Comprehensive Annual Financial Report
City of Muskegon

Fiscal Year Ended June 30, 2017

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CITY OF MUSKEGON, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

Prepared By

FINANCIAL SERVICES DIVISION

Elizabeth Lewis
Finance Director

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Assistant Finance Director

Sarah Petersen
City Treasurer

James Maurer
Information Systems Director

Mike VanderMolen
Management Assistant

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STATISTICAL SECTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MUSKEGON

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December 1, 2017

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, 2017.

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, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

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

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

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

- Michigan Adventure, located north of the City, is the largest amusement park complex in Michigan. The City provides water to both the amusement park and the water park located on the site.
- Muskegon is the eastern terminus for the high speed cross-lake ferry. Connecting Muskegon with Milwaukee, Wisconsin, the *Lake Express* service ferries 100,000-plus passengers each season between the two cities. 2017 marks the ferry service's fourteenth 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 *Bike Time* and *Rebel Road,* which attract motorcycle enthusiasts to the City in July, the *Unity Christian Music Festival* and the *Burning Foot Beer Fest* in August, and the *Irish Fest* in September.

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- 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 11 Great Lakes cruise ships in 2017 and expects nearly 20 ships to visit in 2018.
- Muskegon is home to three historic museum ships that attract thousands of visitors each year:
- *USS Silversides*, a rare surviving World War II submarine maintained in pristine condition;
- *LST-393*, a landing craft used in the D-day invasion and one of only two such vessels remaining in existence; and the
- *Milwaukee Clipper*, a Great Lakes passenger ship built before the *Titanic* that for many years served as a cross-lake ferry between Muskegon and Milwaukee.

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

The local economy has seen slight increase in the unemployment rate which stood at 5.1 percent at the end of the fourth quarter of 2016 compared with 5.3 percent at the end of the first quarter of 2017. According to the Summer 2017 Business Outlook prepared by the *W.E. Upjohn Institute for Employment Research*:

"The area's unemployment rate increased during the first quarter of 2017 to 5.3 from 5.1 in the previous quarter. Employment improved in nearly every industry in Muskegon over the first quarter of 2017 pushing total employment up by 1.4 percent"

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.

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Long-term financial planning and major initiatives

Unrestricted fund balance (the total of the assigned and unassigned components of fund balance) in the General Fund at year end was 29.0% 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 2016-17 were the following:

- Downtown Muskegon experienced the commencement of a number of mixed use development projects. Four adaptive reuse projects were undertaken in the LC Walker Arena, Terrace Point, Terrace Plaza, and High Point Flats buildings, with a total investment of $18.5 million. Three major new construction projects are also underway with the Berkshire Senior Living Center, Heritage Commons Development, and the Lakeview Lofts all expected to be completed in 2018 with a total investment of $25 million. Other downtown projects underway include a $14 million investment from Muskegon Community College, a $10 million investment in 72 single family homes on the Terrace Point Landing Development, and $7 million in proposed investment to convert the vacant Ameribank office building into a mixed use retail/residential center.

- After several years of perseverance, an agreement was reached between various parties and deed restrictions were lifted by Sappi to allow for development on property formerly owned by Sappi. Members of Pure Muskegon LLC, a Muskegon investor group, purchased the 120-acre former Sappi site on Muskegon Lake and plan to redevelop it into residential, recreational and commercial uses;

- The City renewed the Downtown Business Improvement District (BID) which aids downtown businesses with marketing and promotions as well as beautification, lawn maintenance and sidewalk snow plowing in the downtown;

- Construction of Midtown Square, which consists of nine new market rate homes in the Nelson neighborhood, was completed in 2016. It is anticipated that these new homes will help to revitalize the area and increase surrounding property values. Eight houses have been sold with the possibility of renting out the ninth house sometime in 2018.

- The City purchased the former Ameribank building in downtown Muskegon and issued a request for proposals to developers to purchase and redevelop the property for mixed-use. The City has accepted a proposal from a local developer who is finalizing plans for the project.

- KL Outdoor, the world's largest manufacturer of kayaks, announced in 2017 that it would locate its new corporate world headquarters in Downtown Muskegon. The move will create nearly 40 new corporate office positions in the downtown business district and result in the relocation of the company's manufacturing operations from Canada to Muskegon. Over the next five years, the company will add as many as 200 new jobs.

- Mercy Health Partner, Muskegon's largest employer is undertaking a $280 million expansion to its existing hospital. The investment will result in new high-paying medical jobs over the next three years.

Relevant financial policies

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

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

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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, 2016. This was the 31st 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.

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	Elizabeth Lewis
City Manager	Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Muskegon

Michigan

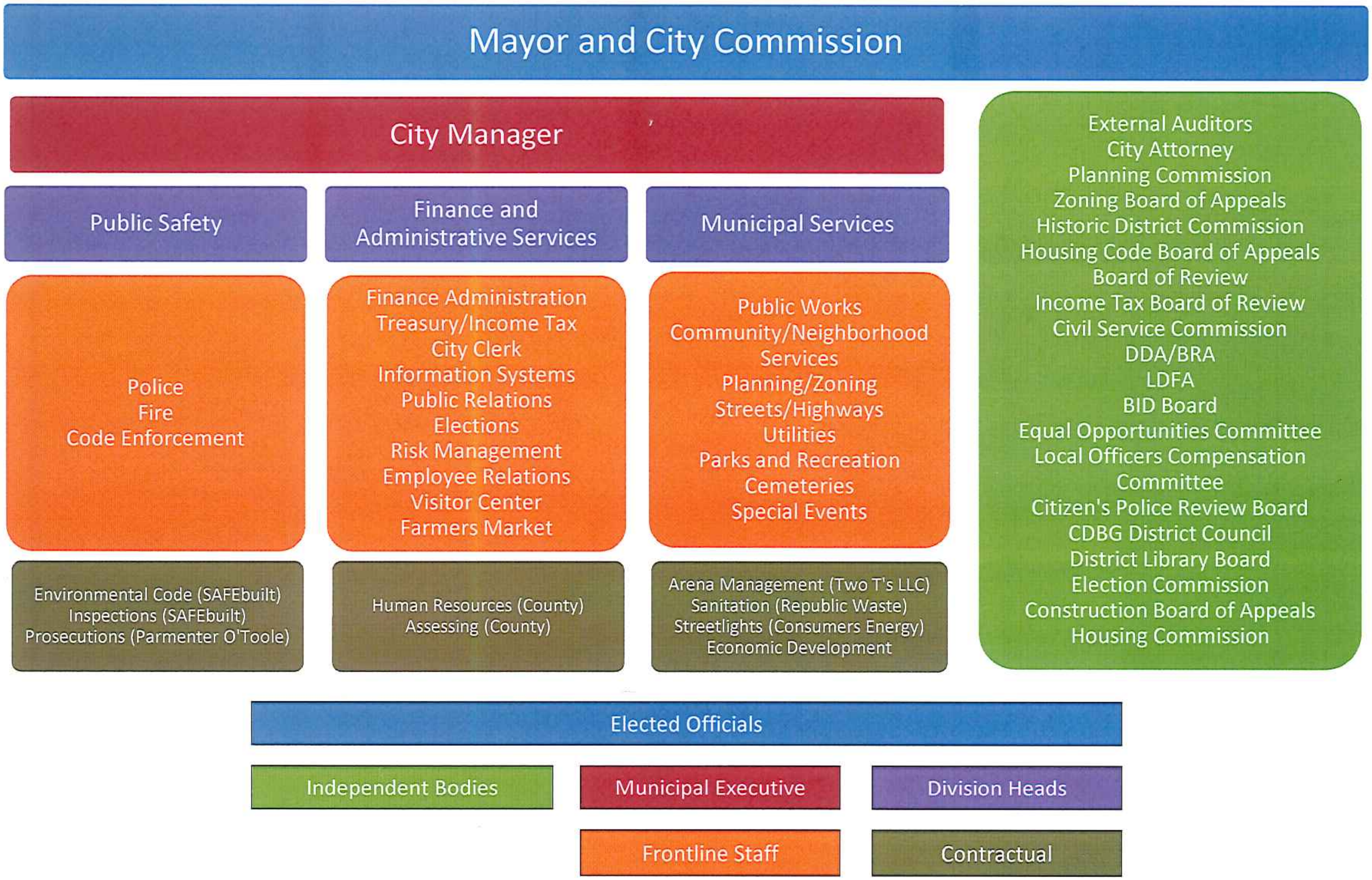
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrill

Executive Director/CEO

Organizational Structure



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

June 30, 2017

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

December 1, 2017

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, 2017, 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, 2017, 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, schedule of changes in net pension liability and related ratios, pension system schedule of contributions, and schedule of funding progress – retiree healthcare plan on pages 21 through 32 and 80 through 88 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'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.

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.

City Commission
December 1, 2017
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Other Matters—Continued

Other Information—Continued
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

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2017 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, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

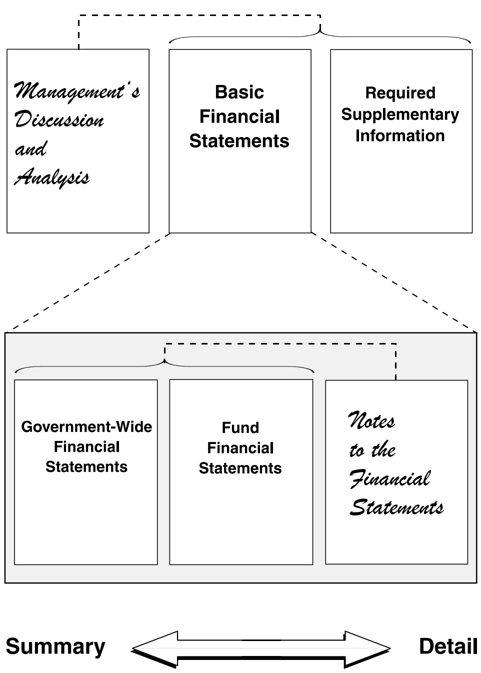
- The assets/deferred outflows of resources of the City of Muskegon exceeded its liabilities/deferred inflows of resources by $105,828,619 as of June 30, 2017. Of the City's total net position, $816,557 (.8%) was unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total combined net position decreased by $3,871,796 during the year ended June 30, 2017.

- The City's governmental funds reported combined ending fund balance of $16,011,971, an increase of $2,014,012 (14.4%) from the prior year.

- The City's General Fund reported a total fund balance of $8,057,645, an increase of $26,336 from the prior year balance of $8,031,309. 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 $105,828,619 as of June 30, 2017. This is a decrease of $3,871,796 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
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016	Change
Current and other assets	$22,448	$20,864	$10,007	$9,237	$32,455	$30,101	7.82%
Capital assets	68,519	70,647	46,618	48,935	115,137	119,582	-3.72%
Total Assets	90,967	91,511	56,625	58,172	147,592	149,683	-1.40%
Deferred outflows of resources	4,046	9,758	281	678	4,327	10,436	-58.54%
Total Assets and Deferred Outflows of Resources	95,013	101,269	56,906	58,850	151,919	160,119	-5.12%
Long-term liabilities	29,424	32,798	8,755	10,420	38,179	43,218	-11.66%
Other liabilities	4,064	3,844	2,999	3,034	7,063	6,878	2.69%
Total Liabilities	33,488	36,642	11,754	13,454	45,242	50,096	-9.69%
Deferred inflows of resources	794	302	55	21	849	323	162.85%
Total Liabilities and Deferred Outflows of Resources	34,282	36,944	11,809	13,475	46,091	50,419	-8.58%
Net Position							
Net investment in capital assets	62,520	64,327	38,115	39,014	100,635	103,341	-2.62%
Restricted	3,777	4,140	599	599	4,376	4,739	-7.66%
Unrestricted	-5,566	-4,142	6,383	5,762	817	1,620	-49.57%
Total Net Position	$60,731	$64,325	$45,097	$45,375	$105,828	$109,700	-3.53%

The bulk of the City's net position ($100,635,152 or 95%) represents investments in capital assets net of accumulated depreciation, less the remaining balance of debt issued to acquire those assets. These infrastructure assets are used to provide public services to citizens and are not available for spending.

Another 4.2% ($4,376,910) of the City's net position are legally restricted as to use. Unrestricted net position ($816,557 or .8%) represents assets that may be used to meet the City's operating needs and ongoing obligations. The City's unrestricted net position decreased ($803,596) during the year.

Changes in net position. The City's total revenues were $52,414,426 for the year ended June 30, 2017. This represents a 2.15% increase over total revenues collected during the prior fiscal year. About 42% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 13% came from grants from the state and federal governments and 33% 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, 2017 was $56,286,222. This represents a .7% decrease from reported expenses for the last fiscal year ended June 30, 2016. 71% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 29% 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 $3,593,587 while net position for business-type activities decreased by $278,209. For governmental activities, most of these changes are related to the increased net pension liability. For business-type activities, the changes similarly represent the impact of the increased net pension liability.

Changes in City's Net Position (In thousands of dollars)	Governmental Activities		Business-Type Activities		Total		Percentage
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016	Change
Program revenues							
Charges for services	$6,633	$5,217	$15,329	$14,078	$21,962	$19,295	13.82%
Operating grants and contributions	5,209	5,331	3	-	5,212	5,331	-2.23%
Capital grants and contributions	862	3,805	785	765	1,647	4,570	-63.96%
General revenues							
Property taxes	8,389	8,366	-	-	8,389	8,366	0.27%
Income taxes	8,707	8,387	-	-	8,707	8,387	3.82%
State shared revenues	4,630	4,051	-	-	4,630	4,051	14.29%
All other	1,842	1,286	25	26	1,867	1,312	42.30%
Total revenues	36,272	36,443	16,142	14,869	52,414	51,312	2.15%
Governmental activities expenses							
Public representation	1,114	1,108	-	-	1,114	1,108	0.54%
Administrative services	679	663	-	-	679	663	2.41%
Financial services	2,483	2,331	-	-	2,483	2,331	6.52%
Public safety	16,910	17,119	-	-	16,910	17,119	-1.22%
Public works	3,551	3,109	-	-	3,551	3,109	14.22%
Highways, streets and bridges	6,997	7,252	-	-	6,997	7,252	-3.52%
Community and economic development	3,739	5,223	-	-	3,739	5,223	-28.41%
Culture and recreation	3,919	3,552	-	-	3,919	3,552	10.33%
General administration	301	327	-	-	301	327	-7.95%
Interest on long-term debt	173	248	-	-	173	248	-30.24%
Business-type activities expenses							
Sewer	-	-	8,877	8,669	8,877	8,669	2.40%
Water	-	-	7,206	6,751	7,206	6,751	6.74%
Marina and launch ramp	-	-	337	328	337	328	2.74%
Total expenses	39,866	40,932	16,420	15,748	56,286	56,680	-0.70%
Change in net position	(3,594)	(4,489)	(278)	(879)	(3,872)	(5,368)	-27.87%
Net position at beginning of year	64,325	68,814	45,375	46,254	109,700	115,068	-4.67%
Net position at end of year	$60,731	$64,325	$45,097	$45,375	$105,828	$109,700	-3.53%

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, 2017 was $39,866,056.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was $17,096,522, or about 43% of the total.
- The remaining cost was paid by user charges to those directly benefitting from the programs or by state and federal grants and contributions.

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

	Total Cost of Services			Net Cost of Services		
	6/30/2017	6/30/2016	% Change	6/30/2017	6/30/2016	% Change
Governmental activities						
Public safety	$16,910	$17,119	-1.22%	$14,987	$15,706	-4.58%
Public works	3,551	3,109	14.22%	2,904	2,720	6.76%
Highways, streets and bridges	6,997	7,252	-3.52%	2,359	887	165.95%
Community and economic development	3,739	5,223	-28.41%	1,698	3,421	-50.37%
Culture and recreation	3,919	3,552	10.33%	2,233	911	145.12%
All other	4,750	4,677	1.56%	2,981	2,935	1.57%
Total governmental activities	$39,866	$40,932	-2.60%	$27,162	$26,580	2.19%

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, 2017, the City's total business-type activities realized an overall decrease in net position of $278,209.

Sewer Fund net position decreased $471,424 primarily as result of increased County wastewater treatment costs. The Water Fund saw a net position increase of $256,899. 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 $56,377 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, 2017 were the General Fund and the Major Street and Trunkline Fund.

General Fund Highlights

The General Fund receives most public attention since it is where local tax revenues are accounted for and where the most visible municipal services such as police, fire and parks are funded. The City reforecasts its General Fund budget on a quarterly basis taking into account changing economic conditions and policy priorities. The following table shows the General Fund year-end 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%)
6/30/2017	$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	7.06%	23,960,758	24.55%
6/30/2014	5,495,145	19.10%	23,407,409	23.48%
6/30/2013	4,613,722	17.95%	24,122,760	19.13%

For the year ended June 30, 2017, General Fund revenues were $1,080,141 higher than the final amended budget estimate. This variance is primarily due to higher than expected City income taxes and State shared revenue.

General Fund expenditures were $21,056 higher than projected in the final amended budget. Most city departments came in about where they were projected to.

Major Street and Trunkline Fund Highlights

The Major Street and Trunkline Fund accounts for all of the City's street construction and maintenance activities on its primary road system. Primary funding comes from the State of Michigan. For the year ended June 30, 2017, the fund balance of the Major Street and Trunkline Fund decreased $455,077 which is attributable to a transfer to the Local Streets Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the City had invested $115,137,662 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is a decrease of $4,445,132 from capital assets reported as of June 30, 2016. The decrease is due to normal depreciation of assets offset by current year additions. 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, 2017, the City had $16,312,664 in bonds and other long-term obligations outstanding. This represents an 8.1% 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.

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 Water System revenue bonds carry the "AA-" S&P rating.

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

	Governmental Activities		Business-Type Activities		Total		Percentage
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016	Change
Due within one year	$561	$511	$1,479	$1,429	$2,040	$1,940	5.15%
Due in more than one year	7,071	7,175	7,201	8,638	14,272	15,813	-9.75%
Total bonds & other obligations	$7,632	$7,686	$8,680	$10,067	$16,312	$17,753	-8.12%

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 $4,278,275 at year-end as shown in the table below. This represents a decrease of 13.9% 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
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016	Change
Due within one year	$330	$310	$355	$345	$685	$655	4.58%
Due in more than one year	1,005	1,340	2,588	2,971	3,593	4,311	-16.66%
Total bonds & other obligations	$1,335	$1,650	$2,943	$3,316	$4,278	$4,966	-13.85%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2017-18 capital budget anticipates spending $6,606,400 for capital projects, consisting of street improvements, water and sewer system improvements, scheduled equipment replacements, improvements to the L. C. Walker Arena, the construction of additional market rate houses in a city neighborhood and the replacement of fire department rescue equipment. These improvements will be funded by anticipated grants ($1,952,700), revenues generated from operations, and fund balance.

From an operating standpoint, the City's 2017-18 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 233 positions for a net gain of 1.
- 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 increased 5.6% from $8,151,902 for the year ended June 30, 2016 to $8,610,812 for the year ended June 30, 2017. For 2017-18, the City has estimated income tax revenue to be $8,100,000.

Year	City Income Tax Revenues	Percent Change
6/30/2017	$8,610,812	5.6%
6/30/2016	8,151,902	-1.5%
6/30/2015	8,274,666	5.7%
6/30/2014	7,831,423	4.3%
6/30/2013	7,506,472	12.3%

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 2017-18, the City tax levy will be at 10 mills for general operations and 3 mills for sanitation service. We project that $6,790,145 in total property tax revenue will be collected during fiscal year 2017-18.

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

Year	State Shared Revenues	Percent Change
6/30/2017	$4,046,147	4.1%
6/30/2016	3,886,514	-0.1%
6/30/2015	3,889,178	2.0%
6/30/2014	3,813,221	3.0%
6/30/2013	3,700,971	-7.0%

For 2017-18, the City projects $3,973,538 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. The State is projecting a significant increase in the distributions for the current fiscal year, the motor fuel tax collection is up slightly over 40% as compared to last year.

Year	Street Revenues from State	Percent Change
6/30/2017	$4,020,630	1.0%
6/30/2016	3,981,345	10.8%
6/30/2015	3,592,756	1.0%
6/30/2014	3,556,507	10.8%
6/30/2013	3,208,769	-2.4%

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 $14,661,712 during the year ended June 30, 2017. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. Water rates are currently planned to remain unchanged. The City 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, 2017

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and investments	$ 16,124,197	$ 5,413,140	$ 21,537,337	$ 187,391
Assets managed by others	1,145,199	-	1,145,199	-
Receivables	2,426,984	2,587,390	5,014,374	-
Due from other governmental units	2,025,190	130,350	2,155,540	-
Internal balances	(1,063,535)	1,063,535	-	-
Inventories	8,060	105,902	113,962	-
Prepaid items	519,319	106,777	626,096	-
Total current assets	21,185,414	9,407,094	30,592,508	187,391
Noncurrent assets				
Restricted cash and investments	-	599,500	599,500	-
Advances to component units	1,102,267	-	1,102,267	-
Notes receivable, less amounts due within one year	160,099	-	160,099	-
Capital assets, net				
Nondepreciable	13,950,546	347,947	14,298,493	400,000
Depreciable	54,568,769	46,270,400	100,839,169	1,453,122
Total noncurrent assets	69,781,681	47,217,847	116,999,528	1,853,122
Total assets	90,967,095	56,624,941	147,592,036	2,040,513
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	4,045,898	281,265	4,327,163	-
Total assets and deferred outflows of resources	95,012,993	56,906,206	151,919,199	2,040,513
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	3,354,453	474,730	3,829,183	16,500
Due to other governmental units	67,865	1,044,752	1,112,617	-
Unearned revenues - unused Farmers Market tokens	26,390	-	26,390	-
Unearned revenues - expenditure-driven grants	53,874	-	53,874	-
Bonds and other obligations, due within one year	561,134	1,479,400	2,040,534	685,000
Total current liabilities	4,063,716	2,998,882	7,062,598	701,500
Noncurrent liabilities				
Advances from primary government	-	-	-	1,102,267
Bonds and other obligations, less amounts due within one year	7,071,028	7,201,102	14,272,130	3,593,275
Net pension liability	22,353,002	1,553,952	23,906,954	-
Total noncurrent liabilities	29,424,030	8,755,054	38,179,084	4,695,542
Total liabilities	33,487,746	11,753,936	45,241,682	5,397,042
DEFERRED INFLOWS OF RESOURCES				
Related to pension	793,720	55,178	848,898	-
Total liabilities and deferred inflows of resources	34,281,466	11,809,114	46,090,580	5,397,042
NET POSITION				
Net investment in capital assets	62,520,466	38,114,686	100,635,152	(1,089,826)
Restricted				
Highways, streets and bridges	1,676,958	-	1,676,958	-
Debt service	-	599,500	599,500	-
L.C. Walker Arena	123,320	-	123,320	-
Law enforcement	121,873	-	121,873	-
Downtown BID	105,397	-	105,397	-
Perpetual care				
Expendable	223,520	-	223,520	-
Non-expendable	1,508,768	-	1,508,768	-
Other purposes	17,574	-	17,574	-
Unrestricted	(5,566,349)	6,382,906	816,557	(2,266,703)
Total net position	**$ 60,731,527**	**$ 45,097,092**	**$ 105,828,619**	**$ (3,356,529)**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities								
Public representation services	$ 1,113,897	$ 228,767	$ -	$ -	$ (885,130)	$ -	$ (885,130)	$ -
Administrative services	679,139	572,739	-	-	(106,400)	-	(106,400)	-
Financial services	2,483,519	895,924	34,000	-	(1,553,595)	-	(1,553,595)	-
Public safety	16,910,473	1,824,114	99,653	-	(14,986,706)	-	(14,986,706)	-
Public works	3,551,230	646,876	350	-	(2,904,004)	-	(2,904,004)	-
Highways, streets and bridges	6,996,540	256,190	3,981,065	400,000	(2,359,285)	-	(2,359,285)	-
Community and economic development	3,738,566	706,195	993,006	340,894	(1,698,471)	-	(1,698,471)	-
Culture and recreation	3,918,814	1,463,839	100,744	121,180	(2,233,051)	-	(2,233,051)	-
General administration	301,287	37,892	-	-	(263,395)	-	(263,395)	-
Interest on long-term debt	172,591	-	-	-	(172,591)	-	(172,591)	-
Total governmental activities	39,866,056	6,632,536	5,208,818	862,074	(27,162,628)	-	(27,162,628)	-
Business-type activities								
Sewer	8,876,690	7,620,208	-	784,969	-	(471,513)	(471,513)	-
Water	7,206,564	7,430,314	2,436	-	-	226,186	226,186	-
Marina and launch ramp	336,912	278,753	-	-	-	(58,159)	(58,159)	-
Total business-type activities	16,420,166	15,329,275	2,436	784,969	-	(303,486)	(303,486)	-
Total primary government	**$ 56,286,222**	**$ 21,961,811**	**$ 5,211,254**	**$ 1,647,043**	(27,162,628)	(303,486)	(27,466,114)	-
Component units								
Local Development Finance Authority - SmartZone	$ 247,166	$ -	$ -	$ 350,000	-	-	-	102,834
Downtown Development Authority	17,751	-	-	175,000	-	-	-	157,249
Tax Increment Finance Authority	34,000	-	-	-	-	-	-	(34,000)
Brownfield Redevelopment Authority I	38,729	-	-	-	-	-	-	(38,729)
Brownfield Redevelopment Authority II	182,650	-	-	-	-	-	-	(182,650)
Brownfield Redevelopment Authority III	26,148	-	-	-	-	-	-	(26,148)
Total component units	**$ 546,444**	**$ -**	**$ -**	**$ 525,000**	-	-	-	(21,444)
General revenues								
Property taxes					8,389,243	-	8,389,243	616,945
Income taxes					8,707,279	-	8,707,279	-
Cable franchise agreement					378,955	-	378,955	-
Grants and contributions not restricted to specific programs					4,630,111	-	4,630,111	-
Unrestricted investment earnings					106,653	25,277	131,930	1,085
Miscellaneous					512,738	-	512,738	-
Gain on sale of capital asset					844,062	-	844,062	-
Total general revenues					23,569,041	25,277	23,594,318	618,030
Change in net position					(3,593,587)	(278,209)	(3,871,796)	596,586
Net position at July 1, 2016					64,325,114	45,375,301	109,700,415	(3,953,115)
Net position at June 30, 2017					**$ 60,731,527**	**$ 45,097,092**	**$ 105,828,619**	**$ (3,356,529)**

The accompanying notes are an integral part of this statement.

City of Muskegon
BALANCE SHEET
Governmental Funds
June 30, 2017

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 7,606,891	$ 1,418,950	$ 4,711,503	$ 13,737,344
Assets managed by others	-	-	1,145,199	1,145,199
Receivables				
Accounts and loans (net of allowance for uncollectibles)	133,946	2,036	336,979	472,961
Property taxes	28,703	-	-	28,703
Income taxes	1,556,255	-	-	1,556,255
Special assessments	-	14,971	15,224	30,195
Due from other governmental units	715,369	631,061	678,760	2,025,190
Due from other funds	356,207	-	-	356,207
Advances to component units	-	-	367,423	367,423
Prepaid items	199,353	29,427	30,775	259,555
Total assets	**$ 10,596,724**	**$ 2,096,445**	**$ 7,285,863**	**$ 19,979,032**
LIABILITIES				
Accounts payable	$ 1,647,215	$ 223,411	$ 678,862	$ 2,549,488
Accrued liabilities	345,611	9,504	20,682	375,797
Due to other governmental units	40,399	11,940	15,526	67,865
Due to other funds	-	-	356,207	356,207
Unearned revenues - unused Farmers Market tokens	-	-	26,390	26,390
Unearned revenues - expenditure-driven grants	854	-	53,020	53,874
Total liabilities	2,034,079	244,855	1,150,687	3,429,621
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - income taxes	505,000	-	-	505,000
Unavailable revenues - special assessments	-	14,971	15,225	30,196
Unavailable revenues - other long-term receivables	-	-	2,244	2,244
Total deferred inflows of resources	505,000	14,971	17,469	537,440
FUND BALANCES				
Nonspendable				
Prepaid items	199,353	29,427	30,775	259,555
Long-term loans receivable	-	-	157,855	157,855
Perpetual care	10,000	-	1,498,768	1,508,768
Restricted				
Highways, streets and bridges	-	1,807,192	353,714	2,160,906
L.C. Walker Arena	-	-	97,484	97,484
Law enforcement	-	-	121,873	121,873
Downtown BID	-	-	105,397	105,397
Perpetual care	-	-	223,520	223,520
Other purposes	-	-	17,574	17,574
Assigned for capital projects and public improvements	1,700,000	-	3,510,747	5,210,747
Unassigned	6,148,292	-	-	6,148,292
Total fund balances	8,057,645	1,836,619	6,117,707	16,011,971
Total liabilities, deferred inflows of resources and fund balances	**$ 10,596,724**	**$ 2,096,445**	**$ 7,285,863**	**$ 19,979,032**

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, 2017

Total fund balance—governmental funds		$ 16,011,971
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	$ 127,375,807	
Accumulated depreciation	(61,369,072)	66,006,735
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	505,000	
Special assessments	30,196	
Other long-term receivables	2,244	537,440
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	(46,000)	
Bonds and notes payable	(5,998,849)	
Compensated absences	(1,523,208)	
Net pension liability and related deferred outflows/inflows of resources	(18,283,677)	(25,851,734)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the Statement of Net Position.		
Net position of the internal service funds	5,090,650	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	(1,063,535)	4,027,115
Net position of governmental activities		**$ 60,731,527**

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, 2017

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 16,667,272	$ -	$ -	$ 16,667,272
Licenses and permits	1,884,341	-	-	1,884,341
Intergovernmental revenues				
Federal	51,628	400,000	1,276,349	1,727,977
State	4,653,136	3,197,829	1,108,003	8,958,968
Local	34,000	-	22,489	56,489
Charges for services	2,647,384	33,787	1,237,046	3,918,217
Fines and forfeitures	481,624	-	12,745	494,369
Interest and rental income	142,193	11,238	27,729	181,160
Income from assets managed by others	-	-	109,418	109,418
Other	490,188	90,296	755,354	1,335,838
Total revenues	27,051,766	3,733,150	4,549,133	35,334,049
EXPENDITURES				
Current				
Public representation services	1,080,032	-	-	1,080,032
Administrative services	624,284	-	-	624,284
Financial services	2,236,941	-	-	2,236,941
Public safety	14,056,236	-	30,383	14,086,619
Public works	3,105,699	-	100,351	3,206,050
Highways, streets and bridges	-	3,507,777	1,347,895	4,855,672
Community and economic development	2,006,599	-	-	2,006,599
Culture and recreation	1,660,175	-	1,863,003	3,523,178
Other governmental functions	280,416	-	-	280,416
Debt service				
Principal	70,000	195,000	18,563	283,563
Interest and fees	174,262	35,450	1,530	211,242
Capital outlay	362,786	-	2,078,980	2,441,766
Total expenditures	25,657,430	3,738,227	5,440,705	34,836,362
Excess of revenues over (under) expenditures	1,394,336	(5,077)	(891,572)	497,687
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	1,529,325	1,529,325
Transfers in	-	-	1,805,000	1,805,000
Transfers out	(1,368,000)	(450,000)	-	(1,818,000)
Total other financing sources (uses)	(1,368,000)	(450,000)	3,334,325	1,516,325
Net change in fund balances	26,336	(455,077)	2,442,753	2,014,012
Fund balances at July 1, 2016	8,031,309	2,291,696	3,674,954	13,997,959
Fund balances at June 30, 2017	**$ 8,057,645**	**$ 1,836,619**	**$ 6,117,707**	**$ 16,011,971**

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, 2017

Net change in fund balances—total governmental funds		$ 2,014,012
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	$ (4,585,381)	
Capital outlay	2,328,615	(2,256,766)
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining undepreciated cost of the capital assets sold.		(250,179)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(214,023)
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		283,563
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	651	
Amortization of premiums and discounts	38,000	38,651
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	(259,665)	
Change in net pension liability and related deferred outflows/inflows of resources	(2,808,159)	(3,067,824)
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	(148,328)	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	7,307	(141,021)
Change in net position of governmental activities		**$ (3,593,587)**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
ASSETS					
Current assets					
Cash and investments	$ 1,368,662	$ 3,604,027	$ 440,451	$ 5,413,140	$ 2,386,853
Receivables	1,166,519	1,397,366	23,505	2,587,390	498,969
Due from other governmental units	81,065	49,285	-	130,350	-
Inventories	20,641	85,261	-	105,902	8,060
Prepaid items	41,249	63,103	2,425	106,777	259,764
Total current assets	2,678,136	5,199,042	466,381	8,343,559	3,153,646
Noncurrent assets					
Restricted cash and investments	-	599,500	-	599,500	-
Advances to component units	-	-	-	-	734,844
Capital assets					
Land	16,188	103,500	22,562	142,250	65,000
Land improvements	-	-	1,888,965	1,888,965	301,715
Buildings, improvements and systems	21,524,875	68,982,943	2,322,488	92,830,306	1,559,334
Machinery and equipment	83,643	2,881,519	60,620	3,025,782	8,771,690
Construction in progress	41,716	163,981	-	205,697	-
Less accumulated depreciation	(10,220,700)	(38,226,831)	(3,027,122)	(51,474,653)	(8,185,159)
Net capital assets	11,445,722	33,905,112	1,267,513	46,618,347	2,512,580
Total noncurrent assets	11,445,722	34,504,612	1,267,513	47,217,847	3,247,424
Total assets	14,123,858	39,703,654	1,733,894	55,561,406	6,401,070
DEFERRED OUFLOWS OF RESOURCES					
Related to pension	64,907	216,358	-	281,265	173,087
Total assets and deferred outflows of resources	14,188,765	39,920,012	1,733,894	55,842,671	6,574,157
LIABILITIES					
Current liabilities					
Accounts payable	74,976	268,681	16,224	359,881	349,479
Accrued liabilities	16,073	97,825	951	114,849	33,689
Due to other governmental units	1,010,555	34,197	-	1,044,752	-
Bonds and other obligations, due within one year	7,300	1,472,100	-	1,479,400	18,400
Total current liabilities	1,108,904	1,872,803	17,175	2,998,882	401,568
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	36,659	7,164,443	-	7,201,102	91,705
Net pension liability	358,604	1,195,348	-	1,553,952	956,278
Total noncurrent liabilities	395,263	8,359,791	-	8,755,054	1,047,983
Total liabilities	1,504,167	10,232,594	17,175	11,753,936	1,449,551
DEFERRED INFLOWS OF RESOURCES					
Related to pension	12,733	42,445	-	55,178	33,956
Total liabilities and deferred inflows of resources	1,516,900	10,275,039	17,175	11,809,114	1,483,507
NET POSITION					
Net investment in capital assets	11,445,722	25,401,451	1,267,513	38,114,686	2,512,580
Restricted for debt service	-	599,500	-	599,500	-
Unrestricted	1,226,143	3,644,022	449,206	5,319,371	2,578,070
Total net position	**$ 12,671,865**	**$ 29,644,973**	**$ 1,716,719**	44,033,557	**$ 5,090,650**
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				1,063,535	
Net position of business-type activities				**$ 45,097,092**	

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, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
OPERATING REVENUES					
Charges for services	$ 7,478,540	$ 7,183,172	$ 273,154	$ 14,934,866	$ 8,272,672
Other	141,668	249,578	5,599	396,845	153,855
Total operating revenues	7,620,208	7,432,750	278,753	15,331,711	8,426,527
OPERATING EXPENSES					
Administration	438,932	934,419	5,549	1,378,900	325,613
Insurance premiums and claims	-	-	-	-	4,539,589
Wastewater treatment	5,836,328	-	-	5,836,328	-
Wastewater maintenance	2,150,248	-	-	2,150,248	-
Filtration plant operations	-	2,028,490	-	2,028,490	-
Water distribution	-	2,035,003	-	2,035,003	-
Other operations	-	-	216,359	216,359	3,377,697
Depreciation	457,440	1,970,096	115,256	2,542,792	385,387
Total operating expenses	8,882,948	6,968,008	337,164	16,188,120	8,628,286
Operating income (loss)	(1,262,740)	464,742	(58,411)	(856,409)	(201,759)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	6,347	16,896	2,034	25,277	40,431
Interest expense	-	(224,739)	-	(224,739)	-
Total nonoperating revenue (expenses)	6,347	(207,843)	2,034	(199,462)	40,431
Income (loss) before contributions and transfers	(1,256,393)	256,899	(56,377)	(1,055,871)	(161,328)
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	784,969	-	-	784,969	-
Transfers in	-	-	-	-	13,000
Total capital contributions and transfers	784,969	-	-	784,969	13,000
Change in net position	(471,424)	256,899	(56,377)	(270,902)	(148,328)
Net position at July 1, 2016	13,143,289	29,388,074	1,773,096		5,238,978
Net position at June 30, 2017	**$ 12,671,865**	**$ 29,644,973**	**$ 1,716,719**		**$ 5,090,650**
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(7,307)	
Change in net position of business-type activities				**$ (278,209)**	

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, 2017

	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	$ 7,661,201	$ 7,238,350	$ 283,714	$ 15,183,265	$ 166,215
Receipts from interfund services provided	29,168	148,600	-	177,768	7,352,749
Other receipts	-	-	-	-	621,592
Payments to suppliers	(7,336,121)	(2,451,576)	(183,851)	(9,971,548)	(6,108,795)
Payments to employees	(595,818)	(1,578,992)	(24,054)	(2,198,864)	(1,281,433)
Payments for interfund services used	(567,670)	(735,617)	(18,769)	(1,322,056)	(783,875)
Net cash provided by (used for) operating activities	(809,240)	2,620,765	57,040	1,868,565	(33,547)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	13,000
Advances to component units	-	-	-	-	79,234
Net cash provided by noncapital financing activities	-	-	-	-	92,234
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	784,969	-	-	784,969	-
Purchases of capital assets	(41,716)	(162,392)	(21,540)	(225,648)	(764,344)
Principal paid on capital debt	-	(1,405,000)	-	(1,405,000)	-
Interest paid on capital debt	-	(246,434)	-	(246,434)	-
Net cash provided by (used for) capital and related financing activities	743,253	(1,813,826)	(21,540)	(1,092,113)	(764,344)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	6,347	16,896	2,034	25,277	40,431
Net increase (decrease) in cash and investments	(59,640)	823,835	37,534	801,729	(665,226)
Cash and investments July 1, 2016	1,428,302	3,379,692	402,917	5,210,911	3,052,079
Cash and investments at June 30, 2017	**$ 1,368,662**	**$ 4,203,527**	**$ 440,451**	**$ 6,012,640**	**$ 2,386,853**
Reconciliation of cash and investments to the Statement of Net Position					
Cash and investments	$ 1,368,662	$ 3,604,027	$ 440,451	$ 5,413,140	$ 2,386,853
Restricted cash and investments	-	599,500	-	599,500	-
	$ 1,368,662	**$ 4,203,527**	**$ 440,451**	**$ 6,012,640**	**$ 2,386,853**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ (1,262,740)	$ 464,742	$ (58,411)	$ (856,409)	$ (201,759)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	457,440	1,970,096	115,256	2,542,792	385,387
Bad debt expense	6,034	3,698	-	9,732	-
Change in assets and liabilities					
Receivables	64,127	(49,498)	4,961	19,590	(285,971)
Inventories	(2,890)	985	-	(1,905)	12,797
Prepaid items	1,317	(4,668)	(94)	(3,445)	(48,946)
Accounts payable	(120,764)	33,507	(3,050)	(90,307)	(33,532)
Accrued liabilities	48,236	201,903	(1,622)	248,517	138,477
Net cash provided by (used for) operating activities	**$ (809,240)**	**$ 2,620,765**	**$ 57,040**	**$ 1,868,565**	**$ (33,547)**

The accompanying notes are an integral part of this statement.

City of Muskegon

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Fiduciary Funds

June 30, 2017

	Agency Funds
ASSETS	
Cash and investments	$ 1,221,594
Accounts receivable	11,359
Total assets	**$ 1,232,953**
LIABILITIES	
Accounts payable	$ 1,035,501
Due to other governmental units	70,676
Deposits held for others	126,776
Total liabilities	**$ 1,232,953**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2017

	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	$ 20,940	$ 106,919	$ 5,827	$ 50,858	$ 1,180	$ 1,667	$ 187,391
Noncurrent assets							
Capital assets, net							
Nondepreciable	400,000	-	-	-	-	-	400,000
Depreciable	1,453,122	-	-	-	-	-	1,453,122
Total noncurrent assets	1,853,122	-	-	-	-	-	1,853,122
Total assets	1,874,062	106,919	5,827	50,858	1,180	1,667	2,040,513
LIABILITIES							
Current liabilities							
Accrued liabilities	16,500	-	-	-	-	-	16,500
Bonds and other obligations, due within one year	355,000	330,000	-	-	-	-	685,000
Total current liabilities	371,500	330,000	-	-	-	-	701,500
Noncurrent liabilities							
Advances from primary government	-	-	-	1,102,267	-	-	1,102,267
Bonds and other obligations, less amounts due within one year	2,587,948	1,005,327	-	-	-	-	3,593,275
Total noncurrent liabilities	2,587,948	1,005,327	-	1,102,267	-	-	4,695,542
Total liabilities	2,959,448	1,335,327	-	1,102,267	-	-	5,397,042
NET POSITION							
Net investment in capital assets	(1,089,826)	-	-	-	-	-	(1,089,826)
Unrestricted	4,440	(1,228,408)	5,827	(1,051,409)	1,180	1,667	(2,266,703)
Total net position	**$ (1,085,386)**	**$ (1,228,408)**	**$ 5,827**	**$ (1,051,409)**	**$ 1,180**	**$ 1,667**	**$ (3,356,529)**

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, 2017

Functions/Programs	Expenses	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: 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	74,518	350,000	275,482	-	-	-	-	-	275,482
Total Local Development Finance Authority - SmartZone	247,166	350,000	102,834	-	-	-	-	-	102,834
Downtown Development Authority									
Interest on long-term debt	17,751	175,000	-	157,249	-	-	-	-	157,249
Tax Increment Finance Authority									
Community and economic development	34,000	-	-	-	(34,000)	-	-	-	(34,000)
Brownfield Redevelopment Authority I									
Interest on long-term debt	38,729	-	-	-	-	(38,729)	-	-	(38,729)
Brownfield Redevelopment Authority II									
Community and economic development	182,650	-	-	-	-	-	(182,650)		(182,650)
Brownfield Redevelopment Authority III									
Community and economic development	26,148	-	-	-	-	-	-	(26,148)	(26,148)
Total discretely presented component units	**$ 546,444**	**$ 525,000**	102,834	157,249	(34,000)	(38,729)	(182,650)	(26,148)	(21,444)
General revenues									
Property taxes			99,280	147,081	39,373	137,659	165,737	27,815	616,945
Unrestricted investment income			55	823	-	81	126	-	1,085
Total general revenues			99,335	147,904	39,373	137,740	165,863	27,815	618,030
Change in net position			202,169	305,153	5,373	99,011	(16,787)	1,667	596,586
Net position at July 1, 2016			(1,287,555)	(1,533,561)	454	(1,150,420)	17,967	-	(3,953,115)
Net position at June 30, 2017			**$ (1,085,386)**	**$ (1,228,408)**	**$ 5,827**	**$ (1,051,409)**	**$ 1,180**	**$ 1,667**	**$ (3,356,529)**

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, 2017, 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, 2015, the date of its latest audited financial statements is as follows:

Total assets and deferred outflows of resources	$	4,490,802
Total liabilities and deferred inflows of resources		(432,206)
Total net position	**$**	**4,058,596**
Total operating income	$	1,604,765
Total operating expenses		(2,063,265)
Total nonoperating revenues		596
Capital contributions		174,638
Change in net assets	**$**	**(283,266)**

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.

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
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 fiduciary net position have been determined on the same basis as they are reported by the Municipal Employees Retirement System (MERS) of Michigan. 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.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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.

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 2016 state taxable value for real/personal property of the City totaled approximately $550,802,000 of which approximately $9,846,000 was captured by the component units. The ad valorem taxes levied consisted of 10.0, 3.0 and .0905 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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. However, comparative (i.e. presentation of prior year’s totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. Also, certain items in the 2016 financial statements have been reclassified to conform to the 2017 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.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations
During the year ended June 30, 2017, actual expenditures exceeded appropriations for:

	Final Budget	Actual
General Fund		
Public safety		
Fire department	$ 4,078,142	$ 4,186,580
Fire safety inspections	575,000	854,019
Public works		
Street lighting	515,000	592,830
Culture and recreation		
Parks maintenance	1,396,467	1,512,556
Other financing uses		
Transfers out	333,000	1,368,000
Major Streets Fund		
Highways, streets and bridges	3,202,032	3,507,777
L.C. Walker Arena		
Culture and recreation	1,132,000	1,537,210

These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2017, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	S&P	Percent
Money market funds	$ 294,544	1	AAA	4.1 %
Negotiable certificates of deposit	1,698,922	41	not rated	23.3
US agency obligations	3,873,862	236	AA+	53.1
Local units of government obligations	518,895	34	AAA	7.1
Local units of government obligations	297,487	27	AA+	4.1
Local units of government obligations	604,900	56	AA-	8.3
Total fair value	**$ 7,288,610**			**100.0 %**
Portfolio weighted average maturity		**143**		

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks

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

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

Concentration of credit risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The City has a concentration of credit risk policy that limits investment in commercial paper, eligible bankers' acceptances and time certificates of deposit to 25 percent each of the total portfolio. More than 5 percent of the City's investments are in various U.S. Agency obligations including Financial Home Loan Mortgage Corporation which is 46 percent of the City's investments.

Custodial credit risk - deposits
In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2017, $15,810,184 of the City's bank balance of $16,310,184 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, 2017, 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.

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.

NOTE D—ASSETS MANAGED BY OTHERS—Continued

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, 2017 follows:

	Lakeshore Trails Improvement Fund	Cemetery Perpetual Care Fund	Marquette and Elliot Park Fund	Staley Charity Fund	Totals
Revenues					
Contributions	$ 600	$ -	$ -	$ -	$ 600
Dividends and interest	1,147	27,876	2,531	8,660	40,214
Realized and unrealized loss on investments	3,387	82,455	7,495	25,664	119,001
	5,134	110,331	10,026	34,324	159,815
Expenses					
Administration fees	217	5,230	1,439	3,284	10,170
Revenues over expenses	4,917	105,101	8,587	31,040	149,645
Total assets at beginning of year	41,693	1,024,013	93,254	318,557	1,477,517
Total assets at end of year	46,610	1,129,114	101,841	349,597	1,627,162
Less assets recorded as those of the Foundation	(30,525)	-	(101,841)	(349,597)	(481,963)
Assets reported on the Balance Sheet/ Statement of Net Position	**$ 16,085**	**$ 1,129,114**	**$ -**	**$ -**	**$ 1,145,199**

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, 2017.

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

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

NOTE E—FAIR VALUE MEASUREMENTS—Continued

Assets managed by others: The assets are valued based upon the City's allocable share of the Community Foundation of Muskegon County (Community Foundation) pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the fund, minus its liabilities.

The assets managed by others are valued monthly by the Community Foundation and are allocated based upon each organization's calculated share of the Community Foundation's pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Community Foundation indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns allocated via a unitization process. The City calculates the fair value of its beneficial interest in the pooled investment assets held by the Community Foundation based on the estimated fair value of the underlying assets. The Community Foundation controls the investments and makes 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, 2017:

	Assets at Fair Value as of June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ -	$ 294,544	$ -	$ 294,544
Negotiable certificates of deposit	1,698,922	-	-	1,698,922
US agency obligations	3,873,862	-	-	3,873,862
Local units of government obligations	1,421,282	-	-	1,421,282
Assets managed by others	-	1,145,199	-	1,145,199
Total assets at fair value	**$ 6,994,066**	**$ 1,439,743**	**$ -**	**$ 8,433,809**

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 12,253,560	$ -	$ 250,179	$ 12,003,381
Construction in progress	4,862,963	1,758,796	4,674,594	1,947,165
Total capital assets, not being depreciated	17,116,523	1,758,796	4,924,773	13,950,546
Capital assets, being depreciated:				
Land improvements	4,685,117	-	-	4,685,117
Leasehold improvements	534,821	-	-	534,821
Buildings and improvements	23,431,557	430,692	-	23,862,249
Furniture, vehicle and equipment	14,158,970	903,471	393,471	14,668,970
Infrastructure	71,913,465	4,674,594	3,121,508	73,466,551
Shared improvements	6,905,293	-	-	6,905,293
Total capital assets, being depreciated	121,629,223	6,008,757	3,514,979	124,123,001
Less accumulated depreciation:				
Land improvements	1,613,171	161,054	-	1,774,225
Leasehold improvements	432,357	30,404	-	462,761
Buildings and improvements	16,439,691	456,836	-	16,896,527
Furniture, vehicle and equipment	11,204,748	590,374	393,471	11,401,651
Infrastructure	34,642,220	3,386,835	3,121,508	34,907,547
Shared improvements	3,766,256	345,265	-	4,111,521
Total accumulated depreciation	68,098,443	4,970,768	3,514,979	69,554,232
Total capital assets, being depreciated, net	53,530,780	1,037,989	-	54,568,769
Capital assets, net	**$ 70,647,303**	**$ 2,796,785**	**$ 4,924,773**	**$ 68,519,315**
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 142,250	$ -	$ -	$ 142,250
Construction in progress	1,188,637	204,108	1,187,048	205,697
Total capital assets, not being depreciated	1,330,887	204,108	1,187,048	347,947
Capital assets, being depreciated:				
Land improvements	1,888,965	-	-	1,888,965
Buildings, improvements and systems	91,643,258	1,187,048	-	92,830,306
Machinery and equipment	3,004,242	21,540	-	3,025,782
Total capital assets, being depreciated	96,536,465	1,208,588	-	97,745,053
Less accumulated depreciation:				
Land improvements	1,797,373	18,196	-	1,815,569
Buildings, improvements and systems	44,543,381	2,442,625	-	46,986,006
Machinery and equipment	2,591,107	81,971	-	2,673,078
Total accumulated depreciation	48,931,861	2,542,792	-	51,474,653
Total capital assets, being depreciated, net	47,604,604	(1,334,204)	-	46,270,400
Capital assets, net	**$ 48,935,491**	**$ (1,130,096)**	**$ 1,187,048**	**$ 46,618,347**

NOTE F—CAPITAL ASSETS—Continued

Depreciation
Depreciation expense was charged to functions as follows:

Governmental activities:	
Adminstrative services	$ 18,438
Financial services	33,106
Public safety	209,177
Public works	2,126
Highways, streets and bridges	3,855,882
Community and economic development	75,717
Culture and recreation	370,064
General administration	20,871
Internal Service Fund depreciation	385,387
	$ 4,970,768
Business-type activities:	
Sewer	$ 457,440
Water	1,970,096
Marina and Launch Ramp	115,256
	$ 2,542,792

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
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	2,172,488	172,648	-	2,345,136
Total capital assets, being depreciated, net	1,625,770	(172,648)	-	1,453,122
Capital assets, net	**$ 2,025,770**	**$ (172,648)**	**$ -**	**$ 1,853,122**

Depreciation
Depreciation expense was charged to economic development.

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	**$ 356,207**

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

Component Unit Advance:
The Cemetery Perpetual Care Fund, Equipment Fund, and General Insurance Fund advanced the BRA I $1,102,267 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
Nonmajor Governmental Funds			
L.C. Walker Arena Fund	$ 305,000	General Fund	$ 1,355,000
Farmers Market and Kitchen 242 Fund	50,000		
Public Improvement Fund	1,000,000		
	1,355,000		1,355,000
Nonmajor Governmental Funds			
Local Street Fund	450,000	Major Streets Fund	450,000
Internal Service Funds			
Engineering Services Fund	13,000	General Fund	13,000
	$ 1,818,000		**$ 1,818,000**

The General Fund transferred funds to the Public Improvement Fund for future capital improvements and to the L.C. Walker Arena Fund and other funds for operation subsidies. 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, 2017.

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
General obligation debt	$ 5,875,000	$ -	$ 265,000	$ 5,610,000	$ 270,000
Premium	368,903	-	38,000	330,903	-
Intergovernmental obligations	76,509	-	18,563	57,946	18,934
Compensated absences	1,365,471	1,596,619	1,328,777	1,633,313	272,200
Governmental activities long-term liabilities	**$ 7,685,883**	**$ 1,596,619**	**$ 1,650,340**	**$ 7,632,162**	**$ 561,134**
Business-type activities:					
Revenue obligations	$ 9,895,000	$ -	$ 1,405,000	$ 8,490,000	$ 1,450,000
Premium	26,962	-	13,301	13,661	-
Compensated absences	145,616	183,512	152,287	176,841	29,400
Business-type activities long-term liabilities	**$ 10,067,578**	**$ 183,512**	**$ 1,570,588**	**$ 8,680,502**	**$ 1,479,400**
Component units:					
General obligation debt	$ 3,825,000	$ -	$ 655,000	$ 3,170,000	$ 685,000
Premium	141,420	-	33,145	108,275	-
Intergovernmental obligations	1,000,000	-	-	1,000,000	-
Component unit long-term liabilities	**$ 4,966,420**	**$ -**	**$ 688,145**	**$ 4,278,275**	**$ 685,000**

General Obligation Debt

The City has issued general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt is a direct obligation and pledges the full faith and credit of the City. This debt is generally issued as serial bonds with varying amounts of principal maturing each year. Certain debt issued by the City's component units is also backed by the full faith and credit of the City if there is a shortfall in tax increment revenues. General obligation debt outstanding as of June 30, 2017 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	$ 1,075,000
2016 Limited Tax General Obligation Refunding Bonds	4,535,000	2% - 4%	October 2032	4,535,000
				$ 5,610,000
Component units:				
2011 DDA Tax Increment Refunding Bonds	$ 2,045,000	3.75% - 4%	June 2018	$ 330,000
2012 LDFA Tax Increment Refunding Bonds	4,100,000	4%	November 2025	2,840,000
				$ 3,170,000

NOTE H—LONG-TERM DEBT—Continued

Intergovernmental Obligations

The City has long-term contractual obligations with other governmental entities for program purposes. Intergovernmental contractual obligations outstanding as of June 30, 2017 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	**$ 57,946**
Component units:				
1989 DDA Promissory Note to Muskegon County	$ 1,000,000	0%	August 2019	**$ 1,000,000**

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, 2017 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	$ 6,980,000
2010 Water Supply System Refunding Bonds	5,995,000	4% - 4.25%	May 2019	1,510,000
				$ 8,490,000

The City has pledged future water customer revenues, net of specified operating expenses, to repay the 2004 Drinking Water State Revolving Fund Loan and 2010 Water Supply System Refunding Bonds. Proceeds from both issuances were used to make improvements to the City's water supply system. The bonds are payable solely from water customer net revenues and are payable through 2025 and 2019, respectively. Annual principal and interest payments on the bonds are expected to require less than 67 percent of net revenues through 2019 and less than 35 percent after 2019 through 2025. The total principal and interest remaining to be paid on the bonds is $9,273,339. Principal and interest paid for the year ended June 30, 2017 and total customer net revenues were $1,651,434 and $2,451,734, respectively.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2017.

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

NOTE H—LONG-TERM DEBT—Continued

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, 2017 was approximately $3,561,000. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2017 follow:

Year Ending	Governmental Activites		Business-type Activities		Component Units	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 288,934	$ 196,314	$ 1,450,000	$ 203,106	$ 685,000	$ 107,125
2019	294,313	188,476	1,495,000	158,259	375,000	81,100
2020	524,699	176,758	745,000	109,916	1,390,000	65,800
2021	515,000	161,107	760,000	93,925	395,000	50,100
2022	535,000	145,402	775,000	77,616	245,000	37,300
2023-2027	1,570,000	546,500	3,265,000	140,517	1,080,000	66,300
2028-2032	1,620,000	225,600	-	-	-	-
2033	320,000	6,400	-	-	-	-
	$ 5,667,946	**$ 1,646,557**	**$ 8,490,000**	**$ 783,339**	**$ 4,170,000**	**$ 407,725**

Annual debt service requirements to maturity by type of debt as of June 30, 2017 follow:

	General Obligation Debt		Revenue Obligations	Intergovernmental	
Year Ending June 30,	Governmental Activities	Component Units	Business-type Activities	Governmental Activities	Component Units
2018	$ 465,155	$ 792,125	$ 1,653,106	$ 20,093	$ -
2019	462,696	456,100	1,653,259	20,093	-
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	-	-
2023-2027	2,116,500	1,146,300	3,405,517	-	-
2028-2032	1,845,600	-	-	-	-
2033	326,400	-	-	-	-
	$ 7,254,224	**$ 3,577,725**	**$ 9,273,339**	**$ 60,279**	**$ 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 2017 and 2016 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, 2017	$ 29,700	$ 151,867	$ 71,435	$ 110,132
June 30, 2016	137,902	(6,455)	101,747	29,700

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, 2017, the claims liability including incurred but not reported claims was $53,504. 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 2017 and 2016 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, 2017	$ 34,064	$ 1,105,988	$ 1,086,548	$ 53,504
June 30, 2016	49,144	1,267,781	1,282,861	34,064

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.

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 $43,273 for the year ended June 30, 2017. The future minimum rental income for this lease is as follows:

Year Ending June 30,	Amount
2018	$ 30,135
2019	29,369
2020	55,919
2021	55,463
2022	55,584
	$ 226,470

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, 2017, the City abated property taxes revenues totaling $58,828 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, 2017, the City abated property taxes revenues totaling $83,346 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, 2017, the City abated property taxes revenues totaling $122,137 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	55/30	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 1, 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%.

Final average compensation is calculated based on 3 years.

Employees Covered by Benefit Terms
At December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	306
Inactive employees entitled to but not yet receiving benefits	30
Active employees	134
Total employees covered by MERS	**470**

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, 2017, the City had a flat-dollar employer contribution to the Plan of $1,897,158 in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. Member contributions range from 5 percent to 6.5 percent.

Net Pension Liability
The City’s net pension liability was measured as of December 31, 2016, 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, 2016 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 including inflation

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	Long-Term Expected Real Rate of Return
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent for 2016. 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 December 31, 2015	$ 106,964,467	$ 79,560,142	$ 27,404,325
Changes for the year			
Service cost	1,130,408	-	1,130,408
Interest	8,345,661	-	8,345,661
Difference between expected and actual experience	(1,697,797)	-	(1,697,797)
Contributions - employer	-	1,996,512	(1,996,512)
Contributions - employee	-	563,898	(563,898)
Net investment income	-	8,890,951	(8,890,951)
Administrative expenses	-	(175,718)	175,718
Benefit payments including refund of employee contributions	(6,417,825)	(6,417,825)	-
Net changes	1,360,447	4,857,818	(3,497,371)
Balance at December 31, 2016	**$ 108,324,914**	**$ 84,417,960**	**$ 23,906,954**

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	$35,652,249	$ 23,906,954	$13,933,417

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, 2017, the City recognized pension expense of $5,413,807. At June 30, 2017, 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	$ -	$ 848,898
Net differences between projected and actual net investment income	3,067,423	-
Contributions subsequent to the measurement date*	1,259,740	-
Total	**$ 4,327,163**	**$ 848,898**

*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, 2017.

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
2018	$ 440,666
2019	1,289,564
2020	1,030,300
2021	(542,005)

Payables to the Pension Plan
At June 30, 2017, the City reported a payable of $561,253 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017 and an additional contribution approved by the City Commission.

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 10.5 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, 2017, City and employee contributions were $344,885 and $182,607, 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, 2017, forfeitures reduced the City's pension expense by $4,916.

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 POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

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

City of Muskegon
933 Terrace Street
Muskegon, MI 49443

Funding Policy

Plan members are not required to contribute to the Plan. The City is required to contribute the annual required contribution of the employer (ARC) at an actuarially-determined rate which varies upon employee group from 3.28 to 7.44 percent of covered wages. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The contribution requirements of plan members and the City are established and may be amended by MERS depending on the benefits program adopted by the City.

Annual OPEB Cost

For the year ended June 30, 2017, the City's OPEB cost (expense) of $606,506 was equal to the City's ARC and actual contribution.

Trend Information

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 659,451	100 %	$ -
June 30, 2016	639,428	100	-
June 30, 2017	606,506	100	-

NOTE L—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

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

The required contribution was determined as part of the December 31, 2015 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after 10 years. Both rates include a 4 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll on a closed basis. The remaining amortization period at December 31, 2015 is 22 years.

Funded Status and Progress
As of December 31, 2015, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was approximately $22,029,000, and the actuarial value of assets was approximately $17,921,000, resulting in an unfunded actuarial liability (UAAL) of approximately $4,108,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $10,830,000, and the ratio of the UAAL to the covered payroll was 38 percent.

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

Healthcare Savings Plan
The City also maintains a defined contribution Health Care Savings Plan (HCSP) offered by MERS. In this plan, post-employment healthcare benefits depend solely on amounts contributed to the plan plus investment earnings. Depending on employee group, the Plan covers all City employees hired after January 2009 to December 2012 in lieu of the traditional retiree healthcare plan. The authority for establishing or amending the Plan's provisions and for establishing or amending contribution requirements rests with the City Commission as determined by negotiated labor contracts. The City is required to contribute 1 or 2 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are also required to contribute 1 or 2 percent of annual compensation. Additionally, some employees, regardless of hire date, may make voluntary contributions to the HCSP. For the year ended June 30, 2017, City and employee contributions were $64,622 and $207,067, respectively.

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 75—*Accounting and Financial Reporting for Postemployment Benefits other than Pensions* was issued by the GASB in June 2015 and will be effective for the City's 2018 fiscal year. The statement requires governments that participate in postemployment benefits other than pensions (OPEB) to report in their Statement of Net Position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The net OPEB liability recorded in the Statement of Net Position on July 1, 2017 will be significant.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017				2016
	Budgeted Amounts			Variance with Final Budget-Positive (Negative)	
	Original	Final	Actual		Actual
REVENUES					
Taxes					
City income taxes	$ 8,850,000	$ 7,920,000	$ 8,610,812	$ 690,812	$ 8,151,902
Property taxes	7,362,000	7,463,000	7,415,596	(47,404)	7,381,555
Industrial facilities taxes	95,000	87,000	87,752	752	99,363
Payments in lieu of taxes	543,290	543,290	553,112	9,822	545,941
Total taxes	16,850,290	16,013,290	16,667,272	653,982	16,178,761
Licenses and permits					
Business licenses	70,000	70,000	77,085	7,085	63,182
Liquor licenses	55,000	48,000	50,988	2,988	48,790
Cable TV fees	350,000	370,000	378,955	8,955	372,117
Rental property registration	160,000	160,000	221,901	61,901	152,380
Burial permits	82,000	82,000	85,137	3,137	81,095
Building permits	351,000	650,000	721,500	71,500	371,692
Electrical permits	78,000	98,000	140,373	42,373	84,912
Plumbing permits	36,000	36,000	54,821	18,821	34,316
Mechanical permits	66,000	76,000	94,023	18,023	69,070
Vacant building fees	150,000	150,000	59,558	(90,442)	165,590
Total licenses and permits	1,398,000	1,740,000	1,884,341	144,341	1,443,144
Intergovernmental revenues					
Federal grants	124,580	59,580	51,628	(7,952)	72,521
State					
Grants	235,000	573,900	606,989	33,089	155,951
State shared revenue	4,002,925	3,909,856	4,046,147	136,291	3,886,514
Total intergovernmental revenues - State	4,237,925	4,483,756	4,653,136	169,380	4,042,465
Local	34,000	34,000	34,000	-	36,000

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017				2016
	Budgeted Amounts			Variance with Final Budget-Positive	
	Original	Final	Actual	(Negative)	Actual
Charges for services					
Tax administration fees	$ 290,000	$ 328,800	$ 332,784	$ 3,984	$ 339,353
Utility administration fees	310,000	310,000	310,000	-	310,000
Reimbursement for elections	-	30,000	18,151	(11,849)	26,702
Brownfield authority admin fee	120,000	182,650	182,650	-	153,000
Indirect cost reimbursements	1,010,456	1,010,456	1,010,456	-	1,025,618
Site plan review fee	5,000	6,000	5,800	(200)	8,300
Sale of cemetery lots	20,000	20,000	21,425	1,425	25,987
Police miscellaneous	140,493	145,493	148,476	2,983	142,854
Police impound fees	34,000	34,000	35,455	1,455	34,005
Landlord's alert fee	-	2,000	3,550	1,550	-
Fire protection - state property	81,000	116,000	115,820	(180)	81,249
Zoning fees	12,000	15,300	18,525	3,225	12,962
Muskegon Heights zoning	6,000	6,000	8,750	2,750	11,095
Clerk fees	3,000	1,500	13,983	12,483	16,789
Clerk fees - passport fees	40,000	60,000	63,157	3,157	27,199
Tax abatement application fees	1,000	7,500	13,241	5,741	600
Treasurer fees	72,000	72,000	69,581	(2,419)	69,743
False alarm fees	10,000	3,000	3,435	435	6,435
Miscellaneous cemetery income	15,000	15,000	17,741	2,741	17,128
Fire miscellaneous	9,500	9,500	13,520	4,020	11,413
Sanitation stickers	73,100	73,100	83,325	10,225	82,840
Lot cleanup fees	68,000	68,000	89,757	21,757	84,143
Reimbursements - lot mowing and demolitions	7,000	7,000	9,379	2,379	9,728
Special events reimbursements	37,000	55,000	52,657	(2,343)	30,877
Recreation program fees	4,700	4,700	5,766	1,066	5,201
Other charges for services	-	-	-	-	227
Total charges for services	2,369,249	2,582,999	2,647,384	64,385	2,533,448
Fines and forfeitures					
Income tax - penalty and interest	170,000	200,000	213,634	13,634	204,792
Late fees on current taxes	25,000	25,000	42,833	17,833	35,081
Interest on late invoices	3,500	3,500	7,278	3,778	4,252
Parking fines	75,000	65,000	69,609	4,609	73,390
Court fines	105,000	105,000	122,757	17,757	129,764
Civil infractions	8,500	13,000	25,513	12,513	11,902
Total fines and forfeitures	387,000	411,500	481,624	70,124	459,181
Interest and rental income					
Interest income	12,000	95,000	111,851	16,851	92,890
Net increase (decrease) in the fair value of investments	-	(150,000)	(184,946)	(34,946)	(7,428)
Flea market	26,000	-	-	-	25,580
Farmers market	61,500	-	2,095	2,095	74,754
City right of way rental	6,800	6,800	6,800	-	6,800
Fire station lease - Central Dispatch	28,500	28,500	43,273	14,773	44,695
Parking rentals	-	38,000	45,000	7,000	-
Great Lakes Naval Memorial lease	15,000	15,000	-	(15,000)	7,500
McGraft Park rentals	45,000	70,000	62,791	(7,209)	76,761
Other park rentals	60,000	60,000	55,329	(4,671)	62,373
Total interest and rental income	254,800	163,300	142,193	(21,107)	383,925

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017				2016
	Budgeted Amounts			Variance with Final Budget-Positive (Negative)	
	Original	Final	Actual		Actual
Other					
Sale of land and assets	$ -	$ -	$ 4,950	$ 4,950	$ 100
Police sale and auction proceeds	1,500	1,500	894	(606)	832
CDBG program reimbursements	350,000	350,000	332,239	(17,761)	422,840
Fisherman's Landing reimbursement	-	-	-	-	11,320
Contributions	68,000	43,000	56,619	13,619	111,650
Contributions - Veteran's Park maintenance	18,500	18,500	21,710	3,210	18,504
Community Foundation for Muskegon County	10,000	10,000	5,734	(4,266)	32,096
Miscellaneous and sundry	49,000	60,200	68,042	7,842	74,327
Total other	497,000	483,200	490,188	6,988	671,669
Total revenues	26,152,844	25,971,625	27,051,766	1,080,141	25,821,114
EXPENDITURES					
Current					
Public representation services					
City commission	81,698	91,898	94,940	(3,042)	95,107
City promotions and public relations	50,000	50,000	48,223	1,777	63,880
City manager	280,695	324,697	331,949	(7,252)	279,956
Contributions to outside agencies	254,560	254,560	278,143	(23,583)	273,572
City attorney	350,000	350,000	326,777	23,223	351,988
Total public representation services	1,016,953	1,071,155	1,080,032	(8,877)	1,064,503
Administrative services					
City clerk	391,971	433,971	441,465	(7,494)	365,993
Civil service	101,300	101,300	107,591	(6,291)	117,219
Affirmative action	103,469	90,969	75,228	15,741	94,242
Total administrative services	596,740	626,240	624,284	1,956	577,454
Financial services					
Finance administration	461,811	523,378	574,023	(50,645)	445,076
Assessing	327,000	327,000	321,343	5,657	294,656
Arena administration	239,600	-	-	-	944
Income tax administration	343,051	343,051	340,656	2,395	309,817
Information systems	473,117	473,117	437,911	35,206	459,375
City treasurer	612,755	612,755	563,008	49,747	558,340
Total financial services	2,457,334	2,279,301	2,236,941	42,360	2,068,208
Public safety					
Police department	9,779,824	9,344,445	9,015,637	328,808	8,980,698
Fire department	4,012,172	4,078,142	4,186,580	(108,438)	3,996,694
Fire safety inspections	485,000	575,000	854,019	(279,019)	478,907
Total public safety	14,276,996	13,997,587	14,056,236	(58,649)	13,456,299

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017				2016
	Budgeted Amounts			Variance with Final Budget-Positive	
	Original	Final	Actual	(Negative)	Actual
Public works					
Street lighting	$ 575,000	$ 515,000	$ 592,830	$ (77,830)	$ 566,743
Community event support	27,736	34,500	33,728	772	19,424
Senior citizen transit	-	-	227	(227)	-
General sanitation	1,820,704	1,820,704	1,839,943	(19,239)	1,605,393
Storm water management	10,000	10,000	4,000	6,000	13,755
City hall maintenance	280,000	274,725	247,136	27,589	221,270
Cemeteries maintenance	425,501	425,501	387,835	37,666	406,444
Total public works	3,138,941	3,080,430	3,105,699	(25,269)	2,833,029
Community and economic development					
Planning, zoning and economic development	417,095	465,541	466,448	(907)	422,267
Environmental services	1,152,582	1,088,424	1,090,151	(1,727)	1,016,061
Edison Landing subsidy	275,000	275,000	275,000	-	265,000
Downtown Development Authority subsidy	175,000	175,000	175,000	-	175,000
Total community and economic development	2,019,677	2,003,965	2,006,599	(2,634)	1,878,328
Culture and recreation					
Parks maintenance	1,319,302	1,396,467	1,512,556	(116,089)	1,284,097
McGraft Park maintenance	68,760	63,340	53,945	9,395	56,969
General and inner city recreation programs	100,500	125,200	90,305	34,895	126,580
Graffiti removal	7,457	7,457	647	6,810	1,101
Parking operations	6,555	6,555	2,722	3,833	5,609
Farmers market and flea market	217,000	-	-	-	188,214
Total culture and recreation	1,719,574	1,599,019	1,660,175	(61,156)	1,662,570
Other governmental functions					
Insurance premiums	270,640	270,640	274,472	(3,832)	261,419
Other	100,000	60,000	5,944	54,056	44,388
Total other governmental functions	370,640	330,640	280,416	50,224	305,807
Debt service					
Principal	70,000	70,000	70,000	-	70,000
Interest and fees	97,000	175,000	174,262	738	208,176
Bond issuance costs	-	-	-	-	97,578
Total debt service	167,000	245,000	244,262	738	375,754
Capital outlay	325,000	403,037	362,786	40,251	185,895
Total expenditures	26,088,855	25,636,374	25,657,430	(21,056)	24,407,847
Excess of revenues over (under) expenditures	63,989	335,251	1,394,336	1,059,085	1,413,267

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017				2016
	Budgeted Amounts			Variance with Final Budget- Positive	
	Original	Final	Actual	(Negative)	Actual
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	$ -	$ -	$ -	$ -	$ 4,535,000
Premium on refunding bonds issued	-	-	-	-	368,903
Payment to refunded bond escrow agent	-	-	-	-	(4,806,325)
Transfers in	-	-	-	-	35,132
Transfers out	(63,000)	(333,000)	(1,368,000)	(1,035,000)	(1,318,164)
Total other financing sources (uses)	(63,000)	(333,000)	(1,368,000)	(1,035,000)	(1,185,454)
Net change in fund balance	**$ 989**	**$ 2,251**	26,336	**$ 24,085**	227,813
Fund balance at beginning of year			8,031,309		7,803,496
Fund balance at end of year			**$ 8,057,645**		**$ 8,031,309**

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, 2017

	Budgeted Amounts			Variance with Final Budget-Positive
	Original	**Final**	**Actual**	**(Negative)**
REVENUES				
Intergovernmental revenues				
Federal	$ 1,385,000	$ 30,000	$ 400,000	$ 370,000
State	2,800,000	3,000,000	3,197,829	197,829
Charges for services	-	-	33,787	33,787
Investment earnings	9,100	9,100	11,238	2,138
Other	79,777	79,777	90,296	10,519
Total revenues	4,273,877	3,118,877	3,733,150	614,273
EXPENDITURES				
Current				
Highways, streets and bridges	5,248,032	3,202,032	3,507,777	(305,745)
Debt service				
Principal	195,000	195,000	195,000	-
Interest and fees	35,500	35,500	35,450	50
Total expenditures	5,478,532	3,432,532	3,738,227	(305,695)
Excess of revenues over (under) expenditures	(1,204,655)	(313,655)	(5,077)	308,578
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	1,650,000	-	-	-
Transfers out	(681,000)	(681,000)	(450,000)	231,000
Total other financing sources (uses)	969,000	(681,000)	(450,000)	231,000
Net change in fund balance	**$ (235,655)**	**$ (994,655)**	(455,077)	**$ 539,578**
Fund balance at July 1, 2016			2,291,696	
Fund balance at June 30, 2017			**$ 1,836,619**	

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)

	2016	2015	2014
TOTAL PENSION LIABILITY			
Service cost	$ 1,130,408	$ 1,194,909	$ 1,190,507
Interest	8,345,661	8,034,035	7,817,503
Differences between expected and actual experience	(1,697,797)	(647,017)	-
Changes in assumptions	-	4,779,382	-
Benefit payments, including refunds of employee contributions	(6,417,825)	(6,363,249)	(6,407,932)
Net change in total pension liability	1,360,447	6,998,060	2,600,078
Total pension liability at beginning of year	106,964,467	99,966,407	97,366,329
Total pension liability at end of year (a)	**$ 108,324,914**	**$ 106,964,467**	**$ 99,966,407**
PLAN FIDUCIARY NET POSITION			
Contributions-employer	$ 1,996,512	$ 1,420,218	$ 1,166,652
Contributions-employee	563,898	566,045	564,409
Net investment income	8,890,951	(1,237,895)	5,282,031
Benefit payments, including refunds or employee contributions	(6,417,825)	(6,363,249)	(6,407,932)
Administrative expense	(175,718)	(183,599)	(193,139)
Net change in plan fiduciary net position	4,857,818	(5,798,480)	412,021
Plan fiduciary net position at beginning of year	79,560,142	85,358,622	84,946,601
Plan fiduciary net position at end of year (b)	**$ 84,417,960**	**$ 79,560,142**	**$ 85,358,622**
City's net pension liability at end of year (a)-(b)	**$ 23,906,954**	**$ 27,404,325**	**$ 14,607,785**
Plan fiduciary net position as a percentage of the total pension liability	**77.93%**	**74.38%**	**85.39%**
Covered employee payroll	**$ 8,460,078**	**$ 9,108,948**	**$ 9,171,511**
City's net pension liability as a percentage of covered employee payroll	**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***	**Year Ended December 31**	
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Actuarially determined contribution	$ 1,897,158	$1,546,440	$ 1,293,996	$ 1,043,040	$ 1,035,772	$ 1,160,870	$ 1,211,612	$ 688,832	$ 801,898	$ 1,067,853
Contributions in relation to the actuarially determined contribution	2,276,200	1,753,272	1,293,996	1,543,040	1,035,772	1,160,870	2,211,612	688,832	801,898	1,067,853
Contribution deficiency (excess)	**$ (379,042)**	**$ (206,832)**	**$ -**	**$ (500,000)**	**$ -**	**$ -**	**$ (1,000,000)**	**$ -**	**$ -**	**$ -**
Covered employee payroll	$ 8,460,078	$9,108,948	$ 9,171,511	$ 9,198,938	$10,185,425	$ 10,650,990	$ 11,533,186	$12,613,654	$13,107,179	$12,684,083
Contributions as percentage of covered employee payroll	**26.9%**	**19.2%**	**14.1%**	**16.8%**	**10.2%**	**10.9%**	**19.2%**	**5.5%**	**6.1%**	**8.4%**

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	22 years
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 Supplemental Information
SCHEDULE OF FUNDING PROGRESS – RETIREE HEALTHCARE PLAN
For the year ended June 30, 2017

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/11	$ 15,331	$ 20,168	$ 4,837	76 %	$ 12,365	39 %
12/31/13	18,261	21,102	2,841	87	10,005	28
12/31/15	17,921	22,029	4,108	81	10,830	38

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

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

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

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, 2017

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	$ 4,711,503	$ 956,351	$ 3,532,867	$ 222,285
Assets managed by others	1,145,199	-	16,085	1,129,114
Receivables				
Accounts and loans (net of allowance for uncollectibles)	336,979	74,053	259,460	3,466
Special assessments	15,224	15,224	-	-
Due from other governmental units	678,760	192,031	486,729	-
Advances to component units	367,423	-	-	367,423
Prepaid items	30,775	30,775	-	-
Total assets	**$ 7,285,863**	**$ 1,268,434**	**$ 4,295,141**	**$ 1,722,288**
LIABILITIES				
Accounts payable	$ 678,862	$ 473,765	$ 205,097	$ -
Accrued liabilities	20,682	14,461	6,221	-
Due to other governmental units	15,526	11,776	3,750	-
Due to other funds	356,207	-	356,207	-
Unearned revenues - unused Farmers Market tokens	26,390	26,390	-	-
Unearned revenues - expenditure-driven grants	53,020	-	53,020	-
Total liabilities	1,150,687	526,392	624,295	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - special assessments	15,225	15,225	-	-
Unavailable revenues - other long-term receivables	2,244	-	2,244	-
Total deferred inflows of resources	17,469	15,225	2,244	-
FUND BALANCES				
Nonspendable				
Prepaid items	30,775	30,775	-	-
Long-term loans receivable	157,855	-	157,855	-
Perpetual care	1,498,768	-	-	1,498,768
Restricted				
Highways, streets and bridges	353,714	353,714	-	-
L.C. Walker Arena	97,484	97,484	-	-
Law enforcement	121,873	121,873	-	-
Downtown BID	105,397	105,397	-	-
Perpetual care	223,520	-	-	223,520
Other purposes	17,574	17,574	-	-
Assigned for capital projects and public improvements	3,510,747	-	3,510,747	-
Total fund balances	6,117,707	726,817	3,668,602	1,722,288
Total liabilities, deferred inflows of resources and fund balances	**$ 7,285,863**	**$ 1,268,434**	**$ 4,295,141**	**$ 1,722,288**

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended June 30, 2017

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	$ 1,276,349	$ 26,268	$ 1,250,081	$ -
State	1,108,003	1,104,778	3,225	-
Local	22,489	-	22,489	-
Charges for services	1,237,046	1,181,183	33,688	22,175
Fines and forfeitures	12,745	12,745	-	-
Investment earnings	27,729	4,612	9,301	13,816
Income from assets managed by others	109,418	-	4,317	105,101
Other	755,354	309,702	445,652	-
Total revenues	4,549,133	2,639,288	1,768,753	141,092
EXPENDITURES				
Current				
Public safety	30,383	30,383	-	-
Public works	100,351	100,351	-	-
Highways, streets and bridges	1,347,895	1,347,895	-	-
Culture and recreation	1,863,003	1,863,003	-	-
Debt service				
Principal	18,563	-	18,563	-
Interest and fees	1,530	-	1,530	-
Capital outlay	2,078,980	15,750	2,063,230	-
Total expenditures	5,440,705	3,357,382	2,083,323	-
Excess of revenues over (under) expenditures	(891,572)	(718,094)	(314,570)	141,092
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,529,325	-	1,529,325	-
Transfers in	1,805,000	805,000	1,000,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	3,334,325	805,000	2,529,325	-
Net change in fund balances	2,442,753	86,906	2,214,755	141,092
Fund balances at July 1, 2016	3,674,954	639,911	1,453,847	1,581,196
Fund balances at June 30, 2017	**$ 6,117,707**	**$ 726,817**	**$ 3,668,602**	**$ 1,722,288**

City of Muskegon

COMBINING BALANCE SHEET

Other Special Revenue Funds

June 30, 2017

	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	$ 956,351	$ 635,644	$ 61,520	$ 121,873	$ 106,322	$ 1,569	$ 29,423
Receivables							
Accounts	74,053	10,423	62,078	-	-	-	1,552
Special assessments	15,224	15,224	-	-	-	-	-
Due from other governmental units	192,031	159,163	-	-	-	-	32,868
Prepaid items	30,775	4,939	25,836	-	-	-	-
Total assets	**$ 1,268,434**	**$ 825,393**	**$ 149,434**	**$ 121,873**	**$ 106,322**	**$ 1,569**	**$ 63,843**
LIABILITIES							
Accounts payable	$ 473,765	$ 425,596	$ 26,114	$ -	$ 925	$ 219	$ 20,911
Accrued liabilities	14,461	14,143	-	-	-	-	318
Due to other governmental units	11,776	11,776	-	-	-	-	-
Unearned revenues - unused Farmers Market tokens	26,390	-	-	-	-	-	26,390
Total liabilities	526,392	451,515	26,114	-	925	219	47,619
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - special assessments	15,225	15,225	-	-	-	-	-
FUND BALANCES							
Nonspendable - prepaid items	30,775	4,939	25,836	-	-	-	-
Restricted							
Highways, streets and bridges	353,714	353,714	-	-	-	-	-
L.C. Walker Arena	97,484	-	97,484	-	-	-	-
Law enforcement	121,873	-	-	121,873	-	-	-
Downtown BID	105,397	-	-	-	105,397	-	-
Other purposes	17,574	-	-	-	-	1,350	16,224
Total fund balances	726,817	358,653	123,320	121,873	105,397	1,350	16,224
Total liabilities, deferred inflows of resources and fund balances	**$ 1,268,434**	**$ 825,393**	**$ 149,434**	**$ 121,873**	**$ 106,322**	**$ 1,569**	**$ 63,843**

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Special Revenue Funds
For the year ended June 30, 2017

	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							
Federal	$ 26,268	$ -	$ -	$ -	$ -	$ -	$ 26,268
State	1,104,778	982,295	-	-	-	1,303	121,180
Charges for services	1,181,183	14,276	1,059,188	-	-	-	107,719
Fines and forfeitures	12,745	-	-	12,745	-	-	-
Investment earnings	4,612	2,986	738	684	198	5	1
Other	309,702	19,457	64,326	-	190,099	2,500	33,320
Total revenues	2,639,288	1,019,014	1,124,252	13,429	190,297	3,808	288,488
EXPENDITURES							
Current							
Public safety	30,383	-	-	30,383	-	-	-
Public works	100,351	-	-	-	100,351	-	-
Highways, streets and bridges	1,347,895	1,347,895	-	-	-	-	-
Culture and recreation	1,863,003	-	1,537,210	-	-	3,529	322,264
Capital outlay	15,750	-	15,750	-	-	-	-
Total expenditures	3,357,382	1,347,895	1,552,960	30,383	100,351	3,529	322,264
Excess of revenues over (under) expenditures	(718,094)	(328,881)	(428,708)	(16,954)	89,946	279	(33,776)
OTHER FINANCING SOURCES							
Transfers in	805,000	450,000	305,000	-	-	-	50,000
Net change in fund balances	86,906	121,119	(123,708)	(16,954)	89,946	279	16,224
Fund balances at July 1, 2016	639,911	237,534	247,028	138,827	15,451	1,071	-
Fund balances at June 30, 2017	**$ 726,817**	**$ 358,653**	**$ 123,320**	**$ 121,873**	**$ 105,397**	**$ 1,350**	**$ 16,224**

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
Other Special Revenue Funds
For the year ended June 30, 2017

	Local Street			L.C. Walker Arena		
	Final Budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Intergovernmental revenues - State	$ 920,000	$ 982,295	$ 62,295	$ -	$ -	$ -
Charges for services	-	14,276	14,276	942,500	1,059,188	116,688
Investment earnings	2,900	2,986	86	-	738	738
Other	40,000	19,457	(20,543)	-	64,326	64,326
Total revenues	962,900	1,019,014	56,114	942,500	1,124,252	181,752
EXPENDITURES						
Current						
Highways, streets and bridges	1,439,000	1,347,895	91,105	-	-	-
Culture and recreation	-	-	-	1,132,000	1,537,210	(405,210)
Capital outlay	-	-	-	120,000	15,750	104,250
Total expenditures	1,439,000	1,347,895	91,105	1,252,000	1,552,960	(300,960)
Excess of revenues over (under) expenditures	(476,100)	(328,881)	147,219	(309,500)	(428,708)	(119,208)
OTHER FINANCING SOURCES						
Transfers in	500,000	450,000	(50,000)	305,000	305,000	-
Net change in fund balances	**$ 23,900**	121,119	**$ 97,219**	**$ (4,500)**	(123,708)	**$ (119,208)**
Fund balances at July 1, 2016		237,534			247,028	
Fund balances at June 30, 2017		**$ 358,653**			**$ 123,320**	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
Other Special Revenue Funds
For the year ended June 30, 2017

	Criminal Forfeitures			Downtown BID		
	Final budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Fines and forfeitures	$ 16,000	$ 12,745	$ (3,255)	$ -	$ -	$ -
Investment earnings	700	684	(16)	-	198	198
Other	-	-	-	115,223	190,099	74,876
Total revenues	16,700	13,429	(3,271)	115,223	190,297	75,074
EXPENDITURES						
Current						
Public safety	33,500	30,383	3,117	-	-	-
Public works	-	-	-	150,000	100,351	49,649
Total expenditures	33,500	30,383	3,117	150,000	100,351	49,649
Net change in fund balances	**$ (16,800)**	(16,954)	**$ (154)**	**$ (34,777)**	89,946	**$ 124,723**
Fund balance at July 1, 2016		138,827			15,451	
Fund balance at June 30, 2017		**$ 121,873**			**$ 105,397**	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
Other Special Revenue Funds
For the year ended June 30, 2017

	Tree Replacement			Farmers Market and Kitchen 242		
	Final Budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Intergovernmental revenues						
Federal	$ -	$ -	$ -	$ 65,000	$ 26,268	$ (38,732)
State	-	1,303	1,303	200,000	121,180	(78,820)
Charges for services	-	-	-	93,500	107,719	14,219
Investment earnings	-	5	5	-	1	1
Other	2,500	2,500	-	21,000	33,320	12,320
Total revenues	2,500	3,808	1,308	379,500	288,488	(91,012)
EXPENDITURES						
Current						
Culture and recreation	3,571	3,529	42	417,000	322,264	94,736
Excess of revenues over (under) expenditures	(1,071)	279	1,350	(37,500)	(33,776)	3,724
OTHER FINANCING SOURCES						
Transfers in	-	-	-	50,000	50,000	-
Net change in fund balances	**$ (1,071)**	279	**$ 1,350**	**$ 12,500**	16,224	**$ 3,724**
Fund balance at July 1, 2016		1,071			-	
Fund balance at June 30, 2017		**$ 1,350**			**$ 16,224**	

City of Muskegon
COMBINING BALANCE SHEET
Other Capital Projects Funds
June 30, 2017

	Total Other Capital Projects Funds	Public Improvement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Economic Development - Sappi
ASSETS								
Cash and investments	$ 3,532,867	$ 2,088,302	$ 223,042	$ 664,945	$ -	$ 6,997	$ 32,320	$ 517,261
Assets managed by others	16,085	16,085	-	-	-	-	-	-
Receivables								
Accounts and loans (net of allowance for uncollectibles)	259,460	3,144	-	123,912	79,906	52,498	-	-
Due from other governmental units	486,729	-	-	-	295,615	74,019	117,095	-
Total assets	**$ 4,295,141**	**$ 2,107,531**	**$ 223,042**	**$ 788,857**	**$ 375,521**	**$ 133,514**	**$ 149,415**	**$ 517,261**
LIABILITIES								
Accounts payable	$ 205,097	$ 6,663	$ -	$ 97,000	$ 14,609	$ 29,039	$ 57,786	$ -
Accrued liabilities	6,221	-	-	-	4,705	-	1,516	-
Due to other governmental units	3,750	3,750	-	-	-	-	-	-
Due to other funds	356,207	-	-	-	356,207	-	-	-
Unearned revenues - expenditure-driven grants	53,020	-	-	-	-	53,020	-	-
Total liabilities	624,295	10,413	-	97,000	375,521	82,059	59,302	-
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues - other long-term receivables	2,244	2,244	-	-	-	-	-	-
FUND BALANCES								
Nonspendable - long-term loans receivable	157,855	-	-	123,912	-	33,943	-	-
Assigned for capital projects and public improvements	3,510,747	2,094,874	223,042	567,945	-	17,512	90,113	517,261
Total fund balances	3,668,602	2,094,874	223,042	691,857	-	51,455	90,113	517,261
Total liabilities, deferred inflows of resources and fund balances	**$ 4,295,141**	**$ 2,107,531**	**$ 223,042**	**$ 788,857**	**$ 375,521**	**$ 133,514**	**$ 149,415**	**$ 517,261**

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Capital Projects Funds
For the year ended June 30, 2017

	Total Other Capital Projects Funds	Public Improvement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Economic Development - Sappi
REVENUES								
Intergovernmental revenues								
Federal	$ 1,250,081	$ -	$ -	$ -	$ 729,942	$ 260,076	$ 260,063	$ -
State	3,225	-	-	-	-	3,225	-	-
Local	22,489	22,489	-	-	-	-	-	-
Charges for services	33,688	27,688	-	6,000	-	-	-	-
Investment earnings	9,301	1,806	1,111	2,726	25	1,055	-	2,578
Income from assets managed by others	4,317	4,317	-	-	-	-	-	-
Other	445,652	379,270	-	57,935	8,447	-	-	-
Total revenues	1,768,753	435,570	1,111	66,661	738,414	264,356	260,063	2,578
EXPENDITURES								
Debt service								
Principal	18,563	-	-	-	-	18,563	-	-
Interest and fees	1,530	-	-	-	-	1,530	-	-
Capital outlay	2,063,230	428,500	-	25,383	758,014	263,301	588,032	-
Total expenditures	2,083,323	428,500	-	25,383	758,014	283,394	588,032	-
Excess of revenues over (under) expenditures	(314,570)	7,070	1,111	41,278	(19,600)	(19,038)	(327,969)	2,578
OTHER FINANCING SOURCES (USES)								
Proceeds from sale of capital assets	1,529,325	793,405	-	298,301	19,600	-	418,019	-
Transfers in	1,000,000	1,000,000	-	-	-	-	-	-
Total other financing sources (uses)	2,529,325	1,793,405	-	298,301	19,600	-	418,019	-
Net change in fund balances	2,214,755	1,800,475	1,111	339,579	-	(19,038)	90,050	2,578
Fund balances at July 1, 2016	1,453,847	294,399	221,931	352,278	-	70,493	63	514,683
Fund balances at June 30, 2017	**$ 3,668,602**	**$ 2,094,874**	**$ 223,042**	**$ 691,857**	**$ -**	**$ 51,455**	**$ 90,113**	**$ 517,261**

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, 2017

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
ASSETS					
Current assets					
Cash and investments	$ 2,386,853	$ 43,346	$ 750,577	$ 960,294	$ 632,636
Accounts receivable	498,969	-	6,102	492,867	-
Inventories	8,060	-	8,060	-	-
Prepaid items	259,764	1,255	53,042	199,922	5,545
Total current assets	3,153,646	44,601	817,781	1,653,083	638,181
Noncurrent assets					
Advances to component units	734,844	-	367,422	367,422	-
Capital assets					
Land	65,000	-	-	-	65,000
Land improvements	301,715	-	-	-	301,715
Buildings and improvements	1,559,334	-	-	-	1,559,334
Machinery and equipment	8,771,690	26,355	8,650,971	-	94,364
Less accumulated depreciation	(8,185,159)	(26,355)	(6,538,629)	-	(1,620,175)
Net capital assets	2,512,580	-	2,112,342	-	400,238
Total noncurrent assets	3,247,424	-	2,479,764	367,422	400,238
Total assets	6,401,070	44,601	3,297,545	2,020,505	1,038,419
DEFERRED OUFLOWS OF RESOURCES					
Related to pension	173,087	-	64,908	-	108,179
Total assets and deferred outflows of resources	6,574,157	44,601	3,362,453	2,020,505	1,146,598
LIABILITIES					
Current liabilities					
Accounts payable	349,479	772	159,761	169,676	19,270
Accrued liabilities	33,689	4,673	11,320	1,077	16,619
Bonds and other obligations, due within one year	18,400	1,200	6,600	900	9,700
Total current liabilities	401,568	6,645	177,681	171,653	45,589
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	91,705	5,876	32,829	4,797	48,203
Net pension liability	956,278	-	358,604	-	597,674
Total noncurrent liabilities	1,047,983	5,876	391,433	4,797	645,877
Total liabilities	1,449,551	12,521	569,114	176,450	691,466
DEFERRED INFLOWS OF RESOURCES					
Related to pension	33,956	-	12,734	-	21,222
Total liabilities and deferred inflows of resources	1,483,507	12,521	581,848	176,450	712,688
NET POSITION					
Net investment in capital assets	2,512,580	-	2,112,342	-	400,238
Unrestricted	2,578,070	32,080	668,263	1,844,055	33,672
Total net position	**$ 5,090,650**	**$ 32,080**	**$ 2,780,605**	**$ 1,844,055**	**$ 433,910**

City of Muskegon
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Internal Service Funds
For the year ended June 30, 2017

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	$ 8,272,672	$ 249,950	$ 2,636,813	$ 4,336,775	$ 1,049,134
Other	153,855	60,338	90,433	3,084	-
Total operating revenues	8,426,527	310,288	2,727,246	4,339,859	1,049,134
OPERATING EXPENSES					
Administration	325,613	34,673	93,615	59,082	138,243
Insurance premiums and claims	4,539,589	-	-	4,539,589	-
Other operations	3,377,697	264,073	2,070,689	60,249	982,686
Depreciation	385,387	-	331,855	-	53,532
Total operating expenses	8,628,286	298,746	2,496,159	4,658,920	1,174,461
Operating income (loss)	(201,759)	11,542	231,087	(319,061)	(125,327)
NONOPERATING REVENUES					
Investment earnings	40,431	38	16,581	20,735	3,077
Income (loss) before transfers	(161,328)	11,580	247,668	(298,326)	(122,250)
TRANSFERS					
Transfers in	13,000	13,000	-	-	-
Change in net position	(148,328)	24,580	247,668	(298,326)	(122,250)
Net position at July 1, 2016	5,238,978	7,500	2,532,937	2,142,381	556,160
Net position at June 30, 2017	**$ 5,090,650**	**$ 32,080**	**$ 2,780,605**	**$ 1,844,055**	**$ 433,910**

City of Muskegon
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended June 30, 2017

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 166,215	$ 60,338	$ 102,793	$ 3,084	$ -
Receipts from interfund services provided	7,352,749	249,950	2,636,813	3,416,852	1,049,134
Other receipts	621,592	-	-	621,592	-
Payments to suppliers	(6,108,795)	(120,721)	(1,017,444)	(4,644,811)	(325,819)
Payments to employees	(1,281,433)	(125,280)	(369,219)	(194,919)	(592,015)
Payments for interfund services used	(783,875)	(70,060)	(593,309)	(3,965)	(116,541)
Net cash provided by (used for) operating activities	(33,547)	(5,773)	759,634	(802,167)	14,759
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	13,000	13,000	-	-	-
Collections on advances to component units	79,234	-	39,617	39,617	-
Net cash provided by noncapital financing activities	92,234	13,000	39,617	39,617	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(764,344)	-	(764,344)	-	-
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	40,431	38	16,581	20,735	3,077
Net increase (decrease) in cash and investments	(665,226)	7,265	51,488	(741,815)	17,836
Cash and investments at July 1, 2016	3,052,079	36,081	699,089	1,702,109	614,800
Cash and investments at June 30, 2017	**$ 2,386,853**	**$ 43,346**	**$ 750,577**	**$ 960,294**	**$ 632,636**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ (201,759)	$ 11,542	$ 231,087	$ (319,061)	$ (125,327)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	385,387	-	331,855	-	53,532
Change in assets and liabilities					
Receivables	(285,971)	-	12,360	(298,331)	-
Inventories	12,797	-	12,797	-	-
Prepaid items	(48,946)	50	10,247	(60,694)	1,451
Accounts payable	(33,532)	(12,785)	101,724	(126,448)	3,977
Accrued liabilities	138,477	(4,580)	59,564	2,367	81,126
Net cash provided by (used for) operating activities	**$ (33,547)**	**$ (5,773)**	**$ 759,634**	**$ (802,167)**	**$ 14,759**

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, 2017

	Total Agency Funds	Collector	Current Tax	Rehab Loan Escrow
ASSETS				
Cash and investments	$ 1,221,594	$ 1,221,213	$ -	$ 381
Accounts receivable	11,359	11,359	-	-
Total assets	**$ 1,232,953**	**$ 1,232,572**	**$ -**	**$ 381**
LIABILITIES				
Accounts payable	$ 1,035,501	$ 1,035,120	$ -	$ 381
Due to other governmental units	70,676	70,676	-	-
Deposits held for others	126,776	126,776	-	-
Total liabilities	**$ 1,232,953**	**$ 1,232,572**	**$ -**	**$ 381**

City of Muskegon
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the year ended June 30, 2017

COLLECTOR FUND	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash and investments	$ 912,727	$ 9,137,584	$ 8,829,098	$ 1,221,213
Accounts receivable	10,675	195,728	195,044	11,359
Total assets	**$ 923,402**	**$ 9,333,312**	**$ 9,024,142**	**$ 1,232,572**
LIABILITIES				
Accounts payable	$ 755,706	$ 1,013,702	$ 734,288	$ 1,035,120
Due to other governmental units	87,995	1,044,424	1,061,743	70,676
Deposits held for others	79,701	2,764,327	2,717,252	126,776
Total liabilities	**$ 923,402**	**$ 4,822,453**	**$ 4,513,283**	**$ 1,232,572**
CURRENT TAX FUND				
ASSETS				
Cash and investments	**$ -**	**$ 28,487,084**	**$ 28,487,084**	**$ -**
LIABILITIES				
Due to other governmental units	$ -	$ 18,173,686	$ 18,173,686	$ -
Due to component units	-	553,642	553,642	-
Deposits held for others	-	63,572	63,572	-
Total liabilities	**$ -**	**$ 18,790,900**	**$ 18,790,900**	**$ -**
REHAB LOAN ESCROW FUND				
ASSETS				
Cash and investments	**$ 381**	**$ -**	**$ -**	**$ 381**
LIABILITIES				
Accounts payable	**$ 381**	**$ -**	**$ -**	**$ 381**
ALL AGENCY FUNDS				
ASSETS				
Cash and investments	$ 913,108	$ 37,624,668	$ 37,316,182	$ 1,221,594
Accounts receivable	10,675	195,728	195,044	11,359
Total assets	**$ 923,783**	**$ 37,820,396**	**$ 37,511,226**	**$ 1,232,953**
LIABILITIES				
Accounts payable	$ 756,087	$ 1,013,702	$ 734,288	$ 1,035,501
Due to other governmental units	87,995	19,218,110	19,235,429	70,676
Due to component units	-	553,642	553,642	-
Deposits held for others	79,701	2,827,899	2,780,824	126,776
Total liabilities	**$ 923,783**	**$ 23,613,353**	**$ 23,304,183**	**$ 1,232,953**

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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, 2017

	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	**$ 187,391**	**$ 20,940**	**$ 106,919**	**$ 5,827**	**$ 50,858**	**$ 1,180**	**$ 1,667**
LIABILITIES							
Advances from primary government	$ 1,102,267	$ -	$ -	$ -	$ 1,102,267	$ -	$ -
FUND BALANCES (DEFICITS)							
Unassigned	(914,876)	20,940	106,919	5,827	(1,051,409)	1,180	1,667
Total liabilities and fund balances (deficits)	**$ 187,391**	**$ 20,940**	**$ 106,919**	**$ 5,827**	**$ 50,858**	**$ 1,180**	**$ 1,667**

City of Muskegon
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2017

Total fund balances (deficits)—governmental funds		$ (914,876)
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	(2,345,136)	1,853,122
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	(16,500)	
Bonds and notes payable	(4,278,275)	(4,294,775)
Net position of governmental activities		**$ (3,356,529)**

City of Muskegon

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

Discretely Presented Component Units

For the year ended June 30, 2017

	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	$ 616,945	$ 99,280	$ 147,081	$ 39,373	$ 137,659	$ 165,737	$ 27,815
Intergovernmental revenues - Local	450,000	275,000	175,000	-	-	-	-
Investment earnings	1,085	55	823	-	81	126	-
Other	75,000	75,000	-	-	-	-	-
Total revenues	1,143,030	449,335	322,904	39,373	137,740	165,863	27,815
EXPENDITURES							
Current							
Community and economic development	242,798	-	-	34,000	-	182,650	26,148
Debt service							
Principal	655,000	345,000	310,000	-	-	-	-
Interest and fees	167,979	104,425	24,825	-	38,729	-	-
Total expenditures	1,065,777	449,425	334,825	34,000	38,729	182,650	26,148
Net change in fund balances (deficits)	77,253	(90)	(11,921)	5,373	99,011	(16,787)	1,667
Fund balances (deficits) at July 1, 2016	(992,129)	21,030	118,840	454	(1,150,420)	17,967	-
Fund balances (deficits) at June 30, 2017	**$ (914,876)**	**$ 20,940**	**$ 106,919**	**$ 5,827**	**$ (1,051,409)**	**$ 1,180**	**$ 1,667**

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, 2017

Net change in fund balances—total governmental funds		$ 77,253
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		655,000
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	$ 3,836	
Amortization of premiums	33,145	36,981
Change in net position of governmental activities		**$ 596,586**

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SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2017

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2016	6/30/2017	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Water supply system bonds	4/1/2010	$ 5,995,000	4.00%	05/01/17	$ 710,000	$ -	$ -
($13,661 unamortized premium)			4.00%	05/01/18	740,000	740,000	62,325
			4.25%	05/01/19	770,000	770,000	32,725
Type of debt: revenue bond					2,220,000	1,510,000	95,050
Revenue pledged: water system net revenues							
Drinking Water State Revolving	3/2/2004	$ 13,900,000	2.13%	10/01/16	695,000	-	-
Fund			2.13%	10/01/17	710,000	710,000	140,781
			2.13%	10/01/18	725,000	725,000	125,534
Type of debt: state loan			2.13%	10/01/19	745,000	745,000	109,916
Revenue pledged: water system net revenues			2.13%	10/01/20	760,000	760,000	93,925
			2.13%	10/01/21	775,000	775,000	77,616
			2.13%	10/01/22	790,000	790,000	60,988
			2.13%	10/01/23	810,000	810,000	43,988
			2.13%	10/01/24	825,000	825,000	26,616
			2.13%	10/01/25	840,000	840,000	8,925
					7,675,000	6,980,000	688,289
TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE					$ 9,895,000	$ 8,490,000	$ 783,339

SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2017

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2016	6/30/2017	Annual Interest Payable
Governmental Activities Bonds and Loans Payable:							
Capital improvement bonds	10/24/2006	$ 5,400,000	4.00%	10/01/16	$ 70,000	$ -	$ -
of 2006 (fire station, recreation)					70,000	-	-
Type of debt: limited G.O. bond							
Revenue pledged: general revenues							
Capital Improvement refunding bonds	3/8/2016	$ 4,535,000	2.00%	10/01/17	70,000	70,000	166,100
of 2016			2.00%	10/01/18	65,000	65,000	164,750
($330,903 unamortized premium)			3.00%	10/01/19	290,000	290,000	159,750
			3.00%	10/01/20	295,000	295,000	150,975
Type of debt: limited G.O. bonds			3.00%	10/01/21	305,000	305,000	141,975
Revenue pledged: general revenue			3.00%	10/01/22	300,000	300,000	132,900
			4.00%	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
					4,535,000	4,535,000	1,562,050
Capital improvement bonds	9/30/2011	$ 2,000,000	2.98%	09/01/16	195,000	-	-
of 2011 (streets)			2.98%	09/01/17	200,000	200,000	29,055
			2.98%	09/01/18	210,000	210,000	22,946
Type of debt: limited G.O. bond			2.98%	09/01/19	215,000	215,000	16,614
Revenue pledged: gas tax, general revenues			2.98%	09/01/20	220,000	220,000	10,132
			2.98%	09/01/21	230,000	230,000	3,427
					1,270,000	1,075,000	82,174
State of Michigan	6/18/2010	$ 500,000	2.00%	03/18/17	18,563	-	-
environmental assessment loan			2.00%	03/18/18	18,934	18,934	1,159
			2.00%	03/18/19	19,313	19,313	780
Type of debt: state loan			2.00%	03/18/20	19,699	19,699	394
Revenue pledged: general revenues					76,509	57,946	2,333
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					$ 5,951,509	$ 5,667,946	$ 1,646,557
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					$ 15,846,509	$ 14,157,946	$ 2,429,896

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2017

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2016	6/30/2017	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							
Downtown Development Authority	**3/22/2011**	**$ 2,045,000**	**3.75%**	**06/01/17**	310,000	-	-
refunding bonds			**4.00%**	**06/01/18**	330,000	330,000	13,200
($5,327 unamortized premium)					640,000	330,000	13,200
Type of debt: limited G.O. bond							
Revenue pledged: DDA tax increments, general revenues							
Local Development Finance Authority	**3/20/2012**	**$ 4,100,000**	**3.00%**	**11/01/16**	345,000	-	-
Smartzone Refunding Bonds			**3.00%**	**11/01/17**	355,000	355,000	93,925
($102,948 unamortized premium)			**4.00%**	**11/01/18**	375,000	375,000	81,100
			4.00%	**11/01/19**	390,000	390,000	65,800
Type of debt: limited G.O. bond			**4.00%**	**11/01/20**	395,000	395,000	50,100
Revenue pledged: LDFA tax increments, general revenues			**4.00%**	**11/01/21**	245,000	245,000	37,300
			3.00%	**11/01/22**	255,000	255,000	28,575
			3.00%	**11/01/23**	265,000	265,000	20,775
			3.00%	**11/01/24**	275,000	275,000	12,675
			3.00%	**11/01/25**	285,000	285,000	4,275
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					3,185,000	2,840,000	394,525
					$ 4,825,000	$ 4,170,000	$ 407,725
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					$ 20,671,509	$ 18,327,946	$ 2,837,621

Statistical Section

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

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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

	December 31		June 30							
	2008	2009	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017
Governmental Activities										
Net Investment in Capital Assets	$ 69,564,935	$ 69,064,800	$ 67,809,630	$ 67,944,957	$ 66,862,806	$ 63,842,092	$ 63,731,255	$ 63,514,691	$ 64,326,891	$ 62,520,466
Restricted	3,557,678	2,956,449	3,059,208	3,656,410	3,526,343	4,572,848	4,023,895	4,807,531	4,140,342	3,777,410
Unrestricted	10,708,529	8,920,621	13,828,231	12,598,197	12,836,573	13,299,523	12,811,852	491,914	(4,142,119)	(5,566,349)
Total Governmental Net Assets/Net Position	$ 83,831,142	$ 80,941,870	$ 84,697,069	$ 84,199,564	$ 83,225,722	$ 81,714,463	$ 80,567,002	$ 68,814,136	$ 64,325,114	$ 60,731,527
Business-type Activities										
Net Investment in Capital Assets	$ 40,876,621	$ 41,876,507	$ 41,105,739	$ 40,419,728	$ 40,147,600	$ 40,032,858	$ 39,365,043	$ 39,231,223	$ 39,013,529	$ 38,114,686
Restricted	822,559	672,000	672,000	672,000	672,000	599,500	599,500	599,500	599,500	599,500
Unrestricted	6,775,508	5,983,935	7,630,396	9,211,610	8,961,713	8,491,848	8,377,093	6,423,540	5,762,272	6,382,906
Total Business-type Activities Net Assets/Net Position	$ 48,474,688	$ 48,532,442	$ 49,408,135	$ 50,303,338	$ 49,781,313	$ 49,124,206	$ 48,341,636	$ 46,254,263	$ 45,375,301	$ 45,097,092
Primary Government										
Net Investment in Capital Assets	$ 110,441,556	$ 110,941,307	$ 108,915,369	$ 108,364,685	$ 107,010,406	$ 103,874,950	$ 103,096,298	$ 102,745,914	$ 103,340,420	$ 100,635,152
Restricted	4,380,237	3,628,449	3,731,208	4,328,410	4,198,343	5,172,348	4,623,395	5,407,031	4,739,842	4,376,910
Unrestricted	17,484,037	14,904,556	21,458,627	21,809,807	21,798,286	21,791,371	21,188,945	6,915,454	1,620,153	816,557
Total Primary Government Net Assets/Net Position	$ 132,305,830	$ 129,474,312	$ 134,105,204	$ 134,502,902	$ 133,007,035	$ 130,838,669	$ 128,908,638	$ 115,068,399	$ 109,700,415	$ 105,828,619

(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.

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

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Year Ended December 31		Period Ended June 30	Year Ended June 30						
	2008	2009	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017
EXPENSES										
Governmental Activities										
Public representation	$ 986,696	$ 923,911	$ 445,251	$ 854,249	$ 866,809	$ 893,981	$ 1,030,006	$ 939,907	$ 1,107,551	$ 1,113,897
Administrative services	782,362	698,022	317,873	645,585	566,161	565,307	543,425	614,757	663,077	679,139
Financial services	2,292,430	2,406,517	1,209,694	2,373,141	2,399,147	2,241,061	2,171,958	2,547,766	2,331,236	2,483,519
Public safety	13,955,811	13,614,112	6,332,728	13,390,888	13,213,251	12,987,842	12,946,466	14,243,233	17,118,742	16,910,473
Public works	3,019,411	2,986,747	1,640,946	3,471,051	2,958,367	3,201,806	3,361,422	3,183,627	3,109,454	3,551,230
Highways, streets and bridges	7,265,438	7,160,797	3,680,196	7,013,216	6,568,448	6,672,374	7,053,326	7,165,703	7,251,882	6,996,540
Community and economic development	3,174,508	4,139,765	1,275,026	2,830,867	2,447,373	2,499,404	2,417,518	2,712,131	5,223,431	3,738,566
Culture and recreation	2,623,501	2,463,375	759,392	1,524,331	1,601,316	1,592,358	1,671,185	1,806,790	3,551,692	3,918,814
General administration	574,955	451,651	210,117	794,115	791,197	322,348	366,634	389,248	326,452	301,287
Interest on long-term debt	324,076	288,073	139,006	272,940	283,186	291,535	277,345	271,607	248,223	172,591
Total Governmental Activities Expenses	34,999,188	35,132,970	16,010,229	33,170,383	31,695,255	31,268,016	31,839,285	33,874,769	40,931,740	39,866,056
Business-type Activities										
Water	5,800,977	6,080,230	2,958,795	5,869,241	5,974,173	6,228,788	6,016,192	6,047,244	6,750,826	7,206,564
Sewer	5,503,144	5,426,321	2,525,067	5,288,622	6,202,359	7,226,839	7,582,602	8,460,509	8,669,469	8,876,690
Marina and launch ramp	347,642	310,773	150,055	292,889	310,174	426,553	503,997	305,990	327,832	336,912
Total Business-type Activities Expenses	11,651,763	11,817,324	5,633,917	11,450,752	12,486,706	13,882,180	14,102,791	14,813,743	15,748,127	16,420,166
Total Primary Government Expenses	$ 46,650,951	$ 46,950,294	$ 21,644,146	$ 44,621,135	$ 44,181,961	$ 45,150,196	$ 45,942,076	$ 48,688,512	$ 56,679,867	$ 56,286,222
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
Public representation	$ 188,467	$ 213,885	$ 100,177	$ 196,886	$ 196,886	$ 173,739	$ 189,444	$ 188,638	$ 226,559	$ 228,767
Administrative services	257,850	271,117	129,630	263,473	270,886	268,535	325,937	415,308	474,737	572,739
Financial services	726,572	818,845	475,031	879,905	881,229	830,919	871,632	823,547	925,474	895,924
Public safety	1,217,616	1,117,476	536,419	1,109,659	1,136,942	1,133,666	1,407,722	1,218,644	1,248,911	1,824,114
Public works	382,072	383,733	209,203	642,082	480,487	671,494	796,739	571,426	379,877	646,876
Highways, streets and bridges	301,955	251,840	139,009	451,473	230,241	245,609	351,962	258,475	234,861	256,190
Community and economic development	297,854	249,241	186,572	457,952	617,379	432,240	477,486	576,863	444,632	706,195
Culture and recreation	405,520	445,891	129,025	300,367	315,010	606,818	535,211	368,168	1,229,067	1,463,839
General administration	99,494	123,426	59,373	116,690	116,690	287,729	50,728	48,764	52,512	37,892
Operating grants and contributions	5,367,152	6,443,223	3,131,811	5,425,165	4,651,576	4,681,345	4,664,098	5,071,239	5,330,825	5,208,818
Capital grants and contributions	3,444,957	2,105,557	255,234	2,257,163	1,568,005	886,108	1,408,424	3,496,623	3,804,656	862,074
Total Governmental Program Revenues	12,689,509	12,424,234	5,351,484	12,100,815	10,465,331	10,218,202	11,079,383	13,037,695	14,352,111	12,703,428
Business-type Activities										
Water	6,240,060	5,883,830	2,891,169	5,454,760	5,254,095	5,890,614	6,099,480	6,375,869	7,485,013	7,430,314
Sewer	5,326,787	5,720,171	3,441,924	6,652,851	6,455,634	7,058,315	6,633,911	6,363,808	6,305,554	7,620,208
Marina and launch ramp	250,266	242,055	156,767	194,311	208,370	234,229	228,339	255,638	287,547	278,753
Operating grants and contributions	-	-	-	-	-	6,188	-	-	-	2,436
Capital grants and contributions	-	5,179	-	20,074	-	88,046	327,240	474,681	765,363	784,969
Total Business-type program revenues	11,817,113	11,851,235	6,489,860	12,321,996	11,918,099	13,277,392	13,288,970	13,469,996	14,843,477	16,116,680
Total Primary Government program revenues	$ 24,506,622	$ 24,275,469	$ 11,841,344	$ 24,422,811	$ 22,383,430	$ 23,495,594	$ 24,368,353	$ 26,507,691	$ 29,195,588	$ 28,820,108
NET (EXPENSE) REVENUE										
Governmental Activities	$ (22,309,679)	$ (22,708,736)	$ (10,658,745)	$ (21,069,568)	$ (21,229,924)	$ (21,049,814)	$ (20,759,902)	$ (20,837,074)	$ (26,579,629)	$ (27,162,628)
Business-type Activities	165,350	33,911	855,943	871,244	(568,607)	(604,788)	(813,821)	(1,343,747)	(904,650)	(303,486)
Total Primary Government net expense	$ (22,144,329)	$ (22,674,825)	$ (9,802,802)	$ (20,198,324)	$ (21,798,531)	$ (21,654,602)	$ (21,573,723)	$ (22,180,821)	$ (27,484,279)	$ (27,466,114)

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Year Ended December 31		Period Ended June 30	Year Ended June 30						
	2008	2009	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION										
Governmental Activities										
Property taxes	$ 8,349,341	$ 8,492,507	$ 8,681,256	$ 8,844,004	$ 8,383,224	$ 7,592,847	$ 7,383,236	$ 7,894,189	$ 8,366,212	$ 8,389,243
Income taxes	8,117,566	6,628,365	3,505,264	6,866,967	7,663,534	8,057,145	7,762,719	8,478,231	8,386,775	8,707,279
Franchise fees	304,812	321,852	178,239	362,103	342,376	358,785	358,754	369,965	372,117	378,955
Grants and contributions not restricted for specific programs	4,487,698	3,841,922	1,832,066	3,846,859	3,577,848	3,700,871	3,813,221	3,989,178	4,051,050	4,630,111
Unrestricted investment earnings	730,142	185,436	104,086	193,435	100,073	73,157	146,590	99,733	189,408	106,653
Miscellaneous	160,460	226,124	51,638	432,880	154,531	102,388	124,085	805,432	626,014	512,738
Gain on sale of capital asset	323,048	123,258	65,155	25,815	34,496	44,899	23,836	20,302	99,031	844,062
Transfers	(40,000)	-	(3,760)	-	-	-	-	-	-	-
Total Governmental Program Revenues	22,433,067	19,819,464	14,413,944	20,572,063	20,256,082	19,930,092	19,612,441	21,657,030	22,090,607	23,569,041
Business-type Activities										
Unrestricted investment earnings	108,990	23,843	15,990	23,959	46,582	33,148	31,251	29,879	25,688	25,277
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Transfers	40,000	-	3,760	-	-	-	-	-	-	-
Total Business-type program revenues	148,990	23,843	19,750	23,959	46,582	33,148	31,251	29,879	25,688	25,277
Total Primary Government program revenues	$ 22,582,057	$ 19,843,307	$ 14,433,694	$ 20,596,022	$ 20,302,664	$ 19,963,240	$ 19,643,692	$ 21,686,909	$ 22,116,295	$ 23,594,318
CHANGE IN NET ASSETS/NET POSITION										
Governmental Activities	$ 123,388	$ (2,889,272)	$ 3,755,199	$ (497,505)	$ (973,842)	$ (1,119,722)	$ (1,147,461)	$ 819,956	$ (4,489,022)	$ (3,593,587)
Business-type Activities	314,340	57,754	875,693	895,203	(522,025)	(571,640)	(782,570)	(1,313,868)	(878,962)	(278,209)
Total Primary Government	$ 437,728	$ (2,831,518)	$ 4,630,892	$ 397,698	$ (1,495,867)	$ (1,691,362)	$ (1,930,031)	$ (493,912)	$ (5,367,984)	$ (3,871,796)

(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.

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

City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	December 31		June 30							
	2008	2009	2010	2011 (a)	2012	2013	2014	2015	2016	2017
General fund										
Reserved	$ 214,819	$ 187,633	$ 300,969	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonspendable	-	-	-	251,173	178,468	447,341	300,952	220,178	232,332	209,353
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	2,385,728	2,075,738	2,292,495	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
Unreserved	2,168,906	1,451,029	5,737,485	-	-	-	-	-	-	-
Total general fund	$ 2,383,725	$ 1,638,662	$ 6,038,454	$ 6,011,382	$ 6,520,045	$ 7,353,558	$ 7,496,097	$ 7,803,496	$ 8,031,309	$ 8,057,645
All other governmental funds										
Reserved