - | 1,333,414 | - |
| Total general revenues | | | | | 25,083,733 | 24,063 | 25,107,796 | 1,749,340 |
| Change in net position | | | | | (1,157,410) | (424,356) | (1,581,766) | 429,704 |
| Net position at July 1, 2018 | | | | | 59,055,480 | 45,190,138 | 104,245,618 | (2,787,220) |
| Net position at June 30, 2019 | | | | | **$ 57,898,070** | **$ 44,765,782** | **$ 102,663,852** | **$ (2,357,516)** |

The accompanying notes are an integral part of this statement.

City of Muskegon
**BALANCE SHEET**
Governmental Funds
June 30, 2019

| | General Fund | Major Street and Trunkline Fund | State Grants Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and investments | $ 7,302,304 | $ 2,675,521 | $ 2,265,863 | $ 2,967,912 | $ 15,211,600 |
| Assets managed by others | - | - | - | 1,234,689 | 1,234,689 |
| Receivables | | | | | |
| Accounts and loans (net of allowance for uncollectibles) | 199,254 | 37,098 | 18,555 | 1,032,316 | 1,287,223 |
| Property taxes | 17,778 | - | - | - | 17,778 |
| Income taxes | 1,576,085 | - | - | - | 1,576,085 |
| Special assessments | - | 5,448 | - | 2,072 | 7,520 |
| Due from other governmental units | 763,628 | 680,166 | 77,741 | 460,697 | 1,982,232 |
| Due from other funds | 814,694 | - | - | - | 814,694 |
| Advances to component units | - | - | - | 284,251 | 284,251 |
| Prepaid items | 231,684 | 24,033 | - | 33,524 | 289,241 |
| Total assets | **$ 10,905,427** | **$ 3,422,266** | **$ 2,362,159** | **$ 6,015,461** | **$ 22,705,313** |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 1,436,433 | $ 126,967 | $ 64,456 | $ 306,754 | $ 1,934,610 |
| Accrued liabilities | 414,048 | 8,866 | - | 28,461 | 451,375 |
| Due to other governmental units | 28,897 | 86,262 | - | 135 | 115,294 |
| Due to other funds | - | - | - | 390,487 | 390,487 |
| Unearned revenues - unused Farmers Market tokens | - | - | - | 106,366 | 106,366 |
| Unearned revenues - expenditure-driven grants | 854 | - | 2,286,435 | 317,356 | 2,604,645 |
| Total liabilities | 1,880,232 | 222,095 | 2,350,891 | 1,149,559 | 5,602,777 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenues - income taxes | 520,000 | - | - | - | 520,000 |
| Unavailable revenues - special assessments | - | 5,447 | - | 2,072 | 7,519 |
| Total deferred inflows of resources | 520,000 | 5,447 | - | 2,072 | 527,519 |
| **FUND BALANCES** | | | | | |
| Nonspendable | | | | | |
| Prepaid items | 231,684 | 24,033 | - | 33,524 | 289,241 |
| Perpetual care | 10,000 | - | - | 1,567,180 | 1,577,180 |
| Restricted | | | | | |
| Highways, streets and bridges | - | 3,170,691 | - | 932,055 | 4,102,746 |
| Law enforcement | - | - | - | 36,337 | 36,337 |
| Downtown BID | - | - | - | 137,794 | 137,794 |
| Perpetual care | - | - | - | 336,104 | 336,104 |
| Other purposes | - | - | - | 8,145 | 8,145 |
| Assigned for capital projects and public improvements | 1,700,000 | - | 11,268 | 1,812,691 | 3,523,959 |
| Unassigned | 6,563,511 | - | - | - | 6,563,511 |
| Total fund balances | 8,505,195 | 3,194,724 | 11,268 | 4,863,830 | 16,575,017 |
| Total liabilities, deferred inflows of resources and fund balances | **$ 10,905,427** | **$ 3,422,266** | **$ 2,362,159** | **$ 6,015,461** | **$ 22,705,313** |

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, 2019

| | | |
|---|---|---|
| Total fund balance—governmental funds | | $ 16,575,017 |
| 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 | $ 136,662,003 | |
| Accumulated depreciation | (67,529,371) | 69,132,632 |
| 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 | 520,000 | |
| Special assessments | 7,520 | 527,520 |
| Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| Accrued interest payable | (47,700) | |
| Bonds and notes payable | (5,342,602) | |
| Compensated absences | (1,643,495) | |
| Net pension liability and related deferred outflows/inflows of resources | (18,410,575) | |
| Net other post employment benefits liability and related outflows/inflows of resources | (6,395,314) | (31,839,686) |
| 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 | 4,500,167 | |
| Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities | (997,580) | 3,502,587 |
| Net position of governmental activities | | **$ 57,898,070** |

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, 2019

| | General Fund | Major Street and Trunkline Fund | State Grants Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 16,582,030 | $ - | $ - | $ - | $ 16,582,030 |
| Licenses and permits | 2,452,807 | - | - | - | 2,452,807 |
| Intergovernmental revenues | | | | | |
| Federal | 57,894 | 627,218 | 77,287 | 1,035,785 | 1,798,184 |
| State | 5,134,277 | 4,544,248 | 2,032,776 | 1,212,348 | 12,923,649 |
| Local | 40,000 | - | - | 1,014,500 | 1,054,500 |
| Charges for services | 2,841,826 | 21,582 | - | 1,567,011 | 4,430,419 |
| Fines and forfeitures | 462,120 | - | - | 26,458 | 488,578 |
| Investment earnings and rental income | 716,917 | 15,628 | - | 25,366 | 757,911 |
| Income from assets managed by others | - | - | - | 38,668 | 38,668 |
| Other | 459,901 | 92,669 | - | 1,022,239 | 1,574,809 |
| Total revenues | 28,747,772 | 5,301,345 | 2,110,063 | 5,942,375 | 42,101,555 |
| **EXPENDITURES** | | | | | |
| Current | | | | | |
| Public representation services | 1,281,107 | - | - | - | 1,281,107 |
| Administrative services | 739,301 | - | - | - | 739,301 |
| Financial services | 2,394,866 | - | - | - | 2,394,866 |
| Public safety | 16,094,531 | - | - | 36,665 | 16,131,196 |
| Public works | 3,493,577 | - | - | 169,238 | 3,662,815 |
| Highways, streets and bridges | - | 5,601,688 | - | 1,691,544 | 7,293,232 |
| Community and economic development | 736,679 | - | - | - | 736,679 |
| Culture and recreation | 1,824,540 | - | - | 2,080,437 | 3,904,977 |
| Other governmental functions | 281,711 | - | - | - | 281,711 |
| Debt service | | | | | |
| Principal | 65,000 | 210,000 | 19,313 | - | 294,313 |
| Interest and fees | 165,851 | 23,273 | 781 | - | 189,905 |
| Capital outlay | 801,483 | - | 2,104,074 | 4,982,715 | 7,888,272 |
| Total expenditures | 27,878,646 | 5,834,961 | 2,124,168 | 8,960,599 | 44,798,374 |
| Excess of revenues over (under) expenditures | 869,126 | (533,616) | (14,105) | (3,018,224) | (2,696,819) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Proceeds from sale of capital assets | - | - | - | 1,541,041 | 1,541,041 |
| Transfers in | 5,989 | - | - | 1,204,247 | 1,210,236 |
| Transfers out | (761,486) | - | (5,989) | (442,761) | (1,210,236) |
| Total other financing sources (uses) | (755,497) | - | (5,989) | 2,302,527 | 1,541,041 |
| Net change in fund balances | 113,629 | (533,616) | (20,094) | (715,697) | (1,155,778) |
| Fund balances at July 1, 2018 | 8,391,566 | 3,728,340 | 31,362 | 5,579,527 | 17,730,795 |
| Fund balances at June 30, 2019 | **$ 8,505,195** | **$ 3,194,724** | **$ 11,268** | **$ 4,863,830** | **$ 16,575,017** |

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, 2019

| | | |
|---|---|---|
| Net change in fund balances—total governmental funds | | $ (1,155,778) |
| 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 | $ (4,683,977) | |
| Capital outlay | 9,363,862 | 4,679,885 |
| Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | 15,347 |
| 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 | | 294,313 |
| Changes in accrual of interest and amortization of premiums and discounts | | |
| Change in accrued interest payable | 2,600 | |
| Amortization of premiums and discounts | 36,000 | 38,600 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | |
| Change in compensated absences | (227,454) | |
| Change in net pension liability and related deferred outflows/inflows of resources | (3,561,112) | |
| Change in net other post employment benefits liability and related deferred outflows/inflows of resources | (995,975) | (4,784,541) |
| 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 | (359,315) | |
| Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities | 114,079 | (245,236) |
| Change in net position of governmental activities | | **$ (1,157,410)** |

The accompanying notes are an integral part of this statement.

City of Muskegon
**STATEMENT OF NET POSITION**
Proprietary Funds
June 30, 2019

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|---|---|---|---|---|
| | Sewer | Water | Marina and Launch Ramp | Total | |
| **ASSETS** | | | | | |
| Current assets | | | | | |
| Cash and investments | $ - | $ 1,864,757 | $ 448,206 | $ 2,312,963 | $ 1,408,098 |
| Receivables | 1,349,103 | 1,400,782 | 17,308 | 2,767,193 | 1,278,655 |
| Due from other governmental units | - | 471,664 | - | 471,664 | - |
| Inventories | 16,952 | 108,765 | - | 125,717 | 9,325 |
| Prepaid items | 48,658 | 61,835 | 2,536 | 113,029 | 272,860 |
| Total current assets | 1,414,713 | 3,907,803 | 468,050 | 5,790,566 | 2,968,938 |
| Noncurrent assets | | | | | |
| Restricted cash and investments | - | 599,500 | - | 599,500 | - |
| Advances to component units | - | - | - | - | 568,502 |
| Capital assets | | | | | |
| Land | 16,188 | 103,500 | 22,562 | 142,250 | 65,000 |
| Land improvements | - | 62,948 | 1,888,965 | 1,951,913 | 301,715 |
| Buildings, improvements and systems | 21,969,809 | 70,358,328 | 2,322,488 | 94,650,625 | 1,559,334 |
| Machinery and equipment | 113,289 | 3,073,170 | 60,620 | 3,247,079 | 9,650,051 |
| Construction in progress | 624,436 | 3,045,178 | 55,000 | 3,724,614 | - |
| Less accumulated depreciation | (11,136,687) | (42,052,427) | (3,240,701) | (56,429,815) | (8,632,124) |
| Net capital assets | 11,587,035 | 34,590,697 | 1,108,934 | 47,286,666 | 2,943,976 |
| Total noncurrent assets | 11,587,035 | 35,190,197 | 1,108,934 | 47,886,166 | 3,512,478 |
| Total assets | 13,001,748 | 39,098,000 | 1,576,984 | 53,676,732 | 6,481,416 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Related to pension | 135,264 | 450,881 | - | 586,145 | 360,705 |
| Related to other postemployment benefits | 41,165 | 137,216 | - | 178,381 | 109,773 |
| Total deferred outflows of resources | 176,429 | 588,097 | - | 764,526 | 470,478 |
| Total assets and deferred outflows of resources | 13,178,177 | 39,686,097 | 1,576,984 | 54,441,258 | 6,951,894 |
| **LIABILITIES** | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 118,653 | 503,621 | 38,456 | 660,730 | 367,339 |
| Accrued liabilities | 19,782 | 98,249 | 1,652 | 119,683 | 36,409 |
| Due to other governmental units | 630,357 | 871,003 | - | 1,501,360 | - |
| Due to other funds | 70,644 | - | - | 70,644 | 353,563 |
| Bonds and other obligations, due within one year | 8,500 | 771,400 | - | 779,900 | 19,300 |
| Total current liabilities | 847,936 | 2,244,273 | 40,108 | 3,132,317 | 776,611 |
| Noncurrent liabilities | | | | | |
| Bonds and other obligations, less amounts due within one year | 42,400 | 4,932,268 | - | 4,974,668 | 95,994 |
| Net pension liability | 443,821 | 1,479,405 | - | 1,923,226 | 1,183,524 |
| Net other postemployment benefits liability | 142,825 | 476,083 | - | 618,908 | 380,867 |
| Total noncurrent liabilities | 629,046 | 6,887,756 | - | 7,516,802 | 1,660,385 |
| Total liabilities | 1,476,982 | 9,132,029 | 40,108 | 10,649,119 | 2,436,996 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Related to other postemployment benefits | 5,524 | 18,413 | - | 23,937 | 14,731 |
| Total liabilities and deferred inflows of resources | 1,482,506 | 9,150,442 | 40,108 | 10,673,056 | 2,451,727 |
| **NET POSITION** | | | | | |
| Net investment in capital assets | 11,587,035 | 29,045,697 | 1,108,934 | 41,741,666 | 2,943,976 |
| Restricted for debt service | - | 599,500 | - | 599,500 | - |
| Unrestricted | 108,636 | 890,458 | 427,942 | 1,427,036 | 1,556,191 |
| Total net position | **$ 11,695,671** | **$ 30,535,655** | **$ 1,536,876** | 43,768,202 | **$ 4,500,167** |
| 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 | | | | 997,580 | |
| Net position of business-type activities | | | | **$ 44,765,782** | |

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, 2019

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|---|---|---|---|---|
| | Sewer | Water | Marina and Launch Ramp | Total | |
| **OPERATING REVENUES** | | | | | |
| Charges for services | $ 7,936,080 | $ 7,679,980 | $ 294,969 | $ 15,911,029 | $ 9,056,117 |
| Other | 162,748 | 777,536 | 3,343 | 943,627 | 83,569 |
| Total operating revenues | 8,098,828 | 8,457,516 | 298,312 | 16,854,656 | 9,139,686 |
| **OPERATING EXPENSES** | | | | | |
| Administration | 495,523 | 1,007,771 | 5,354 | 1,508,648 | 333,374 |
| Insurance premiums and claims | - | - | - | - | 5,166,291 |
| Wastewater treatment | 6,587,735 | - | - | 6,587,735 | - |
| Wastewater maintenance | 1,542,751 | - | - | 1,542,751 | - |
| Filtration plant operations | - | 2,349,699 | - | 2,349,699 | - |
| Water distribution | - | 2,315,052 | - | 2,315,052 | - |
| Other operations | - | - | 318,193 | 318,193 | 3,707,321 |
| Depreciation | 459,109 | 1,857,523 | 106,040 | 2,422,672 | 449,622 |
| Total operating expenses | 9,085,118 | 7,530,045 | 429,587 | 17,044,750 | 9,656,608 |
| Operating income (loss) | (986,290) | 927,471 | (131,275) | (190,094) | (516,922) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | |
| Investment earnings | 6,865 | 14,897 | 2,301 | 24,063 | 30,081 |
| Gain on sale of capital assets | - | - | - | - | 127,526 |
| Interest expense | - | (144,246) | - | (144,246) | - |
| Total nonoperating revenue (expenses) | 6,865 | (129,349) | 2,301 | (120,183) | 157,607 |
| Change in net position | (979,425) | 798,122 | (128,974) | (310,277) | (359,315) |
| Net position at July 1, 2018 | 12,675,096 | 29,737,533 | 1,665,850 | | 4,859,482 |
| Net position at June 30, 2019 | **$ 11,695,671** | **$ 30,535,655** | **$ 1,536,876** | | **$ 4,500,167** |
| Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds | | | | (114,079) | |
| Change in net position of business-type activities | | | | **$ (424,356)** | |

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, 2019

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|---|---|---|---|---|---|
| | Sewer | Water | Marina and Launch Ramp | Total | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers | $ 7,988,174 | $ 7,571,644 | $ 302,122 | $ 15,861,940 | $ 83,823 |
| Receipts from interfund services provided | 35,637 | 158,243 | - | 193,880 | 7,741,332 |
| Other receipts | - | - | - | - | 657,986 |
| Payments to suppliers | (7,642,117) | (2,322,817) | (203,936) | (10,168,870) | (6,646,662) |
| Payments to employees | (634,222) | (1,863,317) | (29,091) | (2,526,630) | (1,420,335) |
| Payments for interfund services used | (663,210) | (923,190) | (66,447) | (1,652,847) | (815,458) |
| Net cash provided by (used for) operating activities | (915,738) | 2,620,563 | 2,648 | 1,707,473 | (399,314) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | |
| Interfund borrowing | 70,644 | - | - | 70,644 | 353,563 |
| Advances to component units | - | - | - | - | 84,512 |
| Net cash provided by (used for) noncapital financing activities | 70,644 | - | - | 70,644 | 438,075 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | |
| Purchases of capital assets | (919,685) | (2,290,586) | (33,904) | (3,244,175) | (941,398) |
| Principal paid on capital debt | - | (1,495,000) | - | (1,495,000) | - |
| Interest paid on capital debt | - | (158,260) | - | (158,260) | - |
| Proceeds from sale of capital assets | - | - | - | - | 163,012 |
| Net cash provided by (used for) capital and related financing activities | (919,685) | (3,943,846) | (33,904) | (4,897,435) | (778,386) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | |
| Investment earnings | 6,865 | 14,897 | 2,301 | 24,063 | 30,081 |
| Net increase (decrease) in cash and investments | (1,757,914) | (1,308,386) | (28,955) | (3,095,255) | (709,544) |
| Cash and investments July 1, 2018 | 1,757,914 | 3,772,643 | 477,161 | 6,007,718 | 2,117,642 |
| Cash and investments at June 30, 2019 | **$ -** | **$ 2,464,257** | **$ 448,206** | **$ 2,912,463** | **$ 1,408,098** |
| Reconciliation of cash and investments to the Statement of Net Position | | | | | |
| Cash and investments | $ - | $ 1,864,757 | $ 448,206 | $ 2,312,963 | $ 1,408,098 |
| Restricted cash and investments | - | 599,500 | - | 599,500 | - |
| | **$ -** | **$ 2,464,257** | **$ 448,206** | **$ 2,912,463** | **$ 1,408,098** |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | | | | | |
| Operating income (loss) | $ (986,290) | $ 927,471 | $ (131,275) | $ (190,094) | $ (516,922) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | | |
| Depreciation expense | 459,109 | 1,857,523 | 106,040 | 2,422,672 | 449,622 |
| Change in assets and liabilities | | | | | |
| Receivables | (75,017) | (727,629) | 3,810 | (798,836) | (656,545) |
| Inventories | (150) | (20,781) | - | (20,931) | (552) |
| Prepaid items | 913 | 3,134 | (102) | 3,945 | (8,650) |
| Accounts payable | (398,567) | 311,525 | 23,203 | (63,839) | 137,588 |
| Accrued liabilities | 84,264 | 269,320 | 972 | 354,556 | 196,145 |
| Net cash provided by (used for) operating activities | **$ (915,738)** | **$ 2,620,563** | **$ 2,648** | **$ 1,707,473** | **$ (399,314)** |

The accompanying notes are an integral part of this statement.

City of Muskegon
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**
Fiduciary Funds
June 30, 2019

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash and investments | $ 944,538 |
| Accounts receivable | 30,521 |
| Total assets | **$ 975,059** |
| **LIABILITIES** | |
| Accounts payable | $ 333,678 |
| Due to other governmental units | 446,320 |
| Deposits held for others | 195,061 |
| Total liabilities | **$ 975,059** |

The accompanying notes are an integral part of this statement.

City of Muskegon
**STATEMENT OF NET POSITION**
Discretely Presented Component Units
June 30, 2019

| | Local Development Finance Authority - SmartZone | Downtown Development Authority | Tax Increment Finance Authority | Brownfield Redevelopment Authority I | Brownfield Redevelopment Authority II | Brownfield Redevelopment Authority III | Total |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Current assets | | | | | | | |
| Cash and investments | $ 25,897 | $ 80,457 | $ 13,181 | $ 15,763 | $ 16,067 | $ 15,715 | $ 167,080 |
| Noncurrent assets | | | | | | | |
| Capital assets, net | | | | | | | |
| Nondepreciable | 400,000 | - | - | - | - | - | 400,000 |
| Depreciable | 1,107,825 | - | - | - | - | - | 1,107,825 |
| Total noncurrent assets | 1,507,825 | - | - | - | - | - | 1,507,825 |
| Total assets | 1,533,722 | 80,457 | 13,181 | 15,763 | 16,067 | 15,715 | 1,674,905 |
| **LIABILITIES** | | | | | | | |
| Current liabilities | | | | | | | |
| Accrued liabilities | 12,250 | - | - | - | - | - | 12,250 |
| Bonds and other obligations, due within one year | 390,000 | 1,000,000 | - | - | - | - | 1,390,000 |
| Total current liabilities | 402,250 | 1,000,000 | - | - | - | - | 1,402,250 |
| Noncurrent liabilities | | | | | | | |
| Advances from primary government | - | - | - | 852,752 | - | - | 852,752 |
| Bonds and other obligations, less amounts due within one year | 1,777,419 | - | - | - | - | - | 1,777,419 |
| Total noncurrent liabilities | 1,777,419 | - | - | 852,752 | - | - | 2,630,171 |
| Total liabilities | 2,179,669 | 1,000,000 | - | 852,752 | - | - | 4,032,421 |
| **NET POSITION** | | | | | | | |
| Net investment in capital assets | (659,594) | - | - | - | - | - | (659,594) |
| Unrestricted | 13,647 | (919,543) | 13,181 | (836,989) | 16,067 | 15,715 | (1,697,922) |
| Total net position | **$ (645,947)** | **$ (919,543)** | **$ 13,181** | **$ (836,989)** | **$ 16,067** | **$ 15,715** | **$ (2,357,516)** |

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, 2019

| | | Program Revenue | Net (Expense) Revenue and Changes in Net Position | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Capital Grants and Contributions** | **Local Development Finance Authority - SmartZone** | **Downtown Development Authority** | **Tax Increment Finance Authority** | **Brownfield Redevelopment Authority I** | **Brownfield Redevelopment Authority II** | **Brownfield Redevelopment Authority III** | **Total** |
| Local Development Finance Authority - SmartZone | | | | | | | | | |
| Community and economic development | $ 172,648 | $ - | $ (172,648) | $ - | $ - | $ - | $ - | $ - | $ (172,648) |
| Interest on long-term debt | 57,693 | 360,000 | 302,307 | - | - | - | - | - | 302,307 |
| Total Local Development Finance Authority - SmartZone | 230,341 | 360,000 | 129,659 | - | - | - | - | - | 129,659 |
| Downtown Development Authority | | | | | | | | | |
| Economic development | 1,010,930 | - | - | (1,010,930) | - | - | - | - | (1,010,930) |
| Tax Increment Finance Authority | | | | | | | | | |
| Community and economic development | 40,000 | - | - | - | (40,000) | - | - | - | (40,000) |
| Brownfield Redevelopment Authority I | | | | | | | | | |
| Interest on long-term debt | 30,813 | - | - | - | - | (30,813) | - | - | (30,813) |
| Brownfield Redevelopment Authority II | | | | | | | | | |
| Community and economic development | 162,000 | - | - | - | - | - | (162,000) | - | (162,000) |
| Brownfield Redevelopment Authority III | | | | | | | | | |
| Community and economic development | 205,552 | - | - | - | - | - | - | (205,552) | (205,552) |
| Total discretely presented component units | **$ 1,679,636** | **$ 360,000** | 129,659 | (1,010,930) | (40,000) | (30,813) | (162,000) | (205,552) | (1,319,636) |
| General revenues | | | | | | | | | |
| Property taxes | | | 97,583 | 1,085,354 | 37,658 | 134,828 | 163,340 | 209,676 | 1,728,439 |
| Grants and contributions not restricted to specific programs | | | 2,871 | - | 7,170 | 4,362 | 5,022 | - | 19,425 |
| Unrestricted investment income | | | 55 | 549 | 40 | 30 | 261 | 541 | 1,476 |
| Total general revenues | | | 100,509 | 1,085,903 | 44,868 | 139,220 | 168,623 | 210,217 | 1,749,340 |
| Change in net position | | | 230,168 | 74,973 | 4,868 | 108,407 | 6,623 | 4,665 | 429,704 |
| Net position at July 1, 2018 | | | (876,115) | (994,516) | 8,313 | (945,396) | 9,444 | 11,050 | (2,787,220) |
| Net position at June 30, 2019 | | | **$ (645,947)** | **$ (919,543)** | **$ 13,181** | **$ (836,989)** | **$ 16,067** | **$ 15,715** | **$ (2,357,516)** |

The accompanying notes are an integral part of this statement.

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Reporting Entity

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

***Discretely Presented Component Units***

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

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

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

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

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

### Reporting Entity—Continued

***Discretely Presented Component Units—Continued***
Complete financial statements of the component units can be obtained from their administrative offices, 933 Terrace Street, Muskegon, Michigan 49443.

***Related Organizations***
The following organizations are related to the City's financial reporting entity:

*Muskegon Hospital Finance Authority.* The Muskegon Hospital Finance Authority was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Hospital Finance Authority are appointed by the City, but the City is not financially accountable for the Authority and therefore the Authority is excluded from the accompanying financial statements. The Hospital Finance Authority's sole purpose is to issue tax-exempt debt for the benefit of Mercy Health Partners Hospital which is located within the City. The Authority has no assets or financial activity and does not prepare financial statements. The Hospital Finance Authority has no taxing power. As of June 30, 2019, 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, 2018, the date of its latest audited financial statements is as follows:

| | |
|---|---|
| Total assets and deferred outflows of resources | $ 3,767,019 |
| Total liabilities and deferred inflows of resources | (484,398) |
| Total net position | **$ 3,282,621** |
| | |
| Total operating income | $ 1,909,539 |
| Total operating expenses | (2,304,825) |
| Total nonoperating revenues | 565 |
| Capital contributions | 32,686 |
| Change in net position | **$ (362,035)** |

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

## 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, operating expenses and debt service of the City's sewer system.

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

### Measurement Focus and Basis of Accounting—Continued

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

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

Income taxes, property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

#### *Cash and Investments*

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

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

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

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

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

***Cash and Investments—Continued***

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

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

***Inventories and Prepaid Items***

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years.

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

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

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

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

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

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

***Capital Assets—Continued***

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

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

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

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

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

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

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

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

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

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

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

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

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

### Revenues and Expenditures/Expenses

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

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

### Revenues and Expenditures/Expenses—Continued

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

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

The 2018 state taxable value for real/personal property of the City totaled approximately $555,616,000 of which approximately $33,373,000 was captured by the component units. The ad valorem taxes levied consisted of 10.0, 3.0 and .0899 mills for the City's general operating, sanitation and community promotion purposes. These amounts are recognized in the General Fund with captured amounts shown in the TIFA, LDFA SmartZone, DDA, BRA I, BRA II, and BRA III component units.

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

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

### Comparative Data
Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentation of prior year's totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. Also, certain items in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

## NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and special revenue funds.

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

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

### Excess of Expenditures Over Appropriations

During the year ended June 30, 2019, actual expenditures exceeded appropriations for:

| | Final Budget | Actual |
|---|---|---|
| General Fund | | |
| Administrative Services | | |
| Clerk | $ 460,548 | $ 542,248 |
| Public safety | | |
| Police department | 9,678,626 | 9,880,736 |
| Fire department | 3,925,000 | 3,989,048 |
| Public sworks | | |
| Street lighting | 490,000 | 551,818 |
| General sanitation | 1,932,345 | 2,107,545 |
| L.C. Walker Arena Fund | | |
| Culture and recreation | 1,582,871 | 1,805,697 |

These overexpenditures were funded with available fund balance.

### Fund Deficit

As of June 30, 2019, the City's Public Service Building Fund had an unrestricted net position deficit of $154,992. This deficit will be eliminated through future operations and an interfund transfer.

## NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2019, the City had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (Months) | S&P | Percent |
|---|---|---|---|---|
| Money market funds | $ 10,378 | 1 | AAA | 0.2 % |
| Negotiable certificates of deposit | 1,702,078 | 31 | not rated | 10.7 |
| US agency obligations | 3,301,972 | 198 | AA+ | 20.7 |
| Local units of government obligations | 503,280 | 10 | AAA | 3.2 |
| Local units of government obligations | 295,056 | 3 | A+ | 1.9 |
| Local units of government obligations | 610,127 | 32 | AA- | 3.8 |
| External investment pool | 2,009,569 | 2 | AAA | 12.6 |
| Commercial paper | 6,117,413 | 2 | A2/P2 | 38.4 |
| Commercial paper | 1,383,200 | 6 | A1/P1 | 8.5 |
| Total fair value | **$ 15,933,073** | | | **100.0 %** |
| Portfolio weighted average maturity | | **47** | | |

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

### Deposit and Investment Risks

***Interest rate risk***
The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At least 10 percent of the City's total portfolio must be in instruments maturing in 30 days.

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

***Concentration of credit risk***
Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The City has a concentration of credit risk policy that limits investment in commercial paper, eligible bankers' acceptances and time certificates of deposit to 25 percent each of the total portfolio. The City has more than 5 percent of its investments in the following securities:

| Security | Percent of Total Investments |
|---|---|
| Federal Home Loan Mortgage Corporation obligations | 15.9% |
| General Electric Co commercial paper | 10.6% |
| Intesa Funding LLC commercial paper | 15.3% |
| Catholic Health Initiatives commercial paper | 18.1% |
| Bank of China LTD commercial paper | 9.9% |

## NOTE C—DEPOSITS AND INVESTMENTS—Continued

### Deposit and Investment Risks—Continued

***Custodial credit risk - deposits***
In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2019, $5,439,391 of the City's bank balance of $5,939,391 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, 2019, restricted cash and investments in the Water Fund of $599,500 were restricted by bond ordinance.

## NOTE D—ASSETS MANAGED BY OTHERS

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

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

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

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

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

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

## NOTE D—ASSETS MANAGED BY OTHERS—Continued

### The Funds—Continued

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

### Reporting of the Assets of the Funds

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

### Summary of the Community Foundation Funds

A summary of revenues, expenses, and changes in the assets at fair value of the funds for the year ended June 30, 2019 follows:

| | Lakeshore Trails Improvement Fund | Cemetery Perpetual Care Fund | Marquette and Elliot Park Fund | Staley Charity Fund | Totals |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Contributions | $ 3,132 | $ - | $ - | $ - | $ 3,132 |
| Dividends and interest | 1,391 | 18,021 | 2,840 | 9,797 | 32,049 |
| Realized and unrealized loss on investments | 1,871 | 23,158 | 3,636 | 12,577 | 41,242 |
| | 6,394 | 41,179 | 6,476 | 22,374 | 76,423 |
| Expenses | | | | | |
| Administration fees | 264 | 5,725 | 1,610 | 3,703 | 11,302 |
| Revenues over expenses | 6,130 | 35,454 | 4,866 | 18,671 | 65,121 |
| Total assets at beginning of year | 51,035 | 1,181,335 | 107,622 | 370,573 | 1,710,565 |
| Total assets at end of year | 57,165 | 1,216,789 | 112,488 | 389,244 | 1,775,686 |
| Less assets recorded as those of the Foundation | (39,265) | - | (112,488) | (389,244) | (540,997) |
| Assets reported on the Balance Sheet/ Statement of Net Position | **$ 17,900** | **$ 1,216,789** | **$ -** | **$ -** | **$ 1,234,689** |

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

## NOTE E—FAIR VALUE MEASUREMENTS

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

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

Level 2 Inputs to the valuation methodology include the following:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

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

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

**NOTE E—FAIR VALUE MEASUREMENTS—Continued**

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

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

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

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value on a recurring basis as of June 30, 2019:

| | **Assets at Fair Value as of June 30, 2019** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Money market funds | $ - | $ 10,378 | $ - | $ 10,378 |
| Negotiable certificates of deposit | 1,702,078 | - | - | 1,702,078 |
| US agency obligations | 3,301,972 | - | - | 3,301,972 |
| Local units of government obligations | 1,408,463 | - | - | 1,408,463 |
| External investment pools | - | 2,009,569 | - | 2,009,569 |
| Commercial paper | 7,500,613 | - | - | 7,500,613 |
| Assets managed by others | - | 1,234,689 | - | 1,234,689 |
| Total assets at fair value | **$ 13,913,126** | **$ 3,254,636** | **$ -** | **$ 17,167,762** |

## NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| **Capital assets, not being depreciated:** | | | | |
| Land | $ 12,649,465 | $ 2,002,863 | $ - | $ 14,652,328 |
| Construction in progress | 1,640,959 | 7,258,894 | 4,696,861 | 4,202,992 |
| Total capital assets, not being depreciated | 14,290,424 | 9,261,757 | 4,696,861 | 18,855,320 |
| **Capital assets, being depreciated:** | | | | |
| Land improvements | 4,685,117 | 624,913 | - | 5,310,030 |
| Leasehold improvements | 534,821 | - | - | 534,821 |
| Buildings and improvements | 24,212,249 | 782,393 | - | 24,994,642 |
| Furniture, vehicles and equipment | 15,158,636 | 1,078,798 | 235,691 | 16,001,743 |
| Infrastructure | 74,424,280 | 3,254,260 | 2,042,286 | 75,636,254 |
| Shared improvements | 6,905,293 | - | - | 6,905,293 |
| Total capital assets, being depreciated | 125,920,396 | 5,740,364 | 2,277,977 | 129,382,783 |
| **Less accumulated depreciation:** | | | | |
| Land improvements | 1,930,968 | 160,495 | - | 2,091,463 |
| Leasehold improvements | 476,110 | 9,598 | - | 485,708 |
| Buildings and improvements | 17,337,487 | 445,794 | - | 17,783,281 |
| Furniture, vehicles and equipment | 11,799,624 | 614,761 | 200,205 | 12,214,180 |
| Infrastructure | 37,269,412 | 3,557,687 | 2,042,286 | 38,784,813 |
| Shared improvements | 4,456,786 | 345,264 | - | 4,802,050 |
| Total accumulated depreciation | 73,270,387 | 5,133,599 | 2,242,491 | 76,161,495 |
| Total capital assets, being depreciated, net | 52,650,009 | 606,765 | 35,486 | 53,221,288 |
| Capital assets, net | **$ 66,940,433** | **$ 9,868,522** | **$ 4,732,347** | **$ 72,076,608** |
| **Business-type activities:** | | | | |
| **Capital assets, not being depreciated:** | | | | |
| Land | $ 142,250 | $ - | $ - | $ 142,250 |
| Construction in progress | 699,869 | 4,056,558 | 1,031,813 | 3,724,614 |
| Total capital assets, not being depreciated | 842,119 | 4,056,558 | 1,031,813 | 3,866,864 |
| **Capital assets, being depreciated:** | | | | |
| Land improvements | 1,888,965 | 62,948 | - | 1,951,913 |
| Buildings, improvements and systems | 93,652,787 | 997,838 | - | 94,650,625 |
| Machinery and equipment | 3,217,433 | 29,646 | - | 3,247,079 |
| Total capital assets, being depreciated | 98,759,185 | 1,090,432 | - | 99,849,617 |
| **Less accumulated depreciation:** | | | | |
| Land improvements | 1,824,072 | 7,004 | - | 1,831,076 |
| Buildings, improvements and systems | 49,458,687 | 2,359,163 | - | 51,817,850 |
| Machinery and equipment | 2,724,384 | 56,505 | - | 2,780,889 |
| Total accumulated depreciation | 54,007,143 | 2,422,672 | - | 56,429,815 |
| Total capital assets, being depreciated, net | 44,752,042 | (1,332,240) | - | 43,419,802 |
| Capital assets, net | **$ 45,594,161** | **$ 2,724,318** | **$ 1,031,813** | **$ 47,286,666** |

## NOTE F—CAPITAL ASSETS—Continued

### Depreciation

Depreciation expense was charged to functions as follows:

| | |
|---|---|
| **Governmental activities:** | |
| Adminstrative services | $ 2,485 |
| Financial services | 806 |
| Public safety | 157,792 |
| Public works | 2,126 |
| Highways, streets and bridges | 4,029,931 |
| Community and economic development | 75,717 |
| Culture and recreation | 394,249 |
| General administration | 20,871 |
| Internal Service Fund depreciation | 449,622 |
| | **$ 5,133,599** |
| **Business-type activities:** | |
| Sewer | $ 459,109 |
| Water | 1,857,523 |
| Marina and Launch Ramp | 106,040 |
| | **$ 2,422,672** |

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|---|---|---|---|---|
| **Component units:** | | | | |
| **Capital assets, not being depreciated:** | | | | |
| Land | $ 400,000 | $ - | $ - | $ 400,000 |
| **Capital assets, being depreciated:** | | | | |
| Building and improvements | 3,798,258 | - | - | 3,798,258 |
| **Less accumulated depreciation:** | | | | |
| Building and improvements | 2,517,785 | 172,648 | - | 2,690,433 |
| Total capital assets, being depreciated, net | 1,280,473 | (172,648) | - | 1,107,825 |
| Capital assets, net | **$ 1,680,473** | **$ (172,648)** | **$ -** | **$ 1,507,825** |

### Depreciation

Depreciation expense was charged to economic development.

## NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

**Due To/From Other Funds:**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | L.C. Walker Arena Fund | $ 229,130 |
| General Fund | Senior Millage Fund | 2,346 |
| General Fund | Lead Abatement Fund | 32,146 |
| General Fund | Community Development Block Grant Fund | 126,865 |
| General Fund | Sewer Fund | 70,644 |
| General Fund | General Insurance Fund | 353,563 |
| | | **$ 814,694** |

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 $852,752 to enable the BRA I to retire a redevelopment commitment early. The advance will be repaid with future tax captures.

**Interfund Transfers:**

| Transfers In | Amount | Transfers Out | Amount |
|---|---|---|---|
| General Fund | $ 5,989 | Nonmajor Governmental Funds<br>State Grants Fund | $ 5,989 |
| Nonmajor Governmental Funds<br>Local Streets Fund | 250,000 | General Fund | 761,486 |
| L.C. Walker Arena Fund | 476,486 | | |
| Farmers Market and Kitchen 242 Fund | 35,000 | | |
| | 761,486 | | 761,486 |
| Nonmajor Governmental Funds<br>EDC Revolving Loan Fund | 442,761 | Nonmajor Governmental Funds<br>Economic Development - Sappi Fund | 442,761 |
| | **$ 1,210,236** | | **$ 1,210,236** |

The General Fund transferred funds to the Major Streets and Trunkline Fund for future capital improvements and to the L.C. Walker Arena Fund and other funds for operation subsidies. The Economic Development – Sappi Fund was closed into the EDC Revolving Loan Fund. Other transfers between funds were made to meet grant matching requirements or other operational needs.

## NOTE H—LONG-TERM DEBT

### Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2019.

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Public placement debt | | | | | |
| General obligation debt | $ 5,340,000 | $ - | $ 275,000 | $ 5,065,000 | $ 505,000 |
| Premium | 293,903 | - | 36,000 | 257,903 | - |
| Direct borrowings and direct placements | | | | | |
| Intergovernmental obligations | 39,012 | - | 19,313 | 19,699 | 19,699 |
| Compensated absences | 1,531,745 | 1,596,272 | 1,369,228 | 1,758,789 | 293,200 |
| Governmental activities long-term liabilities | **$ 7,204,660** | **$ 1,596,272** | **$ 1,699,541** | **$ 7,101,391** | **$ 817,899** |
| **Business-type activities:** | | | | | |
| Public placement debt | | | | | |
| Revenue obligations | $ 7,040,000 | $ - | $ 1,495,000 | $ 5,545,000 | $ 745,000 |
| Premium | 4,614 | - | 4,614 | - | - |
| Compensated absences | 203,558 | 192,728 | 186,718 | 209,568 | 34,900 |
| Business-type activities long-term liabilities | **$ 7,248,172** | **$ 192,728** | **$ 1,686,332** | **$ 5,754,568** | **$ 779,900** |
| **Component units:** | | | | | |
| Public placement debt | | | | | |
| General obligation debt | $ 2,485,000 | $ - | $ 375,000 | $ 2,110,000 | $ 390,000 |
| Premium | 78,326 | - | 20,907 | 57,419 | - |
| Direct borrowings and direct placements | | | | | |
| Intergovernmental obligations | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| Component unit long-term liabilities | **$ 3,563,326** | **$ -** | **$ 395,907** | **$ 3,167,419** | **$ 1,390,000** |

## NOTE H—LONG-TERM DEBT—Continued

### Public Placement Debt

***General Obligation Debt***

The City has issued general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt is a direct obligation and pledges the full faith and credit of the City. This debt is generally issued as serial bonds with varying amounts of principal maturing each year. Certain debt issued by the City's component units is also backed by the full faith and credit of the City if there is a shortfall in tax increment revenues. General obligation debt outstanding as of June 30, 2019 is as follows:

| | Original Borrowing | Interest Rate | Date of Maturity | Balance |
|---|---|---|---|---|
| **General obligation debt:** | | | | |
| **Governmental activities:** | | | | |
| 2011 Capital Improvement Bonds | $ 2,000,000 | 2.98% | September 2021 | $ 665,000 |
| 2016 Limited Tax General Obligation Refunding Bonds | 4,535,000 | 2% - 4% | October 2032 | 4,400,000 |
| | | | | **$ 5,065,000** |
| **Component units:** | | | | |
| 2012 LDFA Tax Increment Refunding Bonds | $ 4,100,000 | 3% - 4% | November 2025 | **$ 2,110,000** |

***Revenue Obligations***

The City has issued bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue obligations outstanding as of June 30, 2019 are as follows:

| | Original Borrowing | Interest Rate | Date of Maturity | Balance |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Revenue obligations: | | | | |
| 2004 Drinking Water State Revolving Fund | $ 13,900,000 | 2.13% | October 2025 | **$ 5,545,000** |

The City has pledged future water customer revenues, net of specified operating expenses, to repay the 2004 Drinking Water State Revolving Fund Loan. Proceeds from the issuance were used to make improvements to the City's water supply system. The bond is payable solely from water customer net revenues and is payable through 2025. Annual principal and interest payments on the bond are expected to require less than 35 percent of net revenues through 2025. The total principal and interest remaining to be paid on the bond is $5,966,974. Principal and interest paid for the year ended June 30, 2019 and total customer net revenues were $1,653,259 and $2,799,891, respectively.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2019.

## NOTE H—LONG-TERM DEBT—Continued

### Direct Borrowings and Direct Placements

***Intergovernmental Obligations***

The City has long-term contractual obligations with other governmental entities for program purposes. Intergovernmental contractual obligations outstanding as of June 30, 2019 are as follows:

| | Original Borrowing | Interest Rate | Date of Maturity | Balance |
|---|---|---|---|---|
| **Intergovernmental Contractual Obligations:** | | | | |
| **Governmental activities:** | | | | |
| 2008 State of Michigan Brownfield Redevelopment Loan | $ 500,000 | 2% | March 2020 | **$ 19,699** |
| **Component units:** | | | | |
| 1989 DDA Promissory Note to Muskegon County | $ 1,000,000 | 0% | August 2019 | **$ 1,000,000** |

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

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with $17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on June 30, 2019 was approximately $2,832,000. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for public placement debt and for direct borrowings and direct placements outstanding as of June 30, 2019 follow:

| | Governmental Activites | | | | Business-type Activities | |
|---|---|---|---|---|---|---|
| | Public Placement Debt | | Direct Borrowings and Direct Placements | | Public Placement Debt | |
| Year Ending June 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | $ 505,000 | $ 176,364 | $ 19,699 | $ 394 | $ 745,000 | $ 109,916 |
| 2021 | 515,000 | 161,107 | - | - | 760,000 | 93,925 |
| 2022 | 535,000 | 145,402 | - | - | 775,000 | 77,616 |
| 2023 | 300,000 | 132,900 | - | - | 790,000 | 60,988 |
| 2024 | 300,000 | 122,400 | - | - | 810,000 | 43,988 |
| 2025-2029 | 1,620,000 | 420,400 | - | - | 1,665,000 | 35,541 |
| 2030-2033 | 1,290,000 | 102,800 | - | - | - | - |
| | **$ 5,065,000** | **$ 1,261,373** | **$ 19,699** | **$ 394** | **$ 5,545,000** | **$ 421,974** |

**NOTE H—LONG-TERM DEBT—Continued**

| | Component Units | | | |
|---|---|---|---|---|
| | | | Direct Borrowings and Direct Placements | |
| Year Ending June 30, | Public Placement Debt | | | |
| | Principal | Interest | Principal | Interest |
| 2020 | $ 390,000 | $ 65,800 | $ 1,000,000 | $ - |
| 2021 | 395,000 | 50,100 | - | - |
| 2022 | 245,000 | 37,300 | - | - |
| 2023 | 255,000 | 28,575 | - | - |
| 2024 | 265,000 | 20,775 | - | - |
| 2025-2029 | 560,000 | 16,950 | - | - |
| 2030-2033 | - | - | - | - |
| | **$ 2,110,000** | **$ 219,500** | **$ 1,000,000** | **$ -** |

Annual debt service requirements to maturity by type of debt as of June 30, 2019 follow:

| | General Obligation Debt | | Revenue Obligations | Intergovernmental | |
|---|---|---|---|---|---|
| Year Ending June 30, | Governmental Activities | Component Units | Business-type Activities | Governmental Activities | Component Units |
| 2020 | $ 681,364 | $ 455,800 | $ 854,916 | $ 20,093 | $ 1,000,000 |
| 2021 | 676,107 | 445,100 | 853,925 | - | - |
| 2022 | 680,402 | 282,300 | 852,616 | - | - |
| 2023 | 432,900 | 283,575 | 850,988 | - | - |
| 2024 | 422,400 | 285,775 | 853,988 | - | - |
| 2025-2029 | 2,040,400 | 576,950 | 1,700,541 | - | - |
| 2030-2033 | 1,392,800 | - | - | - | - |
| | **$ 6,326,373** | **$ 2,329,500** | **$ 5,966,974** | **$ 20,093** | **$ 1,000,000** |

## NOTE I—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 2019 and 2018 were as follows:

| Year Ended | Balance at Beginning of Year | Current Year Claims and Changes in Estimates | Claims Payments | Balance at End of Year |
|---|---|---|---|---|
| June 30, 2019 | $ 78,289 | $ 227,646 | $ 81,355 | $ 224,580 |
| June 30, 2018 | 110,132 | 94,450 | 126,293 | 78,289 |

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, 2019, the claims liability including incurred but not reported claims was $51,401. 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 2019 and 2018 were as follows:

| Year Ended | Balance at Beginning of Year | Current Year Claims and Changes in Estimates | Claims Payments | Balance at End of Year |
|---|---|---|---|---|
| June 30, 2019 | $ 33,784 | $ 1,643,632 | $ 1,626,015 | $ 51,401 |
| June 30, 2018 | 53,504 | 1,267,269 | 1,286,989 | 33,784 |

## NOTE I—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.

### Commitment

The City has a contract for street projects including water system improvements as of June 30, 2019 with a remaining amount of approximately $4,694,000. Approximately $800,000 of these costs is being financed by a grant with the remainder coming from the Major Street and Trunkline and Water funds.

### Leases

The City leases an office facility under a noncancelable operating lease that expires June 2022 with the option by the tenant to renew the term of the lease for two successive periods of five years each. The City received rental income (including pro-rata utility usage) of $45,292 for the year ended June 30, 2019. The future minimum rental income for this lease is as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2020 | $ 55,919 |
| 2021 | 55,463 |
| 2022 | 55,584 |
| | **$ 166,966** |

## NOTE J—TAX ABATEMENTS

### Industrial Facilities Exemption

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

For the year ended June 30, 2019, the City abated property taxes revenues totaling $48,914 under this program.

## NOTE J—TAX ABATEMENTS—Continued

### Brownfield Redevelopment Authority

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

For the year ended June 30, 2019, the City abated property taxes revenues totaling $134,118 under this program.

### Payment in Lieu of Taxes (PILOT)

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

For the year ended June 30, 2019, the City abated property taxes revenues totaling $190,106 under this program.

## NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

### Defined Benefit Pension Plan

#### *Plan Description*

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

#### *Benefits Provided*

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

## NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

### Defined Benefit Pension Plan—Continued

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

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

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

Final average compensation is calculated based on 3 years.

***Employees Covered by Benefit Terms***
At December 31, 2018 valuation date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 325 |
| Inactive employees entitled to but not yet receiving benefits | 39 |
| Active employees | 98 |
| Total employees covered by MERS | **462** |

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

For the year ended June 30, 2019, the City had a flat-dollar employer contribution to the Plan of $1,902,696 in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. Member contributions range from 4 percent to 6.5 percent.

***Net Pension Liability***
The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

## NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

### Defined Benefit Pension Plan—Continued

***Actuarial Assumptions***

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases | 3.75 percent, in the long-term |
| Investment rate of return | 7.75 percent, net of administrative and investment expenses |

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

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

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

| Asset Class | Target Allocation | Target Allocation Gross Rate of Return | Long-Term Expected Gross Rate of Return | Inflation Assumption | Long-Term Expected Real Rate of Return |
|---|---|---|---|---|---|
| Global equity | 55.5% | 8.65% | 4.80% | 2.50% | 3.42% |
| Global fixed income | 18.5% | 3.76% | 0.70% | 2.50% | 0.23% |
| Real assets | 13.5% | 9.72% | 1.31% | 2.50% | 0.97% |
| Diversifying strategies | 12.5% | 7.50% | 0.94% | 2.50% | 0.63% |
| Total | **100.0%** | | **7.75%** | | **5.25%** |

***Discount Rate***

The discount rate used to measure the total pension liability was 8.00 percent for 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

### Defined Benefit Pension Plan—Continued

***Changes in the Net Pension Liability***

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total Pension Liability (a)** | **Plan Fiduciary Position (b)** | **Net Pension Liability (a)-(b)** |
| Balance at January 1, 2018 | $ 107,675,977 | $ 90,759,017 | $ 16,916,960 |
| Changes for the year | | | |
| Service cost | 806,565 | - | 806,565 |
| Interest | 8,345,836 | - | 8,345,836 |
| Difference between expected and actual experience | 3,642,392 | - | 3,642,392 |
| Contributions - employer | - | 2,671,175 | (2,671,175) |
| Contributions - employee | - | 848,562 | (848,562) |
| Net investment income | - | (3,452,538) | 3,452,538 |
| Administrative expenses | - | (173,509) | 173,509 |
| Benefit payments including refund of employee contributions | (7,512,608) | (7,512,608) | - |
| Other changes | (229,967) | - | (229,967) |
| Net changes | 5,052,218 | (7,618,918) | 12,671,136 |
| Balance at December 31, 2018 | **$ 112,728,195** | **$ 83,140,099** | **$ 29,588,096** |

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***
The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

| | **1% Decrease (7%)** | **Current Discount Rate (8%)** | **1% Increase (9%)** |
|---|---|---|---|
| City's net pension liability | $ 41,105,878 | $ 29,588,096 | $ 19,768,942 |

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

## NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

### Defined Benefit Pension Plan—Continued

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***
For the year ended June 30, 2019, the City recognized pension expense of $6,178,991. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences in experience | $ 1,821,196 | $ - |
| Net differences between projected and actual net investment income | 6,244,567 | - |
| Contributions subsequent to the measurement date* | 951,858 | - |
| Total | **$ 9,017,621** | **$ -** |

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2020.

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

| Year Ending June 30, | Amount |
|---|---|
| 2020 | $ 4,069,409 |
| 2021 | 675,908 |
| 2022 | 1,217,912 |
| 2023 | 2,102,534 |

***Payables to the Pension Plan***
At June 30, 2019, the City reported a payable of $185,266 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

## NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

### Defined Contribution Pension Plan

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

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the City Commission as determined by negotiated labor contracts. The City is required to contribute 3 percent to 12.5 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, 2019, City and employee contributions were $628,802 and $307,981, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in City contributions and earnings on City contributions by 20 percent for each full year of service, leaving employees fully vested after five years of service. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended June 30, 2019, forfeitures reduced the City's pension expense by $54,132.

### Deferred Compensation Plan

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

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

## NOTE L—OTHER POSTEMPLOYMENT BENEFITS

### Retiree Healthcare Plan

#### *Plan Description*

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

## NOTE L—OTHER POSTEMPLOYMENT BENEFITS—CONTINUED

### Retiree Healthcare Plan—Continued

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

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

Benefits are provided through a third party insurer.

***Employees Covered by Benefit Terms***
At the December 31, 2017 valuation, the following employees were covered the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 283 |
| Inactive employees entitled to but not yet receiving benefits | 44 |
| Covered spouses/dependents | 124 |
| Active employees | 140 |
| Total employees covered by OPEB Plan | **591** |

***Contributions***
The OPEB Plan's funding policy is that the City will make contributions equal to the recommended annual contribution. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended June 30, 2019, the City made payments for postemployment healthcare benefits of $1,260,887.

***Net OPEB Liability***
The City's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as December 31, 2017, which was rolled forward to December 31, 2018.

## NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

### Retiree Healthcare Plan—Continued

***Actuarial Assumptions***
The total OPEB liability in the December 31, 2017 actuarial valuation, rolled forward to the measurement date, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases | 2.0 percent |
| Investment rate of return | 7.75 percent (including inflation), net of administrative and investment expenses |
| Healthcare cost trend rates | Pre-65: 8.5 percent graded down to 4.5 percent by .25 percent per year<br>Post-65: 7.5 percent graded down to 4.5 percent by .25 percent per year |

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

*Investment Rate of Return*
The long-term rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of December 31, 2017 actuarial valuation, rolled forward to the measurement date, are summarized in the following table:

| Asset Class | Target Allocation | Target Allocation Gross Rate of Return | Long-Term Expected Gross Rate of Return | Inflation Assumption | Long-Term Expected Real Rate of Return |
|---|---|---|---|---|---|
| Global equity | 55.5% | 8.65% | 4.80% | 2.50% | 3.42% |
| Global fixed income | 18.5% | 3.76% | 0.70% | 2.50% | 0.23% |
| Real assets | 13.5% | 9.72% | 1.31% | 2.50% | 0.97% |
| Diversifying strategies | 12.5% | 7.50% | 0.94% | 2.50% | 0.63% |
| Total | **100.0%** | | **7.75%** | | **5.25%** |

*Discount Rate*
The discount rate used to measure the total OPEB liability was 7.75%**.** The employer is assumed to make annual contributions to the trust contributions equal to the actuarially determined contribution in future years. Given this assumption, the assets are projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion/crossover date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used for December 31, 2017 was 7.75%.

## NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

### Retiree Healthcare Plan—Continued

***Changes in the Net OPEB Liability***

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB Liability (a)** | **Plan Fiduciary Position (b)** | **Net OPEB Liability (a)-(b)** |
| Balance at January 1, 2018 | $ 26,648,337 | $ 20,779,578 | $ 5,868,759 |
| Changes for the year | | | |
| Service cost | 178,243 | - | 178,243 |
| Interest | 2,035,720 | - | 2,035,720 |
| Difference between expected and actual experience | (992,432) | - | (992,432) |
| Changes of assumptions | 2,349,210 | - | 2,349,210 |
| Contributions - employer | - | 671,363 | (671,363) |
| Net investment income | - | (699,603) | 699,603 |
| Administrative expenses | - | (53,927) | 53,927 |
| Benefit payments including refund of employee contributions | (1,118,442) | (1,118,442) | - |
| Net changes | 2,452,299 | (1,200,609) | 3,652,908 |
| Balance at December 31, 2018 | **$ 29,100,636** | **$ 19,578,969** | **$ 9,521,667** |

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

| | **1% Decrease (6.75%)** | **Current Discount Rate (7.75%)** | **1% Increase (8.75%)** |
|---|---|---|---|
| City's net OPEB liability | $ 12,438,007 | $ 9,521,667 | $ 7,056,199 |

## NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

### Retiree Healthcare Plan—Continued

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***
The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate for pre-65 of 8 percent, decreasing to 4.5 percent and post-65 of 7.5 percent decreasing to 4.5 percent, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 3.5 percent or 6.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (9 percent decreasing to 5.5 percent or 8.5 percent decreasing to 5.5 percent) than the current rate:

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| City's net OPEB liability | $ 6,751,322 | $ 9,521,667 | $ 12,803,283 |

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

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***
For the year ended June 30, 2019, the City recognized OPEB expense of $1,858,653. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences in experience | $ - | $ 368,261 |
| Changes in assumptions | 871,719 | - |
| Net difference between projected and actual net investment income | 1,443,458 | - |
| Contributions subsequent to the measurement date* | 429,148 | - |
| Total | **$ 2,744,325** | **$ 368,261** |

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2020.

## NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

### Retiree Healthcare Plan—Continued

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—Continued***
Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2020 | $ 831,904 |
| 2021 | 328,447 |
| 2022 | 328,447 |
| 2023 | 458,118 |

***Payables to the OPEB Plan***
At June 30, 2019, the City did not have a payable to the OPEB Plan.

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

Depending on employee group, the Plan covers all qualified City employees hired after January 2009 to December 2012 in lieu of the traditional retiree healthcare plan. The City is required to contribute 1 or 2 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are also required to contribute 1 or 2 percent of annual compensation. Qualified employees are also required to contribute 1 or 2 percent of annual compensation. Additionally, some employees, regardless of hire date, may make voluntary contributions to the HCSP.

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

For the year ended June 30, 2019, City and employee contributions were $118,996 and $162,069, respectively.

## NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the City's 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the City's 2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

## NOTE N—SUBSEQUENT EVENTS

On August 30, 2019, the City obtained a State Revolving Fund (SRF) Loan for the Sewer Fund of $11,500,000 and a Drinking Water Revolving Fund (DWRF) Loan for the Water Fund of $2,000,000.

On October 29, 2019, the City issued Capital Improvement Bonds of $19,420,000 for the construction of a convention center and a Capital Improvement Note of $3,000,000 for various housing projects in the Nelson neighborhood.

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# REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
**BUDGETARY COMPARISON SCHEDULE**
General Fund
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget- Positive | |
| | Original | Final | Actual | (Negative) | Actual |
| **REVENUES** | | | | | |
| Taxes | | | | | |
| City income taxes | $ 8,600,000 | $ 8,700,000 | $ 8,691,673 | $ (8,327) | $ 8,758,674 |
| Property taxes | 7,462,325 | 7,110,078 | 7,168,126 | 58,048 | 7,439,738 |
| Industrial facilities taxes | 76,468 | 76,468 | 106,297 | 29,829 | 95,774 |
| Payments in lieu of taxes | 580,877 | 580,877 | 615,934 | 35,057 | 582,869 |
| Total taxes | 16,719,670 | 16,467,423 | 16,582,030 | 114,607 | 16,877,055 |
| Licenses and permits | | | | | |
| Business licenses | 75,000 | 75,000 | 52,345 | (22,655) | 81,650 |
| Liquor licenses | 50,043 | 55,000 | 55,467 | 467 | 53,487 |
| Marihuana facilities licenses | 25,000 | 100,000 | 115,700 | 15,700 | - |
| Cable TV fees | 370,000 | 380,000 | 380,343 | 343 | 368,495 |
| Rental property registration | 353,500 | 367,500 | 363,915 | (3,585) | 369,509 |
| Burial permits | 80,000 | 80,000 | 68,275 | (11,725) | 82,645 |
| Building permits | 1,800,000 | 1,100,000 | 933,745 | (166,255) | 1,458,084 |
| Electrical permits | 220,000 | 180,000 | 169,690 | (10,310) | 225,271 |
| Plumbing permits | 80,000 | 80,000 | 102,101 | 22,101 | 85,789 |
| Mechanical permits | 130,000 | 130,000 | 137,826 | 7,826 | 146,354 |
| Vacant building fees | 75,000 | 40,000 | 72,665 | 32,665 | 94,315 |
| Other inspections | - | 2,000 | 735 | (1,265) | - |
| Total licenses and permits | 3,258,543 | 2,589,500 | 2,452,807 | (136,693) | 2,965,599 |
| Intergovernmental revenues | | | | | |
| Federal grants | 40,000 | 40,000 | 57,894 | 17,894 | 23,988 |
| State | | | | | |
| Grants | 715,000 | 826,000 | 862,839 | 36,839 | 837,603 |
| State shared revenue | 4,180,392 | 4,268,904 | 4,271,438 | 2,534 | 4,153,072 |
| Total intergovernmental revenues - State | 4,895,392 | 5,094,904 | 5,134,277 | 39,373 | 4,990,675 |

City of Muskegon
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**
General Fund
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget- Positive | |
| | Original | Final | Actual | (Negative) | Actual |
| Charges for services | | | | | |
| Tax administration fees | $ 327,000 | $ 327,000 | $ 340,217 | $ 13,217 | $ 331,723 |
| Utility administration fees | 310,000 | 310,000 | 310,000 | - | 310,000 |
| Reimbursement for elections | - | - | 13,455 | 13,455 | 100 |
| Brownfield authority admin fee | 162,000 | 162,000 | 162,000 | - | 154,800 |
| Indirect cost reimbursements | 1,119,973 | 1,119,973 | 1,114,735 | (5,238) | 1,027,986 |
| Site plan review fee | 6,000 | 6,000 | 6,900 | 900 | 6,800 |
| Sale of cemetery lots | 25,000 | 25,000 | 31,159 | 6,159 | 39,103 |
| Police miscellaneous | 136,638 | 141,638 | 143,322 | 1,684 | 140,223 |
| Police impound fees | 35,000 | 35,000 | 39,470 | 4,470 | 39,935 |
| Landlord's alert fee | 30,000 | 30,000 | 30,323 | 323 | 35,627 |
| Fire protection - state property | 74,000 | 81,750 | 81,766 | 16 | 74,342 |
| Zoning fees | 15,000 | 15,000 | 19,070 | 4,070 | 18,430 |
| Muskegon Heights zoning | 6,000 | 6,000 | 10,465 | 4,465 | 8,190 |
| Clerk fees | - | 5,000 | 5,432 | 432 | 7,851 |
| Clerk fees - passport fees | 80,000 | 80,000 | 82,662 | 2,662 | 71,672 |
| Tax abatement application fees | 3,000 | 3,000 | 3,802 | 802 | 4,970 |
| Treasurer fees | 67,000 | 67,000 | 84,289 | 17,289 | 68,022 |
| False alarm fees | 3,500 | 9,000 | 10,365 | 1,365 | 9,540 |
| Miscellaneous cemetery income | 16,000 | 16,000 | 14,547 | (1,453) | 17,902 |
| Fire miscellaneous | 9,500 | 15,500 | 14,506 | (994) | 17,755 |
| Sanitation stickers | 271,100 | 276,100 | 249,043 | (27,057) | 238,312 |
| Lot cleanup fees | 48,000 | 39,500 | 35,697 | (3,803) | 59,452 |
| Reimbursements - lot mowing and demolitions | 5,000 | 5,000 | 1,067 | (3,933) | 7,376 |
| Special events reimbursements | 55,000 | 55,000 | 26,505 | (28,495) | 55,671 |
| Recreation program fees | 4,500 | 4,500 | 11,029 | 6,529 | 9,066 |
| Total charges for services | 2,812,211 | 2,834,961 | 2,841,826 | 6,865 | 2,754,848 |
| Fines and forfeitures | | | | | |
| Income tax - penalty and interest | 200,000 | 200,000 | 207,424 | 7,424 | 229,678 |
| Late fees on current taxes | 20,000 | 20,000 | 16,790 | (3,210) | 15,942 |
| Interest on late invoices | 11,000 | 11,000 | 11,516 | 516 | 14,534 |
| Parking fines | 55,000 | 55,000 | 57,782 | 2,782 | 53,336 |
| Court fines | 115,000 | 130,000 | 137,732 | 7,732 | 120,989 |
| Civil infractions | 17,000 | 15,500 | 30,876 | 15,376 | 21,785 |
| Total fines and forfeitures | 418,000 | 431,500 | 462,120 | 30,620 | 456,264 |
| Investment earnings and rental income | | | | | |
| Interest income | - | 100,000 | 108,155 | 8,155 | 95,057 |
| Net increase (decrease) in the fair value of investments | - | 300,000 | 344,122 | 44,122 | (122,586) |
| City right of way rental | 6,800 | 6,800 | 6,800 | - | 6,800 |
| Fire station lease - Central Dispatch | 30,000 | 50,000 | 45,292 | (4,708) | 30,528 |
| Parking rentals | 48,750 | 68,750 | 68,500 | (250) | 48,750 |
| Great Lakes Naval Memorial lease | 15,000 | - | - | - | - |
| McGraft Park rentals | 70,000 | 97,000 | 96,084 | (916) | 63,510 |
| Other park rentals | 44,800 | 55,000 | 47,964 | (7,036) | 45,631 |
| Total investment earnings and rental income | 215,350 | 677,550 | 716,917 | 39,367 | 167,690 |

City of Muskegon
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**
General Fund
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget- Positive (Negative) | |
| | Original | Final | Actual | | Actual |
| Other | | | | | |
| Police sale and auction proceeds | $ 1,000 | $ 1,000 | $ - | $ (1,000) | $ - |
| CDBG program reimbursements | 325,000 | 351,726 | 332,857 | (18,869) | 346,481 |
| Fisherman's Landing reimbursement | 17,500 | 17,500 | - | (17,500) | - |
| Contributions | 20,000 | 20,000 | 2,046 | (17,954) | 11,871 |
| Contributions - Veteran's Park maintenance | 18,500 | 18,500 | - | (18,500) | - |
| Community Foundation for Muskegon County | 10,000 | 10,000 | 24,892 | 14,892 | 9,772 |
| Miscellaneous and sundry | 83,000 | 85,381 | 100,106 | 14,725 | 85,676 |
| Total other | 475,000 | 504,107 | 459,901 | (44,206) | 453,800 |
| Total revenues | 28,874,166 | 28,679,945 | 28,747,772 | 67,827 | 28,729,919 |
| **EXPENDITURES** | | | | | |
| Current | | | | | |
| Public representation services | | | | | |
| City commission | 91,290 | 91,290 | 88,892 | 2,398 | 77,876 |
| City promotions and public relations | 55,000 | 80,000 | 81,890 | (1,890) | 65,353 |
| City manager | 429,299 | 399,299 | 379,819 | 19,480 | 409,564 |
| Contributions to outside agencies | 430,173 | 430,173 | 384,968 | 45,205 | 489,687 |
| City attorney | 350,000 | 360,000 | 345,538 | 14,462 | 341,093 |
| Total public representation services | 1,355,762 | 1,360,762 | 1,281,107 | 79,655 | 1,383,573 |
| Administrative services | | | | | |
| City clerk | 455,048 | 460,548 | 542,248 | (81,700) | 424,224 |
| Civil service | 198,440 | 206,990 | 195,275 | 11,715 | 113,554 |
| Affirmative action | - | - | 1,778 | (1,778) | 135 |
| Total administrative services | 653,488 | 667,538 | 739,301 | (71,763) | 537,913 |
| Financial services | | | | | |
| Finance administration | 578,651 | 561,000 | 570,805 | (9,805) | 576,620 |
| Assessing | 332,000 | 332,000 | 335,977 | (3,977) | 329,708 |
| Arena administration | - | - | 13,510 | (13,510) | 15,487 |
| Income tax administration | 349,936 | 353,936 | 362,595 | (8,659) | 328,809 |
| Information systems | 489,914 | 579,914 | 550,516 | 29,398 | 444,386 |
| City treasurer | 567,034 | 567,734 | 561,463 | 6,271 | 496,235 |
| Total financial services | 2,317,535 | 2,394,584 | 2,394,866 | (282) | 2,191,245 |
| Public safety | | | | | |
| Police department | 10,439,994 | 9,678,626 | 9,880,736 | (202,110) | 9,538,680 |
| Fire department | 3,431,866 | 3,925,000 | 3,989,048 | (64,048) | 3,930,210 |
| Fire safety inspections | 3,215,780 | 2,415,100 | 2,224,747 | 190,353 | 1,611,103 |
| Total public safety | 17,087,640 | 16,018,726 | 16,094,531 | (75,805) | 15,079,993 |

City of Muskegon
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**
General Fund
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget- Positive | |
| | Original | Final | Actual | (Negative) | Actual |
| Public works | | | | | |
| Street lighting | $ 490,000 | $ 490,000 | $ 551,818 | $ (61,818) | $ 529,471 |
| Community event support | 103,159 | 103,159 | 73,216 | 29,943 | 100,611 |
| General sanitation | 1,849,345 | 1,932,345 | 2,107,545 | (175,200) | 1,924,434 |
| Storm water management | 10,000 | 4,000 | 4,000 | - | 13,365 |
| City hall maintenance | 329,502 | 337,253 | 316,868 | 20,385 | 242,222 |
| Cemeteries maintenance | 428,582 | 428,582 | 440,130 | (11,548) | 420,155 |
| Total public works | 3,210,588 | 3,295,339 | 3,493,577 | (198,238) | 3,230,258 |
| Community and economic development | | | | | |
| Planning, zoning and economic development | 574,189 | 417,648 | 376,679 | 40,969 | 434,867 |
| Environmental services | - | - | - | - | 1,094,602 |
| Edison Landing subsidy | 360,000 | 360,000 | 360,000 | - | 350,000 |
| Downtown Development Authority subsidy | - | - | - | - | 315,000 |
| Total community and economic development | 934,189 | 777,648 | 736,679 | 40,969 | 2,194,469 |
| Culture and recreation | | | | | |
| Parks maintenance | 1,756,158 | 1,671,228 | 1,676,222 | (4,994) | 1,569,234 |
| McGraft Park maintenance | 87,576 | 87,576 | 133,573 | (45,997) | 96,916 |
| General and inner city recreation programs | - | - | 12,050 | (12,050) | 2,551 |
| Forestry | - | - | 92 | (92) | - |
| Graffiti removal | - | - | - | - | 153 |
| Parking operations | - | - | 2,393 | (2,393) | 1,988 |
| Farmers market and flea market | - | - | 210 | (210) | 8 |
| Total culture and recreation | 1,843,734 | 1,758,804 | 1,824,540 | (65,736) | 1,670,850 |
| Other governmental functions | | | | | |
| Insurance premiums | 268,695 | 287,041 | 292,037 | (4,996) | 294,675 |
| Other | 100,000 | 100,000 | (10,326) | 110,326 | 60,566 |
| Total other governmental functions | 368,695 | 387,041 | 281,711 | 105,330 | 355,241 |
| Debt service | | | | | |
| Principal | 65,000 | 65,000 | 65,000 | - | 70,000 |
| Interest and fees | 164,750 | 164,750 | 165,851 | (1,101) | 167,081 |
| Total debt service | 229,750 | 229,750 | 230,851 | (1,101) | 237,081 |
| Capital outlay | 555,000 | 823,547 | 801,483 | 22,064 | 130,375 |
| Total expenditures | 28,556,381 | 27,713,739 | 27,878,646 | (164,907) | 27,010,998 |
| Excess of revenues over (under) expenditures | 317,785 | 966,206 | 869,126 | (97,080) | 1,718,921 |

City of Muskegon
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**
General Fund
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget- Positive (Negative) | |
| | Original | Final | Actual | | Actual |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in | $ - | $ - | $ 5,989 | $ 5,989 | $ - |
| Transfers out | (460,000) | (695,000) | (761,486) | (66,486) | (1,385,000) |
| Total other financing sources (uses) | (460,000) | (695,000) | (755,497) | (60,497) | (1,385,000) |
| Net change in fund balance | **$ (142,215)** | **$ 271,206** | 113,629 | **$ (157,577)** | 333,921 |
| Fund balance at beginning of year | | | 8,391,566 | | 8,057,645 |
| Fund balance at end of year | | | **$ 8,505,195** | | **$ 8,391,566** |

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget- Positive (Negative) |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | |
| **REVENUES** | | | | |
| Intergovernmental revenues | | | | |
| Federal | $ 880,000 | $ - | $ 627,218 | $ 627,218 |
| State | 4,196,906 | 4,762,671 | 4,544,248 | (218,423) |
| Charges for services | - | - | 21,582 | 21,582 |
| Investment earnings | 10,000 | 10,000 | 15,628 | 5,628 |
| Other | 71,000 | 100,000 | 92,669 | (7,331) |
| Total revenues | 5,157,906 | 4,872,671 | 5,301,345 | 428,674 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Highways, streets and bridges | 6,989,695 | 7,079,923 | 5,601,688 | 1,478,235 |
| Debt service | | | | |
| Principal | 210,000 | 210,000 | 210,000 | - |
| Interest and fees | 25,000 | 25,000 | 23,273 | 1,727 |
| Total expenditures | 7,224,695 | 7,314,923 | 5,834,961 | 1,479,962 |
| Net change in fund balance | **$ (2,066,789)** | **$ (2,442,252)** | (533,616) | **$ 1,908,636** |
| Fund balance at July 1, 2018 | | | 3,728,340 | |
| Fund balance at June 30, 2019 | | | **$ 3,194,724** | |

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

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

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

**Notes to Schedule**

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

City of Muskegon
Required Supplemental Information
**PENSION SYSTEM SCHEDULE OF CONTRIBUTIONS**
Last Ten Fiscal Years

| | Year Ended June 30 | | | | | | | | | Period Ended June 30* |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** |
| Actuarially determined contribution | $ 1,902,696 | $1,798,140 | $ 1,897,158 | $ 1,546,440 | $ 1,293,996 | $ 1,043,040 | $ 1,035,772 | $ 1,160,870 | $ 1,211,612 | $ 688,832 |
| Contributions in relation to the actuarially determined contribution | 2,218,663 | 1,964,214 | 2,276,200 | 1,753,272 | 1,293,996 | 1,543,040 | 1,035,772 | 1,160,870 | 2,211,612 | 688,832 |
| Contribution deficiency (excess) | **$ (315,967)** | **$ (166,074)** | **$ (379,042)** | **$ (206,832)** | **$ -** | **$ (500,000)** | **$ -** | **$ -** | **$ (1,000,000)** | **$ -** |
| Covered payroll | $ 6,561,169 | $7,645,789 | $ 8,460,078 | $ 9,108,948 | $ 9,171,511 | $ 9,198,938 | $10,185,425 | $10,650,990 | $ 11,533,186 | $12,613,654 |
| Contributions as percentage of covered payroll | **33.8%** | **25.7%** | **26.9%** | **19.2%** | **14.1%** | **16.8%** | **10.2%** | **10.9%** | **19.2%** | **5.5%** |

**Notes to Schedule**

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, Closed |
| Remaining amortization period | 5 to 14 years depending on division |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.5 percent |
| Salary increases | 3.75 percent |
| Investment rate of return | 7.75 percent, net of investment and administrative expenses |
| Retirement age | Varies depending on plan adoption |
| Mortality | 50 percent Female/50 percent Male RP-2014 Group Annuity Mortality Table |

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

City of Muskegon

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

**Notes to Schedule**

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

City of Muskegon

**REQUIRED SUPPLEMENTARY INFORMATION**

**RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS**

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

| | Year Ended June 30 | | | | | | | | | Period Ended June 30* |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** |
| Actuarially determined contribution | $ 1,470,562 | $ 956,532 | $ 606,506 | $ 639,428 | $ 659,451 | $ 696,634 | $ 728,863 | $ 832,891 | $ 1,079,000 | $ 530,000 |
| Contributions in relation to the actuarially determined contribution | 1,260,887 | 687,642 | 606,506 | 639,428 | 659,451 | 696,634 | 728,863 | 832,891 | 1,079,000 | 530,000 |
| Contribution deficiency (excess) | **$ 209,675** | **$ 268,890** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| Covered payroll | Not Available | $ 8,095,840 | $10,830,000 | $10,830,000 | $10,005,000 | $10,005,000 | $12,365,000 | $12,365,000 | $13,293,000 | $13,293,000 |
| Contributions as percentage of covered payroll | Not Available | **8.5%** | **5.6%** | **5.9%** | **6.6%** | **7.0%** | **5.9%** | **6.7%** | **8.1%** | **4.0%** |

**Notes to Schedule**

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, 2017 and rolled forward to December 31, 2018.

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry age normal (level percentage of compensation) |
| Amortization method | Level percentage of payroll, Closed |
| Remaining amortization period | 8 years |
| Asset valuation method | Equal to market value of assets |
| Inflation | 2.5 percent |
| Salary increases | 3.5 percent |
| Investment rate of return | 7.75 percent (including inflation), net of administrative and investment expenses |
| Retirement age | 55 - 60 years of age |
| Mortality | Mortality rates for police and fire were as set forth in the Public safety 2010 Employee and Healthy Retiree, headcount weighted, MP 2018 improvement scale. Morality rates for others were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2018 improvement scale. |

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

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# OTHER SUPPLEMENTAL INFORMATION

## DESCRIPTION OF
## OTHER GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

L.C. Walker Arena – to account for revenues received for the operation and maintenance of L.C. Walker Arena.

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

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

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

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

### Capital Projects Funds

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

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

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

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

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

## DESCRIPTION OF
## OTHER GOVERNMENTAL FUNDS—CONTINUED

### Capital Projects Funds—Continued

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

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

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

Economic Development - Sappi – 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, 2019

| | Total Other Governmental Funds | Other Special Revenue Funds | Other Capital Projects Funds | Permanent Fund - Cemetery Perpetual Care |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments | $ 2,967,912 | $ 1,172,856 | $ 1,394,313 | $ 400,743 |
| Assets managed by others | 1,234,689 | - | 17,900 | 1,216,789 |
| Receivables | | | | |
| Accounts and loans (net of allowance for uncollectibles) | 1,032,316 | 356,959 | 673,856 | 1,501 |
| Special assessments | 2,072 | 2,072 | - | - |
| Due from other governmental units | 460,697 | 182,913 | 277,784 | - |
| Advances to component units | 284,251 | - | - | 284,251 |
| Prepaid items | 33,524 | 33,524 | - | - |
| Total assets | **$ 6,015,461** | **$ 1,748,324** | **$ 2,363,853** | **$ 1,903,284** |
| **LIABILITIES** | | | | |
| Accounts payable | $ 306,754 | $ 243,099 | $ 63,655 | $ - |
| Accrued liabilities | 28,461 | 19,802 | 8,659 | - |
| Due to other governmental units | 135 | - | 135 | - |
| Due to other funds | 390,487 | 229,130 | 161,357 | - |
| Unearned revenues - unused Farmers Market tokens | 106,366 | 106,366 | - | - |
| Unearned revenues - expenditure-driven grants | 317,356 | - | 317,356 | - |
| Total liabilities | 1,149,559 | 598,397 | 551,162 | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenues - special assessments | 2,072 | 2,072 | - | - |
| **FUND BALANCES** | | | | |
| Nonspendable | | | | |
| Prepaid items | 33,524 | 33,524 | - | - |
| Perpetual care | 1,567,180 | - | - | 1,567,180 |
| Restricted | | | | |
| Highways, streets and bridges | 932,055 | 932,055 | - | - |
| Law enforcement | 36,337 | 36,337 | - | - |
| Downtown BID | 137,794 | 137,794 | - | - |
| Perpetual care | 336,104 | - | - | 336,104 |
| Other purposes | 8,145 | 8,145 | - | - |
| Assigned for capital projects and public improvements | 1,812,691 | - | 1,812,691 | - |
| Total fund balances | 4,863,830 | 1,147,855 | 1,812,691 | 1,903,284 |
| Total liabilities, deferred inflows of resources and fund balances | **$ 6,015,461** | **$ 1,748,324** | **$ 2,363,853** | **$ 1,903,284** |

City of Muskegon

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

Other Governmental Funds

For the year ended June 30, 2019

| | Total Other Governmental Funds | Other Special Revenue Funds | Other Capital Projects Funds | Permanent Fund - Cemetery Perpetual Care |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental revenues | | | | |
| Federal | $ 1,035,785 | $ - | $ 1,035,785 | $ - |
| State | 1,212,348 | 1,212,348 | - | - |
| Local | 1,014,500 | - | 1,014,500 | - |
| Charges for services | 1,567,011 | 1,497,098 | 39,654 | 30,259 |
| Fines and forfeitures | 26,458 | 26,458 | - | - |
| Investment earnings | 25,366 | 5,231 | 8,097 | 12,038 |
| Income from assets managed by others | 38,668 | - | 3,213 | 35,455 |
| Other | 1,022,239 | 458,219 | 564,020 | - |
| Total revenues | 5,942,375 | 3,199,354 | 2,665,269 | 77,752 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Public safety | 36,665 | 36,665 | - | - |
| Public works | 169,238 | 169,238 | - | - |
| Highways, streets and bridges | 1,691,544 | 1,691,544 | - | - |
| Culture and recreation | 2,080,437 | 2,080,437 | - | - |
| Capital outlay | 4,982,715 | 1,116 | 4,981,599 | - |
| Total expenditures | 8,960,599 | 3,979,000 | 4,981,599 | - |
| Excess of revenues over (under) expenditures | (3,018,224) | (779,646) | (2,316,330) | 77,752 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Proceeds from sale of capital assets | 1,541,041 | - | 1,541,041 | - |
| Transfers in | 1,204,247 | 761,486 | 442,761 | - |
| Transfers out | (442,761) | - | (442,761) | - |
| Total other financing sources (uses) | 2,302,527 | 761,486 | 1,541,041 | - |
| Net change in fund balances | (715,697) | (18,160) | (775,289) | 77,752 |
| Fund balances at July 1, 2018 | 5,579,527 | 1,166,015 | 2,587,980 | 1,825,532 |
| Fund balances at June 30, 2019 | **$ 4,863,830** | **$ 1,147,855** | **$ 1,812,691** | **$ 1,903,284** |

City of Muskegon
**COMBINING BALANCE SHEET**
Other Special Revenue Funds
June 30, 2019

| | Total Other Special Revenue Funds | Local Street | L.C. Walker Arena | Criminal Forfeitures | Downtown BID | Tree Replacement | Farmers Market and Kitchen 242 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and investments | $ 1,172,856 | $ 927,310 | $ - | $ 36,337 | $ 155,839 | $ 1,921 | $ 51,449 |
| Receivables | | | | | | | |
| Accounts | 356,959 | 7,550 | 273,223 | - | - | - | 76,186 |
| Special assessments | 2,072 | 2,072 | - | - | - | - | - |
| Due from other governmental units | 182,913 | 182,913 | - | - | - | - | - |
| Prepaid items | 33,524 | 6,888 | 26,636 | - | - | - | - |
| Total assets | **$ 1,748,324** | **$ 1,126,733** | **$ 299,859** | **$ 36,337** | **$ 155,839** | **$ 1,921** | **$ 127,635** |
| **LIABILITIES** | | | | | | | |
| Accounts payable | $ 243,099 | $ 171,758 | $ 39,802 | $ - | $ 18,045 | $ - | $ 13,494 |
| Accrued liabilities | 19,802 | 13,960 | 4,291 | - | - | - | 1,551 |
| Due to other funds | 229,130 | - | 229,130 | - | - | - | - |
| Unearned revenues - unused Farmers Market tokens | 106,366 | - | - | - | - | - | 106,366 |
| Total liabilities | 598,397 | 185,718 | 273,223 | - | 18,045 | - | 121,411 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | |
| Unavailable revenues - special assessments | 2,072 | 2,072 | - | - | - | - | - |
| **FUND BALANCES** | | | | | | | |
| Nonspendable - prepaid items | 33,524 | 6,888 | 26,636 | - | - | - | - |
| Restricted | | | | | | | |
| Highways, streets and bridges | 932,055 | 932,055 | - | - | - | - | - |
| Law enforcement | 36,337 | - | - | 36,337 | - | - | - |
| Downtown BID | 137,794 | - | - | - | 137,794 | - | - |
| Other purposes | 8,145 | - | - | - | - | 1,921 | 6,224 |
| Total fund balances | 1,147,855 | 938,943 | 26,636 | 36,337 | 137,794 | 1,921 | 6,224 |
| Total liabilities, deferred inflows of resources and fund balances | **$ 1,748,324** | **$ 1,126,733** | **$ 299,859** | **$ 36,337** | **$ 155,839** | **$ 1,921** | **$ 127,635** |

City of Muskegon

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

Other Special Revenue Funds

For the year ended June 30, 2019

| | Total Other Special Revenue Funds | Local Street | L.C. Walker Arena | Criminal Forfeitures | Downtown BID | Tree Replacement | Farmers Market and Kitchen 242 |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Intergovernmental revenues - State | $ 1,212,348 | $ 1,212,348 | $ - | $ - | $ - | $ - | $ - |
| Charges for services | 1,497,098 | 41,330 | 1,306,297 | - | - | - | 149,471 |
| Fines and forfeitures | 26,458 | - | - | 26,458 | - | - | - |
| Investment earnings | 5,231 | 4,215 | - | 206 | 598 | 5 | 207 |
| Other | 458,219 | 208,109 | 7,413 | - | 170,645 | 10,000 | 62,052 |
| Total revenues | 3,199,354 | 1,466,002 | 1,313,710 | 26,664 | 171,243 | 10,005 | 211,730 |
| **EXPENDITURES** | | | | | | | |
| Current | | | | | | | |
| Public safety | 36,665 | - | - | 36,665 | - | - | - |
| Public works | 169,238 | - | - | - | 169,238 | - | - |
| Highways, streets and bridges | 1,691,544 | 1,691,544 | - | - | - | - | - |
| Culture and recreation | 2,080,437 | - | 1,805,697 | - | - | 9,437 | 265,303 |
| Capital outlay | 1,116 | - | 1,116 | - | - | - | - |
| Total expenditures | 3,979,000 | 1,691,544 | 1,806,813 | 36,665 | 169,238 | 9,437 | 265,303 |
| Excess of revenues over (under) expenditures | (779,646) | (225,542) | (493,103) | (10,001) | 2,005 | 568 | (53,573) |
| **OTHER FINANCING SOURCES** | | | | | | | |
| Transfers in | 761,486 | 250,000 | 476,486 | - | - | - | 35,000 |
| Net change in fund balances | (18,160) | 24,458 | (16,617) | (10,001) | 2,005 | 568 | (18,573) |
| Fund balances at July 1, 2018 | 1,166,015 | 914,485 | 43,253 | 46,338 | 135,789 | 1,353 | 24,797 |
| Fund balances at June 30, 2019 | **$ 1,147,855** | **$ 938,943** | **$ 26,636** | **$ 36,337** | **$ 137,794** | **$ 1,921** | **$ 6,224** |

City of Muskegon
**BUDGETARY COMPARISON SCHEDULE**
Other Special Revenue Funds
For the year ended June 30, 2019

| | Local Street | | | L.C. Walker Arena | | |
|---|---|---|---|---|---|---|
| | **Final Budget** | **Actual** | **Variance - Positive (Negative)** | **Final Budget** | **Actual** | **Variance - Positive (Negative)** |
| **REVENUES** | | | | | | |
| Intergovernmental revenues - State | $ 1,194,979 | $ 1,212,348 | $ 17,369 | $ - | $ - | $ - |
| Charges for services | 20,000 | 41,330 | 21,330 | 1,195,000 | 1,306,297 | 111,297 |
| Investment earnings | 3,500 | 4,215 | 715 | - | - | - |
| Other | 2,000 | 208,109 | 206,109 | 5,000 | 7,413 | 2,413 |
| Total revenues | 1,220,479 | 1,466,002 | 245,523 | 1,200,000 | 1,313,710 | 113,710 |
| **EXPENDITURES** | | | | | | |
| Current | | | | | | |
| Highways, streets and bridges | 1,795,119 | 1,691,544 | 103,575 | - | - | - |
| Culture and recreation | - | - | - | 1,582,871 | 1,805,697 | (222,826) |
| Capital outlay | - | - | - | 70,000 | 1,116 | 68,884 |
| Total expenditures | 1,795,119 | 1,691,544 | 103,575 | 1,652,871 | 1,806,813 | (153,942) |
| Excess of revenues over (under) expenditures | (574,640) | (225,542) | 349,098 | (452,871) | (493,103) | (40,232) |
| **OTHER FINANCING SOURCES** | | | | | | |
| Transfers in | 250,000 | 250,000 | - | 400,000 | 476,486 | 76,486 |
| Net change in fund balances | **$ (324,640)** | 24,458 | **$ 349,098** | **$ (52,871)** | (16,617) | **$ 36,254** |
| Fund balances at July 1, 2018 | | 914,485 | | | 43,253 | |
| Fund balances at June 30, 2019 | | **$ 938,943** | | | **$ 26,636** | |

City of Muskegon
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**
Other Special Revenue Funds
For the year ended June 30, 2019

| | Criminal Forfeitures | | | Downtown BID | | |
|---|---|---|---|---|---|---|
| | **Final budget** | **Actual** | **Variance - Positive (Negative)** | **Final Budget** | **Actual** | **Variance - Positive (Negative)** |
| **REVENUES** | | | | | | |
| Fines and forfeitures | $ 1,000 | $ 26,458 | $ 25,458 | $ - | $ - | $ - |
| Investment earnings | 400 | 206 | (194) | - | 598 | 598 |
| Other | - | - | - | 161,647 | 170,645 | 8,998 |
| Total revenues | 1,400 | 26,664 | 25,264 | 161,647 | 171,243 | 9,596 |
| **EXPENDITURES** | | | | | | |
| Current | | | | | | |
| Public safety | 50,000 | 36,665 | 13,335 | - | - | - |
| Public works | - | - | - | 161,647 | 169,238 | (7,591) |
| Total expenditures | 50,000 | 36,665 | 13,335 | 161,647 | 169,238 | (7,591) |
| Net change in fund balances | **$ (48,600)** | (10,001) | **$ 38,599** | **$ -** | 2,005 | **$ 2,005** |
| Fund balance at July 1, 2018 | | 46,338 | | | 135,789 | |
| Fund balance at June 30, 2019 | | **$ 36,337** | | | **$ 137,794** | |

City of Muskegon
**BUDGETARY COMPARISON SCHEDULE—CONTINUED**
Other Special Revenue Funds
For the year ended June 30, 2019

| | Tree Replacement | | | Farmers Market and Kitchen 242 | | |
|---|---|---|---|---|---|---|
| | **Final Budget** | **Actual** | **Variance - Positive (Negative)** | **Final Budget** | **Actual** | **Variance - Positive (Negative)** |
| **REVENUES** | | | | | | |
| Charges for services | $ 5,000 | $ - | $ (5,000) | $ 175,483 | $ 149,471 | $ (26,012) |
| Investment earnings | - | 5 | 5 | 200 | 207 | 7 |
| Other | - | 10,000 | 10,000 | 75,021 | 62,052 | (12,969) |
| Total revenues | 5,000 | 10,005 | 5,005 | 250,704 | 211,730 | (38,974) |
| **EXPENDITURES** | | | | | | |
| Current | | | | | | |
| Culture and recreation | 5,000 | 9,437 | (4,437) | 252,614 | 265,303 | (12,689) |
| Excess of revenues over (under) expenditures | - | 568 | 568 | (1,910) | (53,573) | (51,663) |
| **OTHER FINANCING SOURCES** | | | | | | |
| Transfers in | - | - | - | 35,000 | 35,000 | - |
| Net change in fund balances | **$ -** | 568 | **$ 568** | **$ 33,090** | (18,573) | **$ (51,663)** |
| Fund balance at July 1, 2018 | | 1,353 | | | 24,797 | |
| Fund balance at June 30, 2019 | | **$ 1,921** | | | **$ 6,224** | |

City of Muskegon
**COMBINING BALANCE SHEET**
Other Capital Projects Funds
June 30, 2019

| | Total Other Capital Projects Funds | Public Improvement | Michcon Remediation | EDC Revolving Loan | Community Development Block Grant | HOME Rehabilitation | Lead Abatement | Senior Millage | Economic Development - Sappi |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| Cash and investments | $ 1,394,313 | $ 214,693 | $ 225,282 | $ 907,610 | $ - | $ 46,728 | $ - | $ - | $ - |
| Assets managed by others | 17,900 | 17,900 | - | - | - | - | - | - | - |
| Receivables | | | | | | | | | |
| Accounts and loans (net of allowance for uncollectibles) | 673,856 | 287,784 | - | 288,627 | 5,500 | 91,945 | - | - | - |
| Due from other governmental units | 277,784 | - | - | - | 143,107 | 94,940 | 36,712 | 3,025 | - |
| Total assets | **$ 2,363,853** | **$ 520,377** | **$ 225,282** | **$ 1,196,237** | **$ 148,607** | **$ 233,613** | **$ 36,712** | **$ 3,025** | **$ -** |
| **LIABILITIES** | | | | | | | | | |
| Accounts payable | $ 63,655 | $ 44,429 | $ - | $ - | $ 16,047 | $ 295 | $ 2,884 | $ - | $ - |
| Accrued liabilities | 8,659 | - | - | - | 5,695 | 603 | 1,682 | 679 | - |
| Due to other governmental units | 135 | - | - | - | - | 135 | - | - | - |
| Due to other funds | 161,357 | - | - | - | 126,865 | - | 32,146 | 2,346 | - |
| Unearned revenues - expenditure-driven grants | 317,356 | 317,356 | - | - | - | - | - | - | - |
| Total liabilities | 551,162 | 361,785 | - | - | 148,607 | 1,033 | 36,712 | 3,025 | - |
| **FUND BALANCES** | | | | | | | | | |
| Assigned for capital projects and public improvements | 1,812,691 | 158,592 | 225,282 | 1,196,237 | - | 232,580 | - | - | - |
| Total liabilities, deferred inflows of resources and fund balances | **$ 2,363,853** | **$ 520,377** | **$ 225,282** | **$ 1,196,237** | **$ 148,607** | **$ 233,613** | **$ 36,712** | **$ 3,025** | **$ -** |

City of Muskegon

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

Other Capital Projects Funds

For the year ended June 30, 2019

| | Total Other Capital Projects Funds | Public Improvement | Michcon Remediation | EDC Revolving Loan | Community Development Block Grant | HOME Rehabilitation | Lead Abatement | Senior Millage | Economic Development - Sappi |
|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | |
| Intergovernmental revenues | | | | | | | | | |
| Federal | $ 1,035,785 | $ - | $ - | $ - | $ 757,982 | $ 184,979 | $ 92,824 | $ - | $ - |
| Local | 1,014,500 | 1,014,500 | - | - | - | - | - | - | - |
| Charges for services | 39,654 | 33,154 | - | 6,500 | - | - | - | - | - |
| Investment earnings | 8,097 | 2,776 | 1,123 | 4,198 | - | - | - | - | - |
| Income from assets managed by others | 3,213 | 3,213 | - | - | - | - | - | - | - |
| Other | 564,020 | 473,286 | - | 61,846 | 25,863 | - | - | 3,025 | - |
| Total revenues | 2,665,269 | 1,526,929 | 1,123 | 72,544 | 783,845 | 184,979 | 92,824 | 3,025 | - |
| **EXPENDITURES** | | | | | | | | | |
| Capital outlay | 4,981,599 | 3,672,248 | - | 51,992 | 818,988 | 342,522 | 92,824 | 3,025 | - |
| Excess of revenues over (under) expenditures | (2,316,330) | (2,145,319) | 1,123 | 20,552 | (35,143) | (157,543) | - | - | - |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | |
| Proceeds from sale of capital assets | 1,541,041 | 1,205,888 | - | - | 35,143 | 300,010 | - | - | - |
| Transfers in | 442,761 | - | - | 442,761 | - | - | - | - | - |
| Transfers out | (442,761) | - | - | - | - | - | - | - | (442,761) |
| Total other financing sources (uses) | 1,541,041 | 1,205,888 | - | 442,761 | 35,143 | 300,010 | - | - | (442,761) |
| Net change in fund balances | (775,289) | (939,431) | 1,123 | 463,313 | - | 142,467 | - | - | (442,761) |
| Fund balances at July 1, 2018 | 2,587,980 | 1,098,023 | 224,159 | 732,924 | - | 90,113 | - | - | 442,761 |
| Fund balances at June 30, 2019 | **$ 1,812,691** | **$ 158,592** | **$ 225,282** | **$ 1,196,237** | **$ -** | **$ 232,580** | **$ -** | **$ -** | **$ -** |

## 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, 2019

| | Total Internal Service Funds | Engineering Services | Equipment | General Insurance | Public Service Building |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets | | | | | |
| Cash and investments | $ 1,408,098 | $ 106,203 | $ 680,873 | $ - | $ 621,022 |
| Accounts receivable | 1,278,655 | 410 | 682 | 1,277,563 | - |
| Inventories | 9,325 | - | 9,325 | - | - |
| Prepaid items | 272,860 | 1,564 | 61,744 | 204,130 | 5,422 |
| Total current assets | 2,968,938 | 108,177 | 752,624 | 1,481,693 | 626,444 |
| Noncurrent assets | | | | | |
| Advances to component units | 568,502 | - | 284,251 | 284,251 | - |
| 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 | 9,650,051 | 26,355 | 9,529,332 | - | 94,364 |
| Less accumulated depreciation | (8,632,124) | (26,355) | (6,893,427) | - | (1,712,342) |
| Net capital assets | 2,943,976 | - | 2,635,905 | - | 308,071 |
| Total noncurrent assets | 3,512,478 | - | 2,920,156 | 284,251 | 308,071 |
| Total assets | 6,481,416 | 108,177 | 3,672,780 | 1,765,944 | 934,515 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Related to pension | 360,705 | - | 135,264 | - | 225,441 |
| Related to other postemployment benefits | 109,773 | - | 41,165 | - | 68,608 |
| Total deferred outflows of resources | 470,478 | - | 176,429 | - | 294,049 |
| Total assets and deferred outflows of resources | 6,951,894 | 108,177 | 3,849,209 | 1,765,944 | 1,228,564 |
| **LIABILITIES** | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 367,339 | 1,030 | 66,691 | 283,849 | 15,769 |
| Accrued liabilities | 36,409 | 5,466 | 12,282 | 1,211 | 17,450 |
| Due to other funds | 353,563 | - | - | 353,563 | - |
| Bonds and other obligations, due within one year | 19,300 | 1,900 | 7,400 | 800 | 9,200 |
| Total current liabilities | 776,611 | 8,396 | 86,373 | 639,423 | 42,419 |
| Noncurrent liabilities | | | | | |
| Bonds and other obligations, less amounts due within one year | 95,994 | 9,311 | 36,765 | 3,803 | 46,115 |
| Net pension liability | 1,183,524 | - | 443,822 | - | 739,702 |
| Net other postemployment benefits liability | 380,867 | - | 142,825 | - | 238,042 |
| Total noncurrent liabilities | 1,660,385 | 9,311 | 623,412 | 3,803 | 1,023,859 |
| Total liabilities | 2,436,996 | 17,707 | 709,785 | 643,226 | 1,066,278 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Related to other postemployment benefits | 14,731 | - | 5,524 | - | 9,207 |
| Total liabilities and deferred inflows of resources | 2,451,727 | 17,707 | 715,309 | 643,226 | 1,075,485 |
| **NET POSITION** | | | | | |
| Net investment in capital assets | 2,943,976 | - | 2,635,905 | - | 308,071 |
| Unrestricted | 1,556,191 | 90,470 | 497,995 | 1,122,718 | (154,992) |
| Total net position | **$ 4,500,167** | **$ 90,470** | **$ 3,133,900** | **$ 1,122,718** | **$ 153,079** |

City of Muskegon
**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**
Internal Service Funds
For the year ended June 30, 2019

| | Total Internal Service Funds | Engineering Services | Equipment | General Insurance | Public Service Building |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | |
| Charges for services | $ 9,056,117 | $ 403,437 | $ 2,665,596 | $ 4,937,950 | $ 1,049,134 |
| Other | 83,569 | 29,006 | 51,151 | 2,892 | 520 |
| Total operating revenues | 9,139,686 | 432,443 | 2,716,747 | 4,940,842 | 1,049,654 |
| **OPERATING EXPENSES** | | | | | |
| Administration | 333,374 | 33,594 | 107,283 | 39,384 | 153,113 |
| Insurance premiums and claims | 5,166,291 | - | - | 5,166,291 | - |
| Other operations | 3,707,321 | 358,627 | 2,266,018 | 73,342 | 1,009,334 |
| Depreciation | 449,622 | - | 404,484 | - | 45,138 |
| Total operating expenses | 9,656,608 | 392,221 | 2,777,785 | 5,279,017 | 1,207,585 |
| Operating income (loss) | (516,922) | 40,222 | (61,038) | (338,175) | (157,931) |
| **NONOPERATING REVENUES** | | | | | |
| Investment earnings | 30,081 | 212 | 14,793 | 12,030 | 3,046 |
| Gain on sale of capital assets | 127,526 | - | 127,526 | - | - |
| Total nonoperating revenues | 157,607 | 212 | 142,319 | 12,030 | 3,046 |
| Change in net position | (359,315) | 40,434 | 81,281 | (326,145) | (154,885) |
| Net position at July 1, 2018 | 4,859,482 | 50,036 | 3,052,619 | 1,448,863 | 307,964 |
| Net position at June 30, 2019 | **$ 4,500,167** | **$ 90,470** | **$ 3,133,900** | **$ 1,122,718** | **$ 153,079** |

City of Muskegon
**COMBINING STATEMENT OF CASH FLOWS**
Internal Service Funds
For the year ended June 30, 2019

| | Total Internal Service Funds | Engineering Services | Equipment | General Insurance | Public Service Building |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers | $ 83,823 | $ 30,310 | $ 50,621 | $ 2,892 | $ - |
| Receipts from interfund services provided | 7,741,332 | 403,437 | 2,665,596 | 3,623,165 | 1,049,134 |
| Other receipts | 657,986 | - | - | 657,466 | 520 |
| Payments to suppliers | (6,646,662) | (75,945) | (1,344,629) | (4,872,611) | (353,477) |
| Payments to employees | (1,420,335) | (231,025) | (390,347) | (230,141) | (568,822) |
| Payments for interfund services used | (815,458) | (91,862) | (613,103) | (3,801) | (106,692) |
| Net cash provided by (used for) operating activities | (399,314) | 34,915 | 368,138 | (823,030) | 20,663 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | |
| Interfund borrowing | 353,563 | - | - | 353,563 | - |
| Collections on advances to component units | 84,512 | - | 42,256 | 42,256 | - |
| Net cash provided by (used for) noncapital financing activities | 438,075 | - | 42,256 | 395,819 | - |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | |
| Purchases of capital assets | (941,398) | - | (941,398) | - | - |
| Proceeds from sale of capital assets | 163,012 | - | 163,012 | - | - |
| Net cash provided by (used for) capital and related financing activities | (778,386) | - | (778,386) | - | - |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | |
| Investment earnings | 30,081 | 212 | 14,793 | 12,030 | 3,046 |
| Net increase (decrease) in cash and investments | (709,544) | 35,127 | (353,199) | (415,181) | 23,709 |
| Cash and investments at July 1, 2018 | 2,117,642 | 71,076 | 1,034,072 | 415,181 | 597,313 |
| Cash and investments at June 30, 2019 | **$ 1,408,098** | **$ 106,203** | **$ 680,873** | **$ -** | **$ 621,022** |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | | | | | |
| Operating income (loss) | $ (516,922) | $ 40,222 | $ (61,038) | $ (338,175) | $ (157,931) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | | |
| Depreciation expense | 449,622 | - | 404,484 | - | 45,138 |
| Change in assets and liabilities | | | | | |
| Receivables | (656,545) | 1,304 | (530) | (657,319) | - |
| Inventories | (552) | - | (552) | - | - |
| Prepaid items | (8,650) | 114 | (5,415) | (3,893) | 544 |
| Accounts payable | 137,588 | 391 | (46,811) | 171,691 | 12,317 |
| Accrued liabilities | 196,145 | (7,116) | 78,000 | 4,666 | 120,595 |
| Net cash provided by (used for) operating activities | **$ (399,314)** | **$ 34,915** | **$ 368,138** | **$ (823,030)** | **$ 20,663** |

## DESCRIPTION OF
## FIDUCIARY FUNDS

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

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

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

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

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

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

City of Muskegon
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**
Agency Funds
June 30, 2019

| | Total Agency Funds | Collector | Current Tax | Rehab Loan Escrow |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments | $ 944,538 | $ 944,157 | $ - | $ 381 |
| Accounts receivable | 30,521 | 30,521 | - | - |
| Total assets | **$ 975,059** | **$ 974,678** | **$ -** | **$ 381** |
| **LIABILITIES** | | | | |
| Accounts payable | $ 333,678 | $ 333,297 | $ - | $ 381 |
| Due to other governmental units | 446,320 | 446,320 | - | - |
| Deposits held for others | 195,061 | 195,061 | - | - |
| Total liabilities | **$ 975,059** | **$ 974,678** | **$ -** | **$ 381** |

City of Muskegon
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
Agency Funds
For the year ended June 30, 2019

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|---|---|---|---|---|
| **COLLECTOR FUND** | | | | |
| **ASSETS** | | | | |
| Cash and investments | $ 946,219 | $ 9,512,447 | $ 9,514,509 | $ 944,157 |
| Accounts receivable | 17,482 | 388,662 | 375,623 | 30,521 |
| Total assets | **$ 963,701** | **$ 9,901,109** | **$ 9,890,132** | **$ 974,678** |
| **LIABILITIES** | | | | |
| Accounts payable | $ 663,816 | $ 4,986,228 | $ 5,316,747 | $ 333,297 |
| Due to other governmental units | 90,460 | 2,637,303 | 2,281,443 | 446,320 |
| Deposits held for others | 209,425 | 2,842,514 | 2,856,878 | 195,061 |
| Total liabilities | **$ 963,701** | **$ 10,466,045** | **$ 10,455,068** | **$ 974,678** |
| **CURRENT TAX FUND** | | | | |
| **ASSETS** | | | | |
| Cash and investments | **$ -** | **$ 22,353,959** | **$ 22,353,959** | **$ -** |
| **LIABILITIES** | | | | |
| Due to other governmental units | $ - | $ 22,945,162 | $ 22,945,162 | $ - |
| Due to component units | - | 1,728,439 | 1,728,439 | - |
| Deposits held for others | - | 141,759 | 141,759 | - |
| Total liabilities | **$ -** | **$ 24,815,360** | **$ 24,815,360** | **$ -** |
| **REHAB LOAN ESCROW FUND** | | | | |
| **ASSETS** | | | | |
| Cash and investments | **$ 381** | **$ -** | **$ -** | **$ 381** |
| **LIABILITIES** | | | | |
| Accounts payable | **$ 381** | **$ -** | **$ -** | **$ 381** |
| **ALL AGENCY FUNDS** | | | | |
| **ASSETS** | | | | |
| Cash and investments | $ 946,600 | $ 31,866,406 | $ 31,868,468 | $ 944,538 |
| Accounts receivable | 17,482 | 388,662 | 375,623 | 30,521 |
| Total assets | **$ 964,082** | **$ 32,255,068** | **$ 32,244,091** | **$ 975,059** |
| **LIABILITIES** | | | | |
| Accounts payable | $ 664,197 | $ 4,986,228 | $ 5,316,747 | $ 333,678 |
| Due to other governmental units | 90,460 | 25,582,465 | 25,226,605 | 446,320 |
| Due to component units | - | 1,728,439 | 1,728,439 | - |
| Deposits held for others | 209,425 | 2,984,273 | 2,998,637 | 195,061 |
| Total liabilities | **$ 964,082** | **$ 35,281,405** | **$ 35,270,428** | **$ 975,059** |

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## DESCRIPTION OF
## DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

City of Muskegon
**COMBINING BALANCE SHEET**
Discretely Presented Component Units
June 30, 2019

| | Total Discretely Presented Component Units | Local Development Finance Authority - SmartZone | Downtown Development Authority | Tax Increment Finance Authority | Brownfield Redevelopment Authority I | Brownfield Redevelopment Authority II | Brownfield Redevelopment Authority III |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and investments | **$ 167,080** | **$ 25,897** | **$ 80,457** | **$ 13,181** | **$ 15,763** | **$ 16,067** | **$ 15,715** |
| **LIABILITIES** | | | | | | | |
| Advances from primary government | $ 852,752 | $ - | $ - | $ - | $ 852,752 | $ - | $ - |
| **FUND BALANCES (DEFICITS)** | | | | | | | |
| Unassigned | (685,672) | 25,897 | 80,457 | 13,181 | (836,989) | 16,067 | 15,715 |
| Total liabilities and fund balances (deficits) | **$ 167,080** | **$ 25,897** | **$ 80,457** | **$ 13,181** | **$ 15,763** | **$ 16,067** | **$ 15,715** |

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**
Discretely Presented Component Units
June 30, 2019

| | | |
|---|---|---|
| Total fund balances (deficits)—governmental funds | | $ (685,672) |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | | |
| Cost of capital assets | $ 4,198,258 | |
| Accumulated depreciation | (2,690,433) | 1,507,825 |
| 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 | (12,250) | |
| Bonds and notes payable | (3,167,419) | (3,179,669) |
| Net position of governmental activities | | **$ (2,357,516)** |

City of Muskegon

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

Discretely Presented Component Units

For the year ended June 30, 2019

| | Total Discretely Presented Component Units | Local Development Finance Authority - SmartZone | Downtown Development Authority | Tax Increment Finance Authority | Brownfield Redevelopment Authority I | Brownfield Redevelopment Authority II | Brownfield Redevelopment Authority III |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Property taxes | $ 1,728,439 | $ 97,583 | $ 1,085,354 | $ 37,658 | $ 134,828 | $ 163,340 | $ 209,676 |
| Intergovernmental revenues | | | | | | | |
| State | 19,425 | 2,871 | - | 7,170 | 4,362 | 5,022 | - |
| Local | 360,000 | 360,000 | - | - | - | - | - |
| Investment earnings | 1,476 | 55 | 549 | 40 | 30 | 261 | 541 |
| Total revenues | 2,109,340 | 460,509 | 1,085,903 | 44,868 | 139,220 | 168,623 | 210,217 |
| **EXPENDITURES** | | | | | | | |
| Current | | | | | | | |
| Community and economic development | 1,418,482 | - | 1,010,930 | 40,000 | - | 162,000 | 205,552 |
| Debt service | | | | | | | |
| Principal | 375,000 | 375,000 | - | - | - | - | - |
| Interest and fees | 111,913 | 81,100 | - | - | 30,813 | - | - |
| Total expenditures | 1,905,395 | 456,100 | 1,010,930 | 40,000 | 30,813 | 162,000 | 205,552 |
| Net change in fund balances (deficits) | 203,945 | 4,409 | 74,973 | 4,868 | 108,407 | 6,623 | 4,665 |
| Fund balances (deficits) at July 1, 2018 | (889,617) | 21,488 | 5,484 | 8,313 | (945,396) | 9,444 | 11,050 |
| Fund balances (deficits) at June 30, 2019 | **$ (685,672)** | **$ 25,897** | **$ 80,457** | **$ 13,181** | **$ (836,989)** | **$ 16,067** | **$ 15,715** |

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, 2019

| | | |
|---|---|---|
| Net change in fund balances—total governmental funds | | $ 203,945 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Depreciation expense | | (172,648) |
| The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position. | | |
| Repayment of principal on long-term debt | | 375,000 |
| Changes in accrual of interest and amortization of premiums and discounts | | |
| Change in accrued interest payable | $ 2,500 | |
| Amortization of premiums | 20,907 | 23,407 |
| Change in net position of governmental activities | | **$ 429,704** |

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# SCHEDULE OF INDEBTEDNESS

City of Muskegon

## SCHEDULE OF INDEBTEDNESS

June 30, 2019

| | Date of Issue | Amount of Issue | Interest Rate | Date of Maturity | 6/30/2018 | 6/30/2019 | Annual Interest Payable |
|---|---|---|---|---|---|---|---|
| **Business-Type Activities Bonds and Loans Payable:** | | | | | | | |
| **Water supply system bonds** | **4/1/2010** | **$ 5,995,000** | **4.25%** | **05/01/19** | $ 770,000 | $ - | $ - |
| | | | | | 770,000 | - | - |
| **Type of debt: revenue bond** | | | | | | | |
| **Revenue pledged: water system net revenues** | | | | | | | |
| **Drinking Water State Revolving** | **3/2/2004** | **$ 13,900,000** | **2.13%** | **10/01/18** | 725,000 | - | - |
| **Fund** | | | **2.13%** | **10/01/19** | 745,000 | 745,000 | 109,916 |
| | | | **2.13%** | **10/01/20** | 760,000 | 760,000 | 93,925 |
| **Type of debt: state loan** | | | **2.13%** | **10/01/21** | 775,000 | 775,000 | 77,616 |
| **Revenue pledged: water system net revenues** | | | **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 |
| | | | | | 6,270,000 | 5,545,000 | 421,974 |
| **TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE** | | | | | $ 7,040,000 | $ 5,545,000 | $ 421,974 |
| **Governmental Activities Bonds and Loans Payable:** | | | | | | | |
| **Capital Improvement refunding bonds** | **3/8/2016** | **$ 4,815,000** | **2.00%** | **10/01/18** | $ 65,000 | $ - | $ - |
| **of 2016** | | | **2.00%** | **10/01/19** | 290,000 | 290,000 | 159,750 |
| **($257,903 unamortized premium)** | | | **3.00%** | **10/01/20** | 295,000 | 295,000 | 150,975 |
| | | | **3.00%** | **10/01/21** | 305,000 | 305,000 | 141,975 |
| **Type of debt: limited G.O. bonds** | | | **3.00%** | **10/01/22** | 300,000 | 300,000 | 132,900 |
| **Revenue pledged: general revenue** | | | **3.00%** | **10/01/23** | 300,000 | 300,000 | 122,400 |
| | | | **4.00%** | **10/01/24** | 320,000 | 320,000 | 110,000 |
| | | | **4.00%** | **10/01/25** | 325,000 | 325,000 | 97,100 |
| | | | **4.00%** | **10/01/26** | 325,000 | 325,000 | 84,100 |
| | | | **4.00%** | **10/01/27** | 325,000 | 325,000 | 71,100 |
| | | | **4.00%** | **10/01/28** | 325,000 | 325,000 | 58,100 |
| | | | **4.00%** | **10/01/29** | 325,000 | 325,000 | 45,100 |
| | | | **4.00%** | **10/01/30** | 325,000 | 325,000 | 32,100 |
| | | | **4.00%** | **10/01/31** | 320,000 | 320,000 | 19,200 |
| | | | **4.00%** | **10/01/32** | 320,000 | 320,000 | 6,400 |
| | | | | | 4,465,000 | 4,400,000 | 1,231,200 |
| **Capital improvement bonds** | **9/30/2011** | **$ 2,000,000** | **2.98%** | **09/01/18** | 210,000 | - | - |
| **of 2011 (streets)** | | | **2.98%** | **09/01/19** | 215,000 | 215,000 | 16,614 |
| | | | **2.98%** | **09/01/20** | 220,000 | 220,000 | 10,132 |
| **Type of debt: limited G.O. bond** | | | **2.98%** | **09/01/21** | 230,000 | 230,000 | 3,427 |
| **Revenue pledged: gas tax, general revenues** | | | | | 875,000 | 665,000 | 30,173 |
| **State of Michigan** | **6/18/2010** | **$ 500,000** | **2.00%** | **03/18/19** | 19,313 | - | - |
| **environmental assessment loan** | | | **2.00%** | **03/18/20** | 19,699 | 19,699 | 394 |
| | | | | | 39,012 | 19,699 | 394 |
| **Type of debt: state loan** | | | | | | | |
| **Revenue pledged: general revenues** | | | | | | | |
| **TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE** | | | | | $ 5,379,012 | $ 5,084,699 | $ 1,261,767 |
| **TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE** | | | | | $ 12,419,012 | $ 10,629,699 | $ 1,683,741 |

City of Muskegon

## SCHEDULE OF INDEBTEDNESS

June 30, 2019

| | Date of Issue | Amount of Issue | Interest Rate | Date of Maturity | 6/30/2018 | 6/30/2019 | Annual Interest Payable |
|---|---|---|---|---|---|---|---|
| **Discretely Presented Component Unit Bonds and Loans Payable:** | | | | | | | |
| **Downtown Development Authority** | **8/10/1989** | **$ 1,000,000** | **0.00%** | **08/30/19** | $ 1,000,000 | $ 1,000,000 | $ - |
| **promissory note to Muskegon County** | | | | | 1,000,000 | 1,000,000 | - |
| **Type of debt: intergovernmental note** | | | | | | | |
| **Revenue pledged: DDA tax increments** | | | | | | | |
| **Local Development Finance Authority** | **3/20/2012** | **$ 4,100,000** | **4.00%** | **11/01/18** | 375,000 | - | - |
| **Smartzone Refunding Bonds** | | | **4.00%** | **11/01/19** | 390,000 | 390,000 | 65,800 |
| **($57,419 unamortized premium)** | | | **4.00%** | **11/01/20** | 395,000 | 395,000 | 50,100 |
| | | | **4.00%** | **11/01/21** | 245,000 | 245,000 | 37,300 |
| **Type of debt: limited G.O. bond** | | | **3.00%** | **11/01/22** | 255,000 | 255,000 | 28,575 |
| **Revenue pledged: LDFA tax increments, general revenues** | | | **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 |
| | | | | | 2,485,000 | 2,110,000 | 219,500 |
| **TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE** | | | | | $ 3,485,000 | $ 3,110,000 | $ 219,500 |
| **TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE** | | | | | $ 15,904,012 | $ 13,739,699 | $ 1,903,241 |

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# Statistical Section

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

**Contents** **Page**


**Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 126

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes. 131

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 138

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. 142

**Operating Information**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. 144


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

**City of Muskegon**

## NET ASSETS/NET POSITION BY COMPONENT

**Last Ten Fiscal Years**

| | 2010 | 2011 | 2012 | 2013 (a) | 2014 | 2015 (b) | 2016 | 2017 | 2018 (c) | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | | | | | |
| **Net Investment in Capital Assets** | $ 67,809,630 | $ 67,944,957 | $ 66,862,806 | $ 63,842,092 | $ 63,731,255 | $ 63,514,691 | $ 64,326,891 | $ 62,520,466 | $ 61,267,518 | $ 66,734,006 |
| **Restricted** | 3,059,208 | 3,656,410 | 3,526,343 | 4,572,848 | 4,023,895 | 4,807,531 | 4,140,342 | 3,777,410 | 6,138,596 | 5,519,207 |
| **Unrestricted** | 13,828,231 | 12,598,197 | 12,836,573 | 13,299,523 | 12,811,852 | 491,914 | (4,142,119) | (5,566,349) | (8,350,634) | (14,355,143) |
| **Total Governmental Net Assets/Net Position** | $ 84,697,069 | $ 84,199,564 | $ 83,225,722 | $ 81,714,463 | $ 80,567,002 | $ 68,814,136 | $ 64,325,114 | $ 60,731,527 | $ 59,055,480 | $ 57,898,070 |
| **Business-type Activities** | | | | | | | | | | |
| **Net Investment in Capital Assets** | $ 41,105,739 | $ 40,419,728 | $ 40,147,600 | $ 40,032,858 | $ 39,365,043 | $ 39,231,223 | $ 39,013,529 | $ 38,114,686 | $ 38,549,547 | $ 41,741,666 |
| **Restricted** | 672,000 | 672,000 | 672,000 | 599,500 | 599,500 | 599,500 | 599,500 | 599,500 | 599,500 | 599,500 |
| **Unrestricted** | 7,630,396 | 9,211,610 | 8,961,713 | 8,491,848 | 8,377,093 | 6,423,540 | 5,762,272 | 6,382,906 | 6,041,091 | 2,424,616 |
| **Total Business-type Activities Net Assets/Net Position** | $ 49,408,135 | $ 50,303,338 | $ 49,781,313 | $ 49,124,206 | $ 48,341,636 | $ 46,254,263 | $ 45,375,301 | $ 45,097,092 | $ 45,190,138 | $ 44,765,782 |
| **Primary Government** | | | | | | | | | | |
| **Net Investment in Capital Assets** | $ 108,915,369 | $ 108,364,685 | $ 107,010,406 | $ 103,874,950 | $ 103,096,298 | $ 102,745,914 | $ 103,340,420 | $ 100,635,152 | $ 99,817,065 | $ 108,475,672 |
| **Restricted** | 3,731,208 | 4,328,410 | 4,198,343 | 5,172,348 | 4,623,395 | 5,407,031 | 4,739,842 | 4,376,910 | 6,738,096 | 6,118,707 |
| **Unrestricted** | 21,458,627 | 21,809,807 | 21,798,286 | 21,791,371 | 21,188,945 | 6,915,454 | 1,620,153 | 816,557 | (2,309,543) | (11,930,527) |
| **Total Primary Government Net Assets/Net Position** | $ 134,105,204 | $ 134,502,902 | $ 133,007,035 | $ 130,838,669 | $ 128,908,638 | $ 115,068,399 | $ 109,700,415 | $ 105,828,619 | $ 104,245,618 | $ 102,663,852 |

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

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

**City of Muskegon**

## CHANGES IN NET ASSETS/NET POSITION

**Last Ten Fiscal Years**

| | Period Ended June 30 | Year Ended June 30 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 (a) | 2014 | 2015 (b) | 2016 | 2017 | 2018 (c) | 2019 |
| **EXPENSES** | | | | | | | | | | |
| **Governmental Activities** | | | | | | | | | | |
| **Public representation** | $ 445,251 | $ 854,249 | $ 866,809 | $ 893,981 | $ 1,030,006 | $ 939,907 | $ 1,107,551 | $ 1,113,897 | $ 1,347,618 | $ 1,336,014 |
| **Administrative services** | 317,873 | 645,585 | 566,161 | 565,307 | 543,425 | 614,757 | 663,077 | 679,139 | 507,275 | 800,887 |
| **Financial services** | 1,209,694 | 2,373,141 | 2,399,147 | 2,241,061 | 2,171,958 | 2,547,766 | 2,331,236 | 2,483,519 | 1,995,426 | 2,700,775 |
| **Public safety** | 6,332,728 | 13,390,888 | 13,213,251 | 12,987,842 | 12,946,466 | 14,243,233 | 17,118,742 | 16,910,473 | 12,404,126 | 20,433,642 |
| **Public works** | 1,640,946 | 3,471,051 | 2,958,367 | 3,201,806 | 3,361,422 | 3,183,627 | 3,109,454 | 3,551,230 | 3,471,618 | 4,438,358 |
| **Highways, streets and bridges** | 3,680,196 | 7,013,216 | 6,568,448 | 6,672,374 | 7,053,326 | 7,165,703 | 7,251,882 | 6,996,540 | 6,917,260 | 7,185,642 |
| **Community and economic development** | 1,275,026 | 2,830,867 | 2,447,373 | 2,499,404 | 2,417,518 | 2,712,131 | 5,223,431 | 3,738,566 | 5,015,160 | 2,890,216 |
| **Culture and recreation** | 759,392 | 1,524,331 | 1,601,316 | 1,592,358 | 1,671,185 | 1,806,790 | 3,551,692 | 3,918,814 | 3,994,582 | 4,541,739 |
| **General administration** | 210,117 | 794,115 | 791,197 | 322,348 | 366,634 | 389,248 | 326,452 | 301,287 | 376,112 | 302,582 |
| **Interest on long-term debt** | 139,006 | 272,940 | 283,186 | 291,535 | 277,345 | 271,607 | 248,223 | 172,591 | 165,023 | 151,304 |
| **Total Governmental Activities Expenses** | 16,010,229 | 33,170,383 | 31,695,255 | 31,268,016 | 31,839,285 | 33,874,769 | 40,931,740 | 39,866,056 | 36,194,200 | 44,781,159 |
| **Business-type Activities** | | | | | | | | | | |
| **Water** | 2,958,795 | 5,869,241 | 5,974,173 | 6,228,788 | 6,016,192 | 6,047,244 | 6,750,826 | 7,206,564 | 7,090,770 | 7,752,703 |
| **Sewer** | 2,525,067 | 5,288,622 | 6,202,359 | 7,226,839 | 7,582,602 | 8,460,509 | 8,669,469 | 8,876,690 | 8,093,752 | 9,119,941 |
| **Marina and launch ramp** | 150,055 | 292,889 | 310,174 | 426,553 | 503,997 | 305,990 | 327,832 | 336,912 | 377,614 | 430,431 |
| **Total Business-type Activities Expenses** | 5,633,917 | 11,450,752 | 12,486,706 | 13,882,180 | 14,102,791 | 14,813,743 | 15,748,127 | 16,420,166 | 15,562,136 | 17,303,075 |
| **Total Primary Government Expenses** | $ 21,644,146 | $ 44,621,135 | $ 44,181,961 | $ 45,150,196 | $ 45,942,076 | $ 48,688,512 | $ 56,679,867 | $ 56,286,222 | $ 51,756,336 | $ 62,084,234 |
| **PROGRAM REVENUES** | | | | | | | | | | |
| **Governmental Activities** | | | | | | | | | | |
| **Charges for Services** | | | | | | | | | | |
| **Public representation** | $ 100,177 | $ 196,886 | $ 196,886 | $ 173,739 | $ 189,444 | $ 188,638 | $ 226,559 | $ 228,767 | $ 232,736 | $ 250,931 |
| **Administrative services** | 129,630 | 263,473 | 270,886 | 268,535 | 325,937 | 415,308 | 474,737 | 572,739 | 539,178 | 604,290 |
| **Financial services** | 475,031 | 879,905 | 881,229 | 830,919 | 871,632 | 823,547 | 925,474 | 895,924 | 903,322 | 921,748 |
| **Public safety** | 536,419 | 1,109,659 | 1,136,942 | 1,133,666 | 1,407,722 | 1,218,644 | 1,248,911 | 1,824,114 | 2,794,347 | 2,292,158 |
| **Public works** | 209,203 | 642,082 | 480,487 | 671,494 | 796,739 | 571,426 | 379,877 | 646,876 | 743,110 | 691,312 |
| **Highways, streets and bridges** | 139,009 | 451,473 | 230,241 | 245,609 | 351,962 | 258,475 | 234,861 | 256,190 | 188,248 | 191,883 |
| **Community and economic development** | 186,572 | 457,952 | 617,379 | 432,240 | 477,486 | 576,863 | 444,632 | 706,195 | 348,933 | 786,120 |
| **Culture and recreation** | 129,025 | 300,367 | 315,010 | 606,818 | 535,211 | 368,168 | 1,229,067 | 1,463,839 | 1,651,304 | 1,853,547 |
| **General administration** | 59,373 | 116,690 | 116,690 | 287,729 | 50,728 | 48,764 | 52,512 | 37,892 | 38,549 | 40,400 |
| **Operating grants and contributions** | 3,131,811 | 5,425,165 | 4,651,576 | 4,681,345 | 4,664,098 | 5,071,239 | 5,330,825 | 5,208,818 | 6,478,526 | 6,892,530 |
| **Capital grants and contributions** | 255,234 | 2,257,163 | 1,568,005 | 886,108 | 1,408,424 | 3,496,623 | 3,804,656 | 862,074 | 2,305,620 | 4,015,097 |
| **Total Governmental Program Revenues** | 5,351,484 | 12,100,815 | 10,465,331 | 10,218,202 | 11,079,383 | 13,037,695 | 14,352,111 | 12,703,428 | 16,223,873 | 18,540,016 |
| **Business-type Activities** | | | | | | | | | | |
| **Water** | 2,891,169 | 5,454,760 | 5,254,095 | 5,890,614 | 6,099,480 | 6,375,869 | 7,485,013 | 7,430,314 | 7,445,669 | 7,946,983 |
| **Sewer** | 3,441,924 | 6,652,851 | 6,455,634 | 7,058,315 | 6,633,911 | 6,363,808 | 6,305,554 | 7,620,208 | 8,217,497 | 8,098,828 |
| **Marina and launch ramp** | 156,767 | 194,311 | 208,370 | 234,229 | 228,339 | 255,638 | 287,547 | 278,753 | 325,917 | 298,312 |
| **Operating grants and contributions** | - | - | - | 6,188 | - | - | - | 2,436 | 42,531 | 510,533 |
| **Capital grants and contributions** | - | 20,074 | - | 88,046 | 327,240 | 474,681 | 765,363 | 784,969 | - | - |
| **Total Business-type program revenues** | 6,489,860 | 12,321,996 | 11,918,099 | 13,277,392 | 13,288,970 | 13,469,996 | 14,843,477 | 16,116,680 | 16,031,614 | 16,854,656 |
| **Total Primary Government program revenues** | $ 11,841,344 | $ 24,422,811 | $ 22,383,430 | $ 23,495,594 | $ 24,368,353 | $ 26,507,691 | $ 29,195,588 | $ 28,820,108 | $ 32,255,487 | $ 35,394,672 |
| **NET (EXPENSE) REVENUE** | | | | | | | | | | |
| **Governmental Activities** | $ (10,658,745) | $ (21,069,568) | $ (21,229,924) | $ (21,049,814) | $ (20,759,902) | $ (20,837,074) | $ (26,579,629) | $ (27,162,628) | $ (19,970,327) | $ (26,241,143) |
| **Business-type Activities** | 855,943 | 871,244 | (568,607) | (604,788) | (813,821) | (1,343,747) | (904,650) | (303,486) | 469,478 | (448,419) |
| **Total Primary Government net expense** | $ (9,802,802) | $ (20,198,324) | $ (21,798,531) | $ (21,654,602) | $ (21,573,723) | $ (22,180,821) | $ (27,484,279) | $ (27,466,114) | $ (19,500,849) | $ (26,689,562) |

**City of Muskegon**

## CHANGES IN NET ASSETS/NET POSITION

**Last Ten Fiscal Years**

| | Period Ended June 30 | Year Ended June 30 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 (a) | 2014 | 2015 (b) | 2016 | 2017 | 2018 (c) | 2019 |
| **GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION** | | | | | | | | | | |
| **Governmental Activities** | | | | | | | | | | |
| **Property taxes** | $ 8,681,256 | $ 8,844,004 | $ 8,383,224 | $ 7,592,847 | $ 7,383,236 | $ 7,894,189 | $ 8,366,212 | $ 8,389,243 | $ 8,450,103 | $ 8,230,573 |
| **Income taxes** | 3,505,264 | 6,866,967 | 7,663,534 | 8,057,145 | 7,762,719 | 8,478,231 | 8,386,775 | 8,707,279 | 8,995,294 | 8,939,887 |
| **Franchise fees** | 178,239 | 362,103 | 342,376 | 358,785 | 358,754 | 369,965 | 372,117 | 378,955 | 368,495 | 380,343 |
| **Grants and contributions not restricted for specific programs** | 1,832,066 | 3,846,859 | 3,577,848 | 3,700,871 | 3,813,221 | 3,989,178 | 4,051,050 | 4,630,111 | 4,955,168 | 5,102,602 |
| **Unrestricted investment earnings** | 104,086 | 193,435 | 100,073 | 73,157 | 146,590 | 99,733 | 189,408 | 106,653 | 92,771 | 546,533 |
| **Miscellaneous** | 51,638 | 432,880 | 154,531 | 102,388 | 124,085 | 805,432 | 626,014 | 512,738 | 545,536 | 550,381 |
| **Gain on sale of capital asset** | 65,155 | 25,815 | 34,496 | 44,899 | 23,836 | 20,302 | 99,031 | 844,062 | 712,415 | 1,333,414 |
| **Transfers** | (3,760) | - | - | - | - | - | - | - | - | - |
| **Total Governmental Program Revenues** | 14,413,944 | 20,572,063 | 20,256,082 | 19,930,092 | 19,612,441 | 21,657,030 | 22,090,607 | 23,569,041 | 24,119,782 | 25,083,733 |
| **Business-type Activities** | | | | | | | | | | |
| **Unrestricted investment earnings** | 15,990 | 23,959 | 46,582 | 33,148 | 31,251 | 29,879 | 25,688 | 25,277 | 28,550 | 24,063 |
| **Gain on sale of capital asset** | - | - | - | - | - | - | - | - | - | - |
| **Transfers** | 3,760 | - | - | - | - | - | - | - | - | - |
| **Total Business-type program revenues** | 19,750 | 23,959 | 46,582 | 33,148 | 31,251 | 29,879 | 25,688 | 25,277 | 28,550 | 24,063 |
| **Total Primary Government program revenues** | $ 14,433,694 | $ 20,596,022 | $ 20,302,664 | $ 19,963,240 | $ 19,643,692 | $ 21,686,909 | $ 22,116,295 | $ 23,594,318 | $ 24,148,332 | $ 25,107,796 |
| **CHANGE IN NET ASSETS/NET POSITION** | | | | | | | | | | |
| **Governmental Activities** | $ 3,755,199 | $ (497,505) | $ (973,842) | $ (1,119,722) | $ (1,147,461) | $ 819,956 | $ (4,489,022) | $ (3,593,587) | $ 4,149,455 | $ (1,157,410) |
| **Business-type Activities** | 875,693 | 895,203 | (522,025) | (571,640) | (782,570) | (1,313,868) | (878,962) | (278,209) | 498,028 | (424,356) |
| **Total Primary Government** | $ 4,630,892 | $ 397,698 | $ (1,495,867) | $ (1,691,362) | $ (1,930,031) | $ (493,912) | $ (5,367,984) | $ (3,871,796) | $ 4,647,483 | $ (1,581,766) |

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

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

**City of Muskegon**

## FUND BALANCE OF GOVERNMENTAL FUNDS

**Last Ten Fiscal Years**

| | 2010 | 2011 (a) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General fund** | | | | | | | | | | |
| **Reserved** | $ 300,969 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Nonspendable** | - | 251,173 | 178,468 | 447,341 | 300,952 | 220,178 | 232,332 | 209,353 | 222,458 | 241,684 |
| **Restricted** | - | - | - | - | - | - | - | - | - | - |
| **Assigned** | - | 2,385,728 | 2,075,738 | 2,292,495 | 1,700,000 | 1,700,000 | 1,700,000 | 1,700,000 | 1,700,000 | 1,700,000 |
| **Unassigned** | - | 3,374,481 | 4,265,839 | 4,613,722 | 5,495,145 | 5,883,318 | 6,098,977 | 6,148,292 | 6,469,108 | 6,563,511 |
| **Unreserved** | 5,737,485 | - | - | - | - | - | - | - | - | - |
| **Total general fund** | $ 6,038,454 | $ 6,011,382 | $ 6,520,045 | $ 7,353,558 | $ 7,496,097 | $ 7,803,496 | $ 8,031,309 | $ 8,057,645 | $ 8,391,566 | $ 8,505,195 |
| **All other governmental funds** | | | | | | | | | | |
| **Reserved** | $ 3,887,289 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Nonspendable** | - | 1,704,256 | 1,568,318 | 1,547,793 | 1,556,347 | 2,073,747 | 1,597,371 | 1,716,825 | 1,589,699 | 1,624,737 |
| **Restricted** | - | 1,375,779 | 3,485,073 | 2,749,396 | 2,305,385 | 3,159,130 | 2,995,610 | 2,726,754 | 5,130,188 | 4,621,126 |
| **Assigned** | - | 2,073,027 | 2,055,904 | 2,087,359 | 1,729,457 | 2,146,050 | 1,373,669 | 3,510,747 | 2,619,342 | 1,823,959 |
| **Unassigned** | - | (238,104) | (191,282) | (82,048) | (100,054) | - | - | - | - | - |
| **Unreserved, reported in:** | | | | | | | | | | |
| **Special revenue funds** | 2,163,041 | - | - | - | - | - | - | - | - | - |
| **Capital project funds** | 6,035 | - | - | - | - | - | - | - | - | - |
| **Permanent funds** | 16,979 | - | - | - | - | - | - | - | - | - |
| **Total all other governmental funds** | $ 6,073,344 | $ 4,914,958 | $ 6,918,013 | $ 6,302,500 | $ 5,491,135 | $ 7,378,927 | $ 5,966,650 | $ 7,954,326 | $ 9,339,229 | $ 8,069,822 |

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

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

**City of Muskegon**

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

**Last Ten Fiscal Years**

| | Period Ended June 30 | Year Ended June 30 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| **Revenues** | | | | | | | | | | |
| **Taxes** | $ 11,855,182 | $ 15,146,430 | $ 15,506,668 | $ 14,832,027 | $ 14,954,904 | $ 15,830,137 | $ 16,178,761 | $ 16,667,272 | $ 16,877,055 | $ 16,582,030 |
| **Intergovernmental** | 4,785,494 | 11,525,749 | 9,899,379 | 9,403,554 | 9,945,065 | 12,301,594 | 11,711,788 | 10,743,434 | 13,488,014 | 15,776,333 |
| **Charges for services** | 1,338,194 | 2,769,204 | 2,596,328 | 2,769,227 | 2,569,335 | 2,468,889 | 3,468,938 | 3,918,217 | 4,229,797 | 4,430,419 |
| **Other** | 1,768,895 | 3,461,292 | 3,237,189 | 2,795,952 | 3,256,324 | 4,003,105 | 3,868,958 | 4,005,126 | 5,251,208 | 5,312,773 |
| **Total revenues** | 19,747,765 | 32,902,675 | 31,239,564 | 29,800,760 | 30,725,628 | 34,603,725 | 35,228,445 | 35,334,049 | 39,846,074 | 42,101,555 |
| **Expenditures** | | | | | | | | | | |
| **Public representation** | 448,703 | 851,918 | 867,762 | 892,113 | 1,031,984 | 930,788 | 1,064,503 | 1,080,032 | 1,383,573 | 1,281,107 |
| **Administrative services** | 303,555 | 586,328 | 515,988 | 508,130 | 497,025 | 554,330 | 577,454 | 624,284 | 537,913 | 739,301 |
| **Financial services** | 1,241,430 | 2,352,709 | 2,407,131 | 2,196,917 | 2,197,651 | 2,476,740 | 2,068,208 | 2,236,941 | 2,191,245 | 2,394,866 |
| **Public safety** | 6,578,735 | 13,087,976 | 12,963,122 | 12,724,094 | 12,987,898 | 13,285,004 | 13,476,557 | 14,086,619 | 15,156,977 | 16,131,196 |
| **Public works** | 1,589,090 | 3,079,342 | 2,835,000 | 2,878,328 | 2,918,305 | 2,876,576 | 2,864,878 | 3,206,050 | 3,377,174 | 4,176,904 |
| **Highways, streets and bridges** | 1,823,089 | 3,226,377 | 2,756,010 | 2,815,337 | 3,011,611 | 2,986,909 | 3,102,391 | 3,096,875 | 4,554,968 | 2,963,498 |
| **Community and economic development** | 1,330,794 | 3,109,693 | 2,850,593 | 2,578,073 | 2,687,933 | 2,957,071 | 5,415,436 | 3,878,547 | 3,962,759 | 2,930,725 |
| **Culture and recreation** | 639,852 | 1,197,020 | 1,265,743 | 1,248,174 | 1,308,481 | 1,444,471 | 3,100,338 | 3,523,178 | 3,713,177 | 4,050,986 |
| **Other governmental functions** | 200,623 | 1,775,128 | 770,910 | 299,812 | 643,666 | 369,408 | 305,807 | 280,416 | 355,241 | 281,711 |
| **Debt service** | | | | | | | | | | |
| **Principal** | 303,466 | 1,345,183 | 289,597 | 395,211 | 402,492 | 417,842 | 428,199 | 283,563 | 288,934 | 294,313 |
| **Interest** | 136,013 | 267,258 | 268,315 | 292,554 | 278,412 | 272,946 | 257,516 | 211,242 | 197,723 | 189,905 |
| **Issuance costs** | - | - | - | - | - | - | 97,578 | - | - | - |
| **Capital outlay** | 980,822 | 3,301,273 | 2,948,610 | 3,230,586 | 3,577,837 | 3,992,111 | 3,867,579 | 2,328,615 | 3,134,369 | 9,363,862 |
| **Total expenditure** | 15,576,172 | 34,180,205 | 30,738,781 | 30,059,329 | 31,543,295 | 32,564,196 | 36,626,444 | 34,836,362 | 38,854,053 | 44,798,374 |
| **Excess of revenues over (under) expenditures** | 4,171,593 | (1,277,530) | 500,783 | (258,569) | (817,667) | 2,039,529 | (1,397,999) | 497,687 | 992,021 | (2,696,819) |
| **Other financing sources (uses)** | | | | | | | | | | |
| **Transfers in** | 342,188 | 1,348,694 | 510,907 | 1,356,229 | 743,035 | 853,910 | 1,563,094 | 1,805,000 | 1,370,000 | 1,210,236 |
| **Transfers out** | (359,971) | (1,376,740) | (613,953) | (784,275) | (771,081) | (942,933) | (1,638,094) | (1,818,000) | (1,385,000) | (1,210,236) |
| **Bonds issued** | - | - | 2,000,000 | - | - | - | 97,578 | - | - | - |
| **Sale of capital assets** | 75,465 | 120,118 | 113,981 | 190,263 | 176,887 | 244,685 | 190,957 | 1,529,325 | 741,803 | 1,541,041 |
| **Total other financing sources (uses)** | 57,682 | 92,072 | 2,010,935 | 762,217 | 148,841 | 155,662 | 213,535 | 1,516,325 | 726,803 | 1,541,041 |
| **Net change in fund balances** | $ 4,229,275 | $ (1,185,458) | $ 2,511,718 | $ 503,648 | $ (668,826) | $ 2,195,191 | $ (1,184,464) | $ 2,014,012 | $ 1,718,824 | $ (1,155,778) |
| **Debt service as a percentage of noncapital expenditures** | 3.01% | 5.22% | 2.01% | 2.56% | 2.43% | 2.42% | 2.09% | 1.52% | 1.36% | 1.37% |

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

**City of Muskegon**

## GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE

**Last Ten Fiscal Years**

| Fiscal Year | Property Tax | % of Total | Income Tax | % of Total | Intergo-vernmental | % of Total | Charges for Service | % of Total | Licenses and Permits | % of Total | Fines and Fees | % of Total | Interest and Rent | % of Total | Other | % of Total | Total | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2010*** | $ 8,487,125 | 43.0% | $ 3,368,057 | 17.1% | $ 4,785,494 | 24.2% | $ 1,338,194 | 6.8% | $ 584,162 | 3.0% | $ 297,043 | 1.5% | $ 193,873 | 1.0% | $ 693,817 | 3.5% | $ 19,747,765 | -39.9% |
| **2011** | 8,546,677 | 26.0% | 6,599,753 | 20.1% | 11,525,749 | 35.0% | 2,769,204 | 8.4% | 1,179,639 | 3.6% | 447,254 | 1.4% | 412,498 | 1.3% | 1,421,901 | 4.3% | 32,902,675 | 66.6% |
| **2012** | 8,093,864 | 25.9% | 7,412,804 | 23.7% | 9,899,379 | 31.7% | 2,596,328 | 8.3% | 1,223,034 | 3.9% | 459,401 | 1.5% | 307,891 | 1.0% | 1,246,863 | 4.0% | 31,239,564 | -5.1% |
| **2013** | 7,325,555 | 24.6% | 7,506,472 | 25.2% | 9,403,554 | 31.6% | 2,769,227 | 9.3% | 1,238,285 | 4.2% | 435,893 | 1.5% | 267,397 | 0.9% | 854,377 | 2.9% | 29,800,760 | -4.6% |
| **2014** | 7,123,481 | 23.2% | 7,831,423 | 25.5% | 9,945,065 | 32.4% | 2,569,335 | 8.4% | 1,570,137 | 5.1% | 418,691 | 1.4% | 352,153 | 1.1% | 915,343 | 3.0% | 30,725,628 | 3.1% |
| **2015** | 7,555,471 | 21.8% | 8,274,666 | 23.9% | 12,301,594 | 35.5% | 2,468,889 | 7.1% | 1,361,721 | 3.9% | 452,004 | 1.3% | 343,105 | 1.0% | 1,846,275 | 5.3% | 34,603,725 | 12.6% |
| **2016** | 8,026,859 | 22.8% | 8,151,902 | 23.1% | 11,711,788 | 33.2% | 3,468,938 | 9.8% | 1,443,144 | 4.1% | 459,181 | 1.3% | 455,671 | 1.3% | 1,510,962 | 4.3% | 35,228,445 | 1.8% |
| **2017** | 8,056,460 | 22.8% | 8,610,812 | 24.4% | 10,743,434 | 30.4% | 3,918,217 | 11.1% | 1,884,341 | 5.3% | 494,369 | 1.4% | 290,578 | 0.8% | 1,335,838 | 3.8% | 35,334,049 | 0.3% |
| **2018** | 8,118,381 | 20.4% | 8,758,674 | 22.0% | 13,488,014 | 33.9% | 4,229,797 | 10.6% | 2,965,599 | 7.4% | 457,172 | 1.1% | 212,069 | 0.5% | 1,616,368 | 4.1% | 39,846,074 | 12.8% |
| **2019** | 7,890,357 | 18.7% | 8,691,673 | 20.6% | 15,776,333 | 37.5% | 4,430,419 | 10.5% | 2,452,807 | 5.8% | 488,578 | 1.2% | 757,911 | 1.8% | 1,613,477 | 3.8% | 42,101,555 | 5.7% |

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

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

**City of Muskegon**

## Taxable, Assessed and Equalized and Estimated Actual Valuation of Property

**Last Ten Fiscal Years**

### Taxable Valuation of Property

| | Ad Valorem Assessment Roll | | | | | | | Industrial and Commercial Facilities Assessment Roll | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| **2009** | $ 376,545,791 | $ 157,682 | $ 147,276,887 | $ 114,185,691 | $ 638,166,051 | $ 111,493,852 | $ 749,659,903 | $ 5,259,649 | $ 25,616,400 | $ - | $ 30,876,049 | $ 780,535,952 | 11.0680 | 91.48% |
| **2010** | 332,105,030 | - | 144,721,736 | 109,507,141 | 586,333,907 | 104,029,037 | 690,362,944 | 4,111,154 | 9,129,000 | - | 13,240,154 | 703,603,098 | 12.0680 | 94.04% |
| **2011** | 331,901,631 | - | 144,675,509 | 87,261,346 | 563,838,486 | 93,465,537 | 657,304,023 | 3,071,654 | 9,129,000 | - | 12,200,654 | 669,504,677 | 12.0749 | 94.95% |
| **2012** | 312,930,252 | - | 134,635,427 | 81,575,476 | 529,141,155 | 91,750,891 | 620,892,046 | 3,587,223 | 6,161,900 | - | 9,749,123 | 630,641,169 | 12.0789 | 96.40% |
| **2013** | 310,252,865 | - | 118,856,014 | 76,331,458 | 505,440,337 | 91,730,093 | 597,170,430 | 6,677,737 | 7,472,900 | - | 14,150,637 | 611,321,067 | 12.0865 | 96.97% |
| **2014** | 312,031,296 | - | 115,070,943 | 61,196,955 | 488,299,194 | 91,020,452 | 579,319,646 | 3,874,303 | 6,512,600 | - | 10,386,903 | 589,706,549 | 13.0875 | 96.26% |
| **2015** | 314,055,244 | - | 116,448,947 | 54,898,389 | 485,402,580 | 95,098,912 | 580,501,492 | 3,149,352 | 7,772,000 | - | 10,921,352 | 591,422,844 | 13.0869 | 95.28% |
| **2016** | 314,299,363 | - | 114,855,236 | 50,232,295 | 479,386,894 | 74,155,243 | 553,542,137 | 3,628,098 | 5,690,600 | - | 9,318,698 | 562,860,835 | 13.0905 | 93.60% |
| **2017** | 319,768,625 | - | 113,497,599 | 50,381,292 | 483,647,516 | 67,760,237 | 551,407,753 | 3,692,357 | 4,627,400 | - | 8,319,757 | 559,727,510 | 13.0908 | 91.38% |
| **2018** | 331,347,976 | - | 113,370,852 | 48,272,032 | 492,990,860 | 65,728,440 | 558,719,300 | 3,990,263 | 3,739,800 | - | 7,730,063 | 566,449,363 | 13.0899 | 89.69% |

### 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 |
| **2009** | $ 426,002,850 | $ 191,100 | $ 161,996,600 | $ 122,301,800 | $ 710,492,350 | $ 111,497,300 | $ 821,989,650 | $ 5,606,100 | $ 25,616,400 | $ - | $ 31,222,500 | $ 853,212,150 | $ 1,706,424,300 |
| **2010** | 354,044,700 | - | 154,185,000 | 122,703,400 | 630,933,100 | 104,020,200 | 734,953,300 | 4,120,400 | 9,129,000 | - | 13,249,400 | 748,202,700 | 1,496,405,400 |
| **2011** | 354,307,945 | - | 154,700,200 | 90,467,700 | 599,475,845 | 93,456,700 | 692,932,545 | 3,080,900 | 9,129,000 | - | 12,209,900 | 705,142,445 | 1,410,284,890 |
| **2012** | 327,226,000 | - | 141,238,834 | 84,084,000 | 552,548,834 | 91,740,800 | 644,289,634 | 3,719,300 | 6,161,900 | - | 9,881,200 | 654,170,834 | 1,308,341,668 |
| **2013** | 321,604,220 | - | 123,831,400 | 79,037,400 | 524,473,020 | 91,720,300 | 616,193,320 | 6,766,000 | 7,472,900 | - | 14,238,900 | 630,432,220 | 1,260,864,440 |
| **2014** | 326,690,900 | - | 120,803,800 | 63,704,200 | 511,198,900 | 91,004,400 | 602,203,300 | 3,877,300 | 6,512,600 | - | 10,389,900 | 612,593,200 | 1,225,186,400 |
| **2015** | 335,445,400 | - | 122,235,800 | 57,024,100 | 514,705,300 | 95,084,900 | 609,790,200 | 3,149,800 | 7,772,000 | - | 10,921,800 | 620,712,000 | 1,241,424,000 |
| **2016** | 342,767,600 | - | 122,574,300 | 52,323,600 | 517,665,500 | 74,140,100 | 591,805,600 | 3,851,200 | 5,690,600 | - | 9,541,800 | 601,347,400 | 1,202,694,800 |
| **2017** | 363,318,800 | - | 120,587,210 | 52,278,900 | 536,184,910 | 67,745,200 | 603,930,110 | 3,957,900 | 4,639,600 | - | 8,597,500 | 612,527,610 | 1,225,055,220 |
| **2018** | 382,994,200 | - | 124,938,600 | 50,130,470 | 558,063,270 | 65,713,100 | 623,776,370 | 4,017,100 | 3,739,800 | - | 7,756,900 | 631,533,270 | 1,263,066,540 |

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, 2019**

| | 6/30/2019 | | | 6/30/2009 | | |
|---|---|---|---|---|---|---|
| **Taxpayer** | **Taxable Valuation** | **Rank** | **Percent of Total Taxable Valuation** | **Taxable Valuation** | **Rank** | **Percent of Total Taxable Valuation** |
| Consumers Energy | $ 21,607,450 | 1 | 3.8% | $ 78,615,856 | 1 | 10.1% |
| DTE Gas Company | 8,875,500 | 2 | 1.5% | 5,852,200 | 6 | 0.7% |
| Melching | 5,703,429 | 3 | 1.0% | | | |
| Michigan Electric Transmission | 5,251,200 | 4 | 0.9% | | | |
| Muskegon SC Holdings LLC | 4,256,304 | 5 | 0.7% | | | |
| Mercy Health | 4,160,820 | 6 | 0.7% | | | |
| Muskegon Investments I LLC | 3,600,000 | 7 | 0.6% | | | |
| Glen Oaks Apartments LLC | 3,422,070 | 8 | 0.6% | 4,776,500 | 7 | 0.6% |
| Adac Plastics | 2,907,135 | 9 | 0.5% | | | |
| RCG Muskegon LLC | 2,654,600 | 10 | 0.5% | | | |
| Sappi (S.D. Warren Co.) | | | | 31,205,687 | 2 | 4.0% |
| Johnson Technology | | | | 7,679,263 | 3 | 1.0% |
| Adac Plastics | | | | 7,379,563 | 4 | 0.9% |
| Esco Company | | | | 6,578,855 | 5 | 0.8% |
| Honeywell Inc | | | | 4,738,900 | 8 | 0.6% |
| Faram Muskegon LLC | | | | 4,570,300 | 9 | 0.6% |
| Lorin Industries | | | | 4,318,889 | 10 | 0.6% |
| Total - 10 Largest | 62,438,508 | | 10.9% | 155,716,013 | | 19.9% |
| Total - All Other | 510,872,320 | | 89.1% | 624,819,939 | | 80.1% |
| | $ 573,310,828 | | 100.0% | $ 780,535,952 | | 100.0% |

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

City of Muskegon

## Property Tax Rates - Direct and Overlapping Government Units

**Property Tax Rates Per $1,000 Taxable Valuation**
**Last Ten Fiscal Years**

| | City-Wide Rates | | | | | |
|---|---|---|---|---|---|---|
| Year | Operating | Promotion | Sanitation | Total City | Library District | Library Debt |
| 2009 | 8.9000 | 0.0680 | 2.1000 | 11.0680 | 2.4000 | - |
| 2010 | 9.5000 | 0.0680 | 2.5000 | 12.0680 | 2.4000 | - |
| 2011 | 9.5000 | 0.0749 | 2.5000 | 12.0749 | 2.4000 | - |
| 2012 | 9.5000 | 0.0789 | 2.5000 | 12.0789 | 2.4000 | - |
| 2013 | 9.5000 | 0.0865 | 2.5000 | 12.0865 | 2.4000 | - |
| 2014 | 10.0000 | 0.0875 | 3.0000 | 13.0875 | 2.4000 | - |
| 2015 | 10.0000 | 0.0869 | 3.0000 | 13.0869 | 2.4000 | 0.5611 |
| 2016 | 10.0000 | 0.0905 | 3.0000 | 13.0905 | 2.4000 | 0.4962 |
| 2017 | 10.0000 | 0.0908 | 3.0000 | 13.0908 | 2.4000 | 0.4999 |
| 2018 | 10.0000 | 0.0899 | 3.0000 | 13.0899 | 2.4000 | 0.4866 |

**Overlapping - County-Wide Rates**

| Year | Muskegon County | Intermediate School | Special Education | Vocational Education | Community College | MAISD Gen Ed | Community College Debt |
|---|---|---|---|---|---|---|---|
| 2009 | 6.6957 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | - | - |
| 2010 | 6.6957 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | - | - |
| 2011 | 6.6957 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | - | - |
| 2012 | 6.6957 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | - | - |
| 2013 | 6.6957 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | - | - |
| 2014 | 6.6557 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | 1.0000 | 0.3400 |
| 2015 | 6.6357 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | 1.0000 | 0.3400 |
| 2016 | 6.8957 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | 1.0000 | 0.3400 |
| 2017 | 6.8957 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | 1.0000 | 0.3400 |
| 2018 | 6.8957 | 0.4597 | 2.2987 | 0.9996 | 2.2037 | 1.0000 | 0.3400 |

| | Overlapping - School District | | | | Grand Total | |
|---|---|---|---|---|---|---|
| Year | Operating | Debt | Total | State Education | Homestead | Non-Homestead |
| 2009 | 18.0000 | 5.6000 | 23.6000 | 6.0000 | 37.7254 | 55.7254 |
| 2010 | 18.0000 | 5.7500 | 23.7500 | 6.0000 | 38.8754 | 56.8754 |
| 2011 | 18.0000 | 6.2500 | 24.2500 | 6.0000 | 39.3823 | 57.3823 |
| 2012 | 18.0000 | 7.1000 | 25.1000 | 6.0000 | 40.2363 | 58.2363 |
| 2013 | 18.0000 | 7.1000 | 25.1000 | 6.0000 | 40.2439 | 58.2439 |
| 2014 | 18.0000 | 7.6000 | 25.6000 | 6.0000 | 43.0449 | 61.0449 |
| 2015 | 18.0000 | 6.8000 | 24.8000 | 6.0000 | 42.7854 | 60.7854 |
| 2016 | 18.0000 | 6.3500 | 24.3500 | 6.0000 | 42.5341 | 60.5341 |
| 2017 | 18.0000 | 7.6800 | 25.6800 | 6.0000 | 43.8681 | 61.8681 |
| 2018 | 18.0000 | 8.3600 | 26.3600 | 6.0000 | 44.5339 | 62.5339 |

**City of Muskegon**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Ten Fiscal Years**

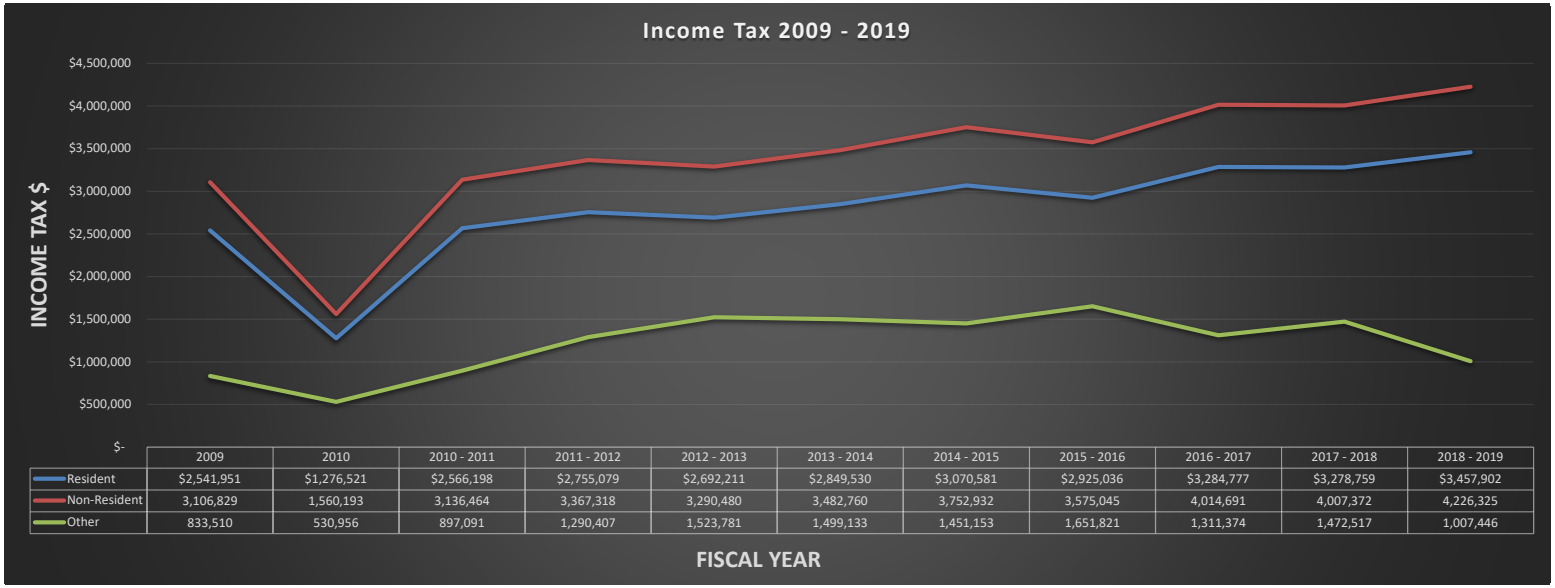
| Fiscal Year | Total Tax Levy | Current Tax Collections | Percent Of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Total Tax Collections as % of Levy | Charge backs On Uncollected Delinquent Taxes | Outstanding Delinquent Personal | Outstanding Delinquent Specific | Percent of Delinquent Taxes to Levy |
|---|---|---|---|---|---|---|---|---|---|---|
| **2009** | $ 8,700,017 | $ 7,522,462 | 86.5% | $ 1,102,891 | $ 8,625,353 | 99.1% | $ 25,755 | $ 73,440 | $ 34,758 | 1.54% |
| **2010** | 8,945,500 | 7,784,052 | 87.0% | 1,077,056 | 8,861,108 | 99.1% | 58,027 | 70,745 | 13,647 | 1.59% |
| **2011** | 8,583,284 | 7,457,610 | 86.9% | 1,030,902 | 8,488,512 | 98.9% | 54,707 | 80,068 | 12,935 | 1.72% |
| **2012** | 7,872,541 | 6,882,534 | 87.4% | 915,950 | 7,798,484 | 99.1% | 27,163 | 68,945 | 5,113 | 1.29% |
| **2013** | 7,668,166 | 6,703,147 | 87.4% | 912,362 | 7,615,509 | 99.3% | 102,713 | 45,361 | 7,296 | 2.03% |
| **2014** | 8,032,955 | 7,069,804 | 88.0% | 917,806 | 7,987,610 | 99.4% | 57,680 | 41,074 | 2,788 | 1.26% |
| **2015** | 8,132,782 | 7,247,701 | 89.1% | 848,266 | 8,095,967 | 99.5% | 62,345 | 33,407 | 1,862 | 1.20% |
| **2016** | 7,719,829 | 6,828,816 | 88.5% | 853,639 | 7,682,455 | 99.5% | 42,063 | 23,671 | 1,365 | 0.87% |
| **2017** | 7,633,290 | 6,776,856 | 88.8% | 795,164 | 7,572,020 | 99.2% | 51,584 | 43,665 | 11,728 | 1.40% |
| **2018** | 9,545,232 | 8,631,502 | 90.4% | 839,208 | 9,470,710 | 99.2% | - | 53,873 | 13,529 | 0.71% |

SOURCE: City of Muskegon Treasurer' Office

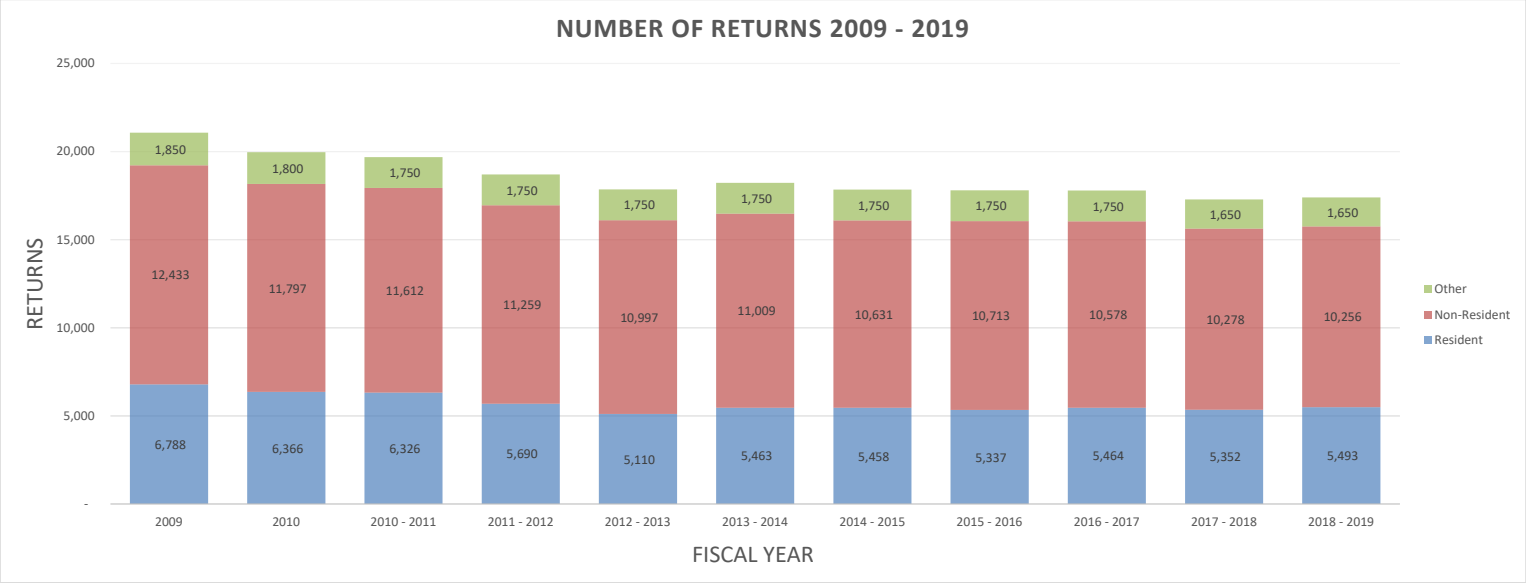
**City of Muskegon**

## Total Income Tax Collect and Number of Returns Filed - Graphical

**Last Ten Fiscal Years**




| | 2009 | 2010 | 2010 - 2011 | 2011 - 2012 | 2012 - 2013 | 2013 - 2014 | 2014 - 2015 | 2015 - 2016 | 2016 - 2017 | 2017 - 2018 | 2018 - 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Resident | $2,541,951 | $1,276,521 | $2,566,198 | $2,755,079 | $2,692,211 | $2,849,530 | $3,070,581 | $2,925,036 | $3,284,777 | $3,278,759 | $3,457,902 |
| Non-Resident | 3,106,829 | 1,560,193 | 3,136,464 | 3,367,318 | 3,290,480 | 3,482,760 | 3,752,932 | 3,575,045 | 4,014,691 | 4,007,372 | 4,226,325 |
| Other | 833,510 | 530,956 | 897,091 | 1,290,407 | 1,523,781 | 1,499,133 | 1,451,153 | 1,651,821 | 1,311,374 | 1,472,517 | 1,007,446 |




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

**City of Muskegon**

# Total Income Tax Collect and Number of Returns Filed - Data

**Last Ten Fiscal Years**

## Income Tax 2009 - 2019

| Year | 2009 | 2010 | 2010 - 2011 | 2011 - 2012 | 2012 - 2013 | 2013 - 2014 | 2014 - 2015 | 2015 - 2016 | 2016 - 2017 | 2017 - 2018 | 2018 - 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Resident | $2,541,951 | $1,276,521 | $2,566,198 | $2,755,079 | $2,692,211 | $2,849,530 | $3,070,581 | $2,925,036 | $3,284,777 | $3,278,759 | $3,457,902 |
| Non-Resident | 3,106,829 | 1,560,193 | 3,136,464 | 3,367,318 | 3,290,480 | 3,482,760 | 3,752,932 | 3,575,045 | 4,014,691 | 4,007,372 | 4,226,325 |
| Other | 833,510 | 530,956 | 897,091 | 1,290,407 | 1,523,781 | 1,499,133 | 1,451,153 | 1,651,821 | 1,311,374 | 1,472,517 | 1,007,446 |
| **Total Income Tax** | **$6,482,290** | **$3,367,670** | **$6,599,753** | **$7,412,804** | **$7,506,472** | **$7,831,423** | **$8,274,666** | **$8,151,902** | **$8,610,842** | **$8,758,648** | **$8,691,673** |

## Number of Returns 2009 - 2019

| Year | 2009 | 2010 | 2010 - 2011 | 2011 - 2012 | 2012 - 2013 | 2013 - 2014 | 2014 - 2015 | 2015 - 2016 | 2016 - 2017 | 2017 - 2018 | 2018 - 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Resident | 6,788 | 6,366 | 6,326 | 5,690 | 5,110 | 5,463 | 5,458 | 5,337 | 5,464 | 5,352 | 5,493 |
| Non-Resident | 12,433 | 11,797 | 11,612 | 11,259 | 10,997 | 11,009 | 10,631 | 10,713 | 10,578 | 10,278 | 10,256 |
| Other | 1,850 | 1,800 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,650 | 1,650 |
| **Total Returns** | **21,071** | **19,963** | **19,688** | **18,699** | **17,857** | **18,222** | **17,839** | **17,800** | **17,792** | **17,280** | **17,399** |

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

**City of Muskegon**

## RATIO OF OUTSTANDING DEBT BY TYPE

**Last Ten Fiscal Years**

| | Governmental Activities | | | | Business-Type Activities | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Year** | General Obligation Limited Tax Bonds | Special Assessment Bonds | State Loans | Total Governmental Activities | Revenue Bonds | State Loans | Total Business-Type Activities | Total Primary Government | Per Capita |
| **2010*** | $ 6,444,605 | $ - | $ 1,065,428 | $ 7,510,033 | $ 5,995,000 | $ 11,570,000 | $ 17,565,000 | $ 25,075,033 | $ 639 |
| **2011** | 5,920,000 | - | 244,850 | 6,164,850 | 5,415,000 | 10,955,000 | 16,370,000 | 22,534,850 | 587 |
| **2012** | 7,725,000 | - | 150,253 | 7,875,253 | 4,815,000 | 10,325,000 | 15,140,000 | 23,015,253 | 599 |
| **2013** | 7,350,000 | - | 130,042 | 7,480,042 | 4,205,000 | 9,685,000 | 13,890,000 | 21,370,042 | 577 |
| **2014** | 6,954,535 | - | 112,550 | 7,067,085 | 3,630,728 | 9,030,000 | 12,660,728 | 19,727,813 | 533 |
| **2015** | 6,555,436 | - | 94,708 | 6,650,144 | 2,949,368 | 8,360,000 | 11,309,368 | 17,959,512 | 483 |
| **2016** | 6,243,903 | - | 76,509 | 6,320,412 | 2,246,962 | 7,675,000 | 9,921,962 | 16,242,374 | 436 |
| **2017** | 5,940,903 | - | 57,946 | 5,998,849 | 1,523,661 | 6,980,000 | 8,503,661 | 14,502,510 | 378 |
| **2018** | 5,633,903 | - | 39,012 | 5,672,915 | 774,614 | 6,270,000 | 7,044,614 | 12,717,529 | 331 |
| **2019** | 5,322,903 | - | 19,699 | 5,342,602 | - | 5,545,000 | 5,545,000 | 10,887,602 | 284 |

* 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, 2019**

| Name of Governmental Unit | Total Debt Outstanding | Self Supporting | Debt Supported by City General Revenues |
|---|---|---|---|
| **Direct Debt** | | | |
| **City of Muskegon:** | | | |
| **Revenue Bonds** | $ 5,545,000 | $ 5,545,000 | $ - |
| **Capital Improvement Bonds** | 5,322,903 | - | 5,322,903 |
| **Intergovernmental Bonds** | 19,699 | - | 19,699 |
| **Component Unit Debt:** | | | |
| **Downtown Development Authority** | 1,000,000 | 1,000,000 | - |
| **Local Development Finance Authority** | 2,167,419 | 2,167,419 | - |
| **Total City Direct Debt** | $ 14,055,021 | $ 8,712,419 | $ 5,342,602 |

| | Gross | City Share as Percent of Gross | Net |
|---|---|---|---|
| **Overlapping Debt** | | | |
| **Muskegon School District** | $ 7,470,000 | 95.40% | $ 7,126,380 |
| **Orchard View School District** | 39,635,467 | 18.05% | 7,154,202 |
| **Reith's Puffer School District** | 64,727,524 | 0.73% | 472,511 |
| **Hackley Public Library** | 2,305,000 | 95.40% | 2,198,970 |
| **Muskegon County** | 113,057,178 | 12.49% | 14,120,842 |
| **Muskegon Community College** | 33,835,000 | 12.49% | 4,225,992 |
| **Total Overlapping Debt** | $ 261,030,169 | | 35,298,896 |
| **Total City Direct and Overlapping Debt** | | | $ 40,641,498 |

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

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

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

**City of Muskegon**

## LEGAL DEBT MARGIN INFORMATION

**Last Ten Fiscal Years**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Debt Limit** | $ 82,198,965 | $ 78,308,925 | $ 73,585,150 | $ 68,555,700 | $ 61,706,477 | $ 61,510,980 | $ 60,962,090 | $ 61,333,841 | $ 64,124,907 | $ 101,083,635 |
| **Total net debt applicable to limit** | 14,435,033 | 12,929,850 | 14,375,253 | 13,655,042 | 12,847,550 | 11,969,708 | 11,313,794 | 10,290,785 | 9,240,855 | 8,510,021 |
| **Legal debt margin** | $ 67,763,932 | $ 65,379,075 | $ 59,209,897 | $ 54,900,658 | $ 48,858,927 | $ 49,541,272 | $ 49,648,296 | $ 51,043,056 | $ 54,884,052 | $ 92,573,614 |
| **Total net debt applicable to the limit as a percentage of debt limit** | 17.56% | 16.51% | 19.54% | 19.92% | 20.82% | 19.46% | 18.56% | 16.78% | 14.41% | 8.42% |

**Legal Debt Margin Calculation for 2019:**

| | | |
|---|---|---|
| Assessed Valuation: | | $ 1,010,836,357 |
| Legal Debt Limit (10% ) | | 101,083,635 |
| Total Indebtedness: | $ 14,055,021 | |
| Debt not Subject to Limitation: | | |
| Paid by Special Assessment | - | |
| Revenue Bonds | (5,545,000) | |
| Debt Subject to Limitation | | 8,510,021 |
| Legal Debt Margin | | $ 92,573,614 |

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

City of Muskegon

# REVENUE BOND COVERAGE

Last Ten Fiscal Years

## Water Supply System

| Fiscal Year | Gross Revenue (a) | Direct Operating Expenses (b) | Net Revenue Available For Debt Service | Debt Service Requirements | | | Coverage |
|---|---|---|---|---|---|---|---|
| | | | | Principal | Interest | Total | |
| **2010*** | $ 2,904,735 | $ 1,575,275 | $ 1,329,460 | $ 535,000 | $ 271,522 | $ 806,522 | 1.65 |
| **2011** | 5,467,785 | 3,294,530 | 2,173,255 | 1,195,000 | 451,323 | 1,646,323 | 1.32 |
| **2012** | 5,273,720 | 3,441,078 | 1,832,642 | 1,230,000 | 410,187 | 1,640,187 | 1.12 |
| **2013** | 5,907,784 | 3,729,276 | 2,178,508 | 1,250,000 | 384,694 | 1,634,694 | 1.33 |
| **2014** | 6,109,144 | 3,511,477 | 2,597,667 | 1,295,000 | 352,634 | 1,647,634 | 1.58 |
| **2015** | 6,388,474 | 3,774,508 | 2,613,966 | 1,330,000 | 320,857 | 1,650,857 | 1.58 |
| **2016** | 7,498,376 | 4,460,076 | 3,038,300 | 1,370,000 | 283,360 | 1,653,360 | 1.84 |
| **2017** | 7,449,646 | 4,997,912 | 2,451,734 | 1,405,000 | 246,434 | 1,651,434 | 1.48 |
| **2018** | 7,507,323 | 4,949,807 | 2,557,516 | 1,450,000 | 203,106 | 1,653,106 | 1.55 |
| **2019** | 8,472,413 | 5,672,522 | 2,799,891 | 1,495,000 | 158,260 | 1,653,260 | 1.69 |

## 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 | |
| **2010*** | | | No Direct System Indebtedness | | | | |
| **2011** | | | No Direct System Indebtedness | | | | |
| **2012** | | | No Direct System Indebtedness | | | | |
| **2013** | | | No Direct System Indebtedness | | | | |
| **2014** | | | No Direct System Indebtedness | | | | |
| **2015** | | | No Direct System Indebtedness | | | | |
| **2016** | | | No Direct System Indebtedness | | | | |
| **2017** | | | No Direct System Indebtedness | | | | |
| **2018** | | | No Direct System Indebtedness | | | | |
| **2019** | | | No Direct System Indebtedness | | | | |

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

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

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

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

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

City of Muskegon

## DEMOGRAPHIC AND ECONOMIC STATISTICS

**Last Ten Fiscal Years**

| Fiscal Year | Population | Personal Income | Per Capita Income | Median Age | Public School Enrollment | Building Permits Number | Building Permits Value | Unemployment |
|---|---|---|---|---|---|---|---|---|
| **2010** | 39,259 | $ 735,734,614 | 18,741 | 32.8 | 5,931 | 374 | $ 11,900,915 | 17.8% |
| **2011** | 38,401 | 737,646,617 | 19,209 | 34.1 | 5,162 | 835 | 18,829,825 | 13.8% |
| **2012** | 38,225 | 752,622,470 | 19,689 | 34.1 | 5,428 | 891 | 21,932,738 | 8.5% |
| **2013** | 37,046 | 747,644,037 | 20,182 | 34.1 | 4,367 | 826 | 24,613,938 | 12.0% |
| **2014** | 37,213 | 769,789,707 | 20,686 | 34.1 | 4,808 | 1,108 | 54,065,115 | 9.6% |
| **2015** | 37,213 | 789,034,450 | 21,203 | 35.8 | 4,387 | 1,102 | 46,541,966 | 10.3% |
| **2016** | 37,213 | 808,760,311 | 21,733 | 35.8 | 4,206 | 1,112 | 58,924,856 | 8.3% |
| **2017** | 38,349 | 854,285,543 | 22,277 | 35.8 | 3,985 | 1,075 | 78,271,395 | 4.8% |
| **2018** | 38,401 | 876,830,025 | 22,834 | 35.4 | 3,732 | 1,202 | 171,523,877 | 4.1% |
| **2019** | 38,401 | 898,750,775 | 23,404 | 35.4 | 3,589 | 1,295 | 94,667,004 | 4.2% |

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

City of Muskegon

## PRINCIPAL EMPLOYERS

**Current Year and Ten Years Ago**

| | 2019 | | | 2009 | | |
|---|---|---|---|---|---|---|
| **Employer** | **Employees** | **Rank** | **Percentage of total City employment** | **Employees** | **Rank** | **Percentage of total City employment** |
| **Mercy General Health Partners*** | 4,709 | 1 | 31.3% | 3,227 | 1 | 19.3% |
| **County of Muskegon** | 1,056 | 2 | 7.0% | 980 | 2 | 5.9% |
| **ADAC Automotive** | 901 | 3 | 6.0% | 400 | 8 | 2.4% |
| **G.E. Aviation (formerly Johnson Technology Inc.)** | 454 | 4 | 3.0% | 474 | 5 | 2.8% |
| **Port City Group** | 430 | 5 | 2.9% | | | |
| **Muskegon Area Intermediate** | 415 | 6 | 2.8% | | | |
| **Muskegon Public Schools** | 403 | 7 | 2.7% | 697 | 4 | 4.2% |
| **Muskegon Community College** | 355 | 8 | 2.4% | | | |
| **Betten** | 255 | 9 | 1.7% | | | |
| **SAF Holland USA** | 175 | 10 | 1.2% | | | |
| **State of Michigan** | | | | 772 | 3 | 4.6% |
| **Verizon** | | | | 325 | 9 | 1.9% |
| **City of Muskegon** | | | | 281 | 10 | 1.7% |
| **Knoll Group** | | | | 450 | 6 | 2.7% |
| **Baker College** | | | | 430 | 7 | 2.6% |

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

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

**City of Muskegon**

## BUDGETED FULL-TIME CITY GOVERNMENT POSITIONS BY DEPARTMENT

**Last Ten Fiscal Years**

| Department | 2010* | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Administration** | - | 0.40 | 0.40 | 0.40 | 0.40 | - | - | - | - | - |
| **Affirmative Action** | 1.50 | 1.10 | 1.10 | 1.10 | 1.10 | 1.30 | 1.30 | 1.46 | 0.40 | 1.00 |
| **Cemetaries** | 2.50 | 2.20 | 1.75 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| **City Clerk & Elections** | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.54 | 3.80 | 3.80 |
| **City Commission** | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| **City Hall Maintenance** | 1.00 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 |
| **City Manager's Office** | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.05 | 2.05 | 1.75 | 2.75 | 2.75 |
| **City Treasurer's Office** | 5.00 | 5.00 | 5.00 | 5.00 | 4.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 |
| **Civil Service** | 2.00 | 1.00 | - | - | - | - | - | - | - | - |
| **Environmental Services** | 2.00 | 2.00 | 5.00 | 5.00 | 5.00 | 2.00 | 2.00 | 2.00 | 2.00 | - |
| **Farmers Market** | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | - | 0.20 | 1.20 |
| **Finance Administration** | 3.00 | 3.00 | 3.00 | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 | 3.60 | 3.00 |
| **Fire** | 36.00 | 33.00 | 35.00 | 28.00 | 28.83 | 32.00 | 35.00 | 35.00 | 35.00 | 26.00 |
| **Fire Safety Inspections** | 9.00 | 8.00 | 6.00 | 6.00 | 0.83 | - | - | - | - | - |
| **General Recreation** | 2.00 | - | - | - | - | - | - | - | - | - |
| **Income Tax Administration** | 5.00 | 5.00 | 5.00 | 5.00 | 4.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 |
| **Information Systems** | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.50 | 3.50 |
| **Parks** | 7.15 | 6.00 | 6.05 | 6.05 | 6.00 | 6.00 | 6.00 | 7.05 | 7.05 | 10.05 |
| **Planning, Zoning & Economic Development** | 5.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.40 | 3.40 | 3.45 | 3.45 | 5.45 |
| **Police** | 88.00 | 88.00 | 88.00 | 88.00 | 87.34 | 88.00 | 88.00 | 88.00 | 88.00 | 89.00 |
| **Sanitation** | - | 0.30 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| **Senior Transit** | - | - | 0.05 | 0.05 | 0.05 | - | - | - | - | - |
| **MVH-Major Streets** | 12.00 | 12.00 | 11.70 | 10.70 | 10.70 | 10.70 | 10.70 | 10.70 | 10.70 | 12.20 |
| **MVH-Local Streets** | 7.00 | 7.00 | 6.70 | 6.70 | 6.70 | 6.70 | 6.70 | 6.70 | 6.70 | 7.20 |
| **Community Development** | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 3.55 | 3.55 |
| **Home Program** | 0.25 | 0.25 | - | - | - | - | - | - | - | - |
| **Lead Program** | 0.75 | 0.75 | - | - | - | - | - | - | - | - |
| **Sewer Maintenance** | 10.20 | 10.20 | 9.75 | 9.75 | 9.80 | 9.80 | 9.80 | 9.80 | 9.80 | 9.80 |
| **Water Filtration** | 10.00 | 10.00 | 9.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| **Water Maintenance** | 12.40 | 12.40 | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 |
| **Hartshorn Marina Fund** | 0.05 | 0.05 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| **Public Service Building** | 8.95 | 8.05 | 7.95 | 8.45 | 8.45 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 |
| **Engineering** | 5.45 | 4.95 | 4.95 | 4.95 | 4.95 | 4.95 | 4.95 | 4.95 | 4.95 | 5.95 |
| **Equipment** | 7.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 | 6.25 |
| | 256.00 | 244.00 | 241.00 | 233.00 | 227.00 | 228.00 | 231.00 | 232.45 | 233.50 | 232.50 |

* 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 | 2010* | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Administrative Services** | | | | | | | | | | |
| **Elections** | | | | | | | | | | |
| **Number of registered voters** | 26,136 | 26,330 | 26,324 | 26,098 | 26,025 | 24,014 | 24,005 | 24,612 | 26,136 | 25,182 |
| **Number of votes cast:** | | | | | | | | | | |
| **Last general election** | 15,271 | 8,106 | 1,933 | 13,487 | 3,029 | 7,763 | 2,547 | 13,179 | 15,271 | 11,407 |
| **Last city election** | 2,254 | 8,106 | 1,933 | 2,131 | 3,029 | 7,763 | 2,547 | 13,179 | 2,254 | 1,938 |
| **Percentage of registered voters voting:** | | | | | | | | | | |
| **Last general election** | 58% | 31% | 7% | 52% | 12% | 32% | 11% | 54% | 58% | 45% |
| **Last city election** | 9% | 31% | 7% | 8% | 12% | 32% | 11% | 54% | 9% | 8% |
| **Financial Services** | | | | | | | | | | |
| **Property Tax Bills** | - | 15,351 | 15,261 | 15,291 | 15,211 | 14,528 | 14,611 | 14,243 | 14,229 | 14,180 |
| **Income Tax Returns** | 19,963 | 19,688 | 18,699 | 17,857 | 18,222 | 17,839 | 17,800 | 17,792 | 17,280 | 17,399 |
| **Paper Check Issued to Vendors** | 1,486 | 2,986 | 3,746 | 1,677 | 1,404 | 1,527 | 1,608 | 1,675 | 1,782 | 1,863 |
| **Electronic Payments to Vendors** | 450 | 884 | 1,334 | 1,251 | 1,579 | 1,471 | 1,849 | 1,998 | 2,104 | 2,307 |
| **Public Safety** | | | | | | | | | | |
| **Fire Protection** | | | | | | | | | | |
| **Number of firefighter and officer positions** | 37 | 37 | 36 | 41 | 38 | 35 | 35 | 35 | 23 | 29 |
| **Number of emergency calls** | 2,062 | 4,402 | 4,676 | 4,563 | 4,354 | 4,881 | 4,938 | 4,895 | 4,948 | 5,106 |
| **Police Protection** | | | | | | | | | | |
| **Number of sworn officer positions** | 79 | 79 | 79 | 79 | 76 | 76 | 76 | 75 | 79 | 80 |
| **Part I (Major) Crimes** | 1,305 | 2,859 | 2,772 | 2,647 | 2,240 | 2,107 | 1,989 | 2,816 | 2,357 | 1,728 |
| **Public Works** | | | | | | | | | | |
| **Refuse Collected (Tons per Year)** | 6,042 | 12,703 | 10,153 | 9,958 | 10,217 | 10,512 | 10,994 | 11,009 | 10,801 | 10,753 |
| **Recyclables Collected (Tons per Year)** | - | - | - | - | - | - | - | - | - | - |
| **Water & Sewer** | | | | | | | | | | |
| **Number of consumers** | 12,966 | 13,037 | 13,109 | 13,144 | 13,086 | 13,223 | 13,307 | 13,248 | 13,104 | 13,343 |
| **Average daily water consumption (GPD)** | 7,163,000 | 8,417,000 | 7,700,000 | 7,651,000 | 7,666,000 | 8,293,570 | 11,027,945 | 10,947,233 | 9,559,304 | 10,867,590 |
| **Water main breaks repaired** | 6 | 12 | 5 | 11 | 30 | 15 | 16 | 12 | 15 | 11 |
| **Sewer flows (Millions Gallons per Year)** | 965 | 1,625 | 1,695 | 1,777 | 1,833 | 2,013 | 1,794 | 1,815 | 1,832 | 2,048 |
| **Sewer Service Calls** | 263 | 591 | 522 | 508 | 532 | 501 | 521 | 462 | 451 | 443 |

* 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 | 2010* | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Public Safety** | | | | | | | | | | |
| **Fire Protection** | | | | | | | | | | |
| **Number of stations** | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| **Police Protection** | | | | | | | | | | |
| **Number of stations** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Highways, Streets and Bridges** | | | | | | | | | | |
| **Miles of Streets** | 196.95 | 196.95 | 196.95 | 196.95 | 196.95 | 196.95 | 196.95 | 196.95 | 196.95 | 197.19 |
| **Number of streetlights** | 3,125 | 3,065 | 2,838 | 2,838 | 2,838 | 2,838 | 2,900 | 2,984 | 2,967 | 2,930 |
| **Culture and Recreation** | | | | | | | | | | |
| **Number of parks (acres)** | 701 | 701 | 701 | 701 | 701 | 701 | 701 | 701 | 701 | 701 |
| **Lake Michigan beaches (acres)** | 119 | 119 | 119 | 119 | 119 | 119 | 119 | 119 | 119 | 119 |
| **Hockey/Entertainment Arena** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Sewer** | | | | | | | | | | |
| **Sanitary sewers (miles)** | 177.04 | 177.04 | 177.04 | 177.04 | 177.04 | 177.04 | 177.04 | 177.04 | 177.04 | 177.04 |
| **Storm sewers (miles)** | 184.35 | 184.35 | 184.35 | 184.35 | 184.25 | 184.35 | 184.35 | 184.35 | 184.35 | 184.35 |
| **Water** | | | | | | | | | | |
| **Water mains (miles)** | 195.69 | 195.69 | 195.40 | 195.95 | 195.95 | 195.95 | 195.95 | 195.95 | 195.95 | 195.27 |

* 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

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

City Commission
City of Muskegon
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muskegon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Muskegon's basic financial statements, and have issued our report thereon dated December 2, 2019.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness, as **Finding 2019-001.**

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

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

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

Brickley DeLong, P.C.

Muskegon, Michigan
December 2, 2019

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

City Commission
City of Muskegon
Muskegon, Michigan

**Report on Compliance for Each Major Federal Program**
We have audited City of Muskegon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Muskegon's major federal programs for the year ended June 30, 2019. City of Muskegon's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Responses.

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

***Auditor's Responsibility***
Our responsibility is to express an opinion on compliance for each of City of Muskegon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Muskegon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***
In our opinion, City of Muskegon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Internal Control Over Compliance**
Management of City of Muskegon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Muskegon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Muskegon's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brickley DeLong, P.C.

Muskegon, Michigan
December 2, 2019

City of Muskegon
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
For the year ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number | Federal CFDA Number | Program or Award Amount | Accrued (Unearned) Revenue July 1, 2018 | Adjustments and Transfers | Cash or Payments In-Kind Received (Cash Basis) | Amount of Grant Expenditures | Accrued (Unearned) Revenue June 30, 2019 | Passed Through to Subrecipents |
|---|---|---|---|---|---|---|---|---|
| ***U.S. Department of Housing and Urban Development*** | | | | | | | | |
| Direct programs | | | | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | | | | | | | |
| B-14-MC-26-0026 | | $ 897,025 | $ 106,372 | $ (18,111) | $ 88,261 | $ - | $ - | $ - |
| B-15-MC-26-0026 | | 895,410 | 6,544 | (286) | 6,258 | - | - | - |
| B-16-MC-26-0026 | | 886,662 | 166,991 | (128,469) | 38,147 | - | 375 | - |
| B-17-MC-26-0026 | | 871,542 | 211,843 | 146,866 | 589,758 | 258,702 | 27,653 | - |
| B-18-MC-26-0026 | | 937,658 | - | - | 384,201 | 499,280 | 115,079 | - |
| Program Income | | 61,006 | - | - | 61,006 | 61,006 | - | - |
| Total Community Development Block Grants/ Entitlement Grants | | 4,549,303 | 491,750 | - | 1,167,631 | 818,988 | 143,107 | - |
| HOME Investment Partnerships Program | 14.239 | | | | | | | |
| M-15-MC-26-0215 | | 268,639 | 17,527 | (3,075) | 14,452 | - | - | - |
| M-16-MC-26-0215 | | 264,277 | 146,173 | 32,388 | 149,195 | 2,093 | 31,459 | - |
| M-17-MC-26-0215 | | 249,537 | 174,316 | (29,313) | 145,003 | - | - | - |
| M-18-MC-26-0215 | | 327,681 | - | - | 119,405 | 182,886 | 63,481 | - |
| Program Income | | 300,010 | - | - | 300,010 | 300,010 | - | - |
| Total HOME Investment Partnerships Program | | 1,410,144 | 338,016 | - | 728,065 | 484,989 | 94,940 | - |
| Total U.S. Department of Housing and Urban Development | | 5,959,447 | 829,766 | - | 1,895,696 | 1,303,977 | 238,047 | - |

City of Muskegon
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED**
For the year ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number | Federal CFDA Number | Program or Award Amount | Accrued (Unearned) Revenue July 1, 2018 | Adjustments and Transfers | Cash or Payments In-Kind Received (Cash Basis) | Amount of Grant Expenditures | Accrued (Unearned) Revenue June 30, 2019 | Passed Through to Subrecipents |
|---|---|---|---|---|---|---|---|---|
| ***U.S. Department of Justice*** | | | | | | | | |
| Direct programs | | | | | | | | |
| Bulletproof Vest Partnership Grant | 16.607 | | | | | | | |
| 2017 Grant | | $ 5,570 | $ - | $ - | $ 4,739 | $ 4,739 | $ - | $ - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | | | | | | |
| 2017-DJ-BX-0961 | | 39,155 | - | - | 39,155 | 39,155 | - | - |
| Total direct programs | | 44,725 | - | - | 43,894 | 43,894 | - | - |
| Passed through Ottawa County | | | | | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | | | | | | |
| 2017-MU-BX-0191 | | 14,000 | - | - | - | 14,000 | 14,000 | - |
| Total U.S. Department of Justice | | 58,725 | - | - | 43,894 | 57,894 | 14,000 | - |
| ***U.S. Environmental Protection Agency*** | | | | | | | | |
| Direct programs | | | | | | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | | | | | | | |
| 00E01538 | | 400,000 | 71,753 | - | 149,040 | 77,287 | - | - |
| ***U.S. Department of Health and Human Services*** | | | | | | | | |
| Passed through Michigan Department of Health and Human Services | | | | | | | | |
| Children's Health Insurance Program | 93.767 | | | | | | | |
| E20192797-001 | | 880,005 | - | - | 56,112 | 92,824 | 36,712 | - |
| **TOTAL FEDERAL ASSISTANCE** | | **$ 7,298,177** | **$ 901,519** | **$ -** | **$ 2,144,742** | **$ 1,531,982** | **$ 288,759** | **$ -** |

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, 2019

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in net position of the City.

2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. The following is a reconciliation of federal revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of the City of Muskegon's financial statements for the year ended June 30, 2019 and federal expenditures per the Schedule of Expenditures of Federal Awards.

| | |
|---|---|
| Federal revenues per City of Muskegon financial statements | |
| General Fund | $ 57,894 |
| Major Street and Trunkline Fund | 627,218 |
| Other governmental funds | 1,113,072 |
| | 1,798,184 |
| Plus program income | 361,016 |
| Less MDOT contracted projects as shown below | (627,218) |
| Federal expenditures per the Schedule of Expenditures of Federal Awards | **$ 1,531,982** |

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, 2019 the federal aid received and expended by the City of Muskegon was $627,218 for contracted projects as shown below. Contracted projects are defined as projects performed by private contractors and paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the City of Muskegon administers the grant and either performs the work or contracts it out.

| | Federal CFDA Number | Revenue Recognized | Federal Expenditures |
|---|---|---|---|
| ***U.S Department of Transportation, Federal Highway Administration* (contracted projects)** | | | |
| Passed through the Michigan Department of Transportation | | | |
| Highway Planning and Construction (Federal-Aid Highway Program) | 20.205 | | |
| Proj EMRP 1761(016) Fed Item HK 1620 Contract 17-5353 | | $ 287,218 | $ 287,218 |
| Proj 1800(854)(853) Contract 18-5340 | | 340,000 | 340,000 |
| Total U.S. Department of Transportation, Federal Highway Administration (contracted projects) | | **$ 627,218** | **$ 627,218** |

City of Muskegon
**SCHEDULE OF FINDINGS AND RESPONSES**
June 30, 2019

## SECTION I—SUMMARY OF AUDITOR'S RESULTS

A. *Financial Statements*

**1.** Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

2. Internal control over financial reporting:

- Material weakness(es) identified? __**X**__ yes _____no
- Significant deficiency(ies) identified? _____ yes __**X**__ none reported

3. Noncompliance material to financial statements noted? _____ yes __**X**__ no

B. *Federal Awards*

1. Internal control over major federal programs:

- Material weakness(es) identified? _____ yes __**X**__ no
- Significant deficiency(ies) identified? _____ yes __**X**__ none reported

2. Type of auditor's report issued on compliance for major federal programs: **Unmodified**

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes __**X**__ no

4. Identification of major programs:

| CFDA Number(s) | Name of Federal Program/Cluster |
|---|---|
| **14.218** | **U.S. Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants** |

5. Dollar threshold used to distinguish between type A and type B programs: **$750,000**

6. Auditee qualified as low-risk auditee? _____ yes __**X**__ no

City of Muskegon
**SCHEDULE OF FINDINGS AND RESPONSES**
June 30, 2019

## SECTION II – FINANCIAL STATEMENT FINDINGS

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

Criteria: Costs should be recognized as an expenditure in the appropriate accounting period.

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

Cause: The City properly recorded payables for expenditures incurred during the year under audit and paid after year-end in July, but did not record payables for expenditures incurred during the year under audit and paid in August or later.

Effect: The City's expenditures and payables were understated and required adjustment.

Context: We tested disbursements after year-end and identified $307,558 in unrecorded payables.

Repeat Finding: This is not a repeat finding.

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

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

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

**CLIENT DOCUMENTS**

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

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

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

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

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

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

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

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

Finance
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FAX (231)726-2325

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

Human Resources
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(231)724-6442
FAX (231)724-6840

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

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

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

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

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

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

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

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

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

MUSKEGON

West Michigan's Shoreline City
www.shorelinecity.com

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 2, 2019

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

City of Muskegon respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2018 dated December 21, 2018.

### SECTION II – FINANCIAL STATEMENT FINDINGS

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

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

**Finding 2018-001: Time and Effort Documentation Procedures**

***U.S. Department of Housing and Urban Development***
Community Development Block Grant/Entitlement Grants (CDBG)
CFDA: 14.218
Award Numbers: B-14-MC-26-0026
B-15-MC-26-0026
B-16-MC-26-0026
B-17-MC-26-0026
Award Year Ends: No expiration

*Specific Requirement:* Allowable Costs/Cost Principles

*Recommendation:* The City should require all employees who fall under Uniform Guidance requirements for documenting time charged to federal award programs to properly prepare the appropriate after-the-fact time and effort documentation.

*Current Status:* The recommendation was implemented during the year ended June 30, 2019. ***No*** findings were noted during the single audit for the year ended June 30, 2019.

Sincerely,

Elizabeth Lewis
Finance Director

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MUSKEGON

West Michigan's Shoreline City
www.shorelinecity.com

# CORRECTIVE ACTION PLAN

December 2, 2019

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

City of Muskegon respectfully submits the following Corrective Action Plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2019

The findings from the Schedule of Findings and Responses for the year ended June 30, 2019 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## SECTION II – FINANCIAL STATEMENT FINDINGS

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

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

*Action Taken:* The Assistant Finance Director will review all payables entered from June 30th until the beginning of the audit each year to ensure that payables are posted to the correct fiscal year.

*Responsible Person and Anticipated Completion Date:* Assistant Finance Director – September 1, 2020.

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

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

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

Sincerely,

Elizabeth Lewis
Finance Director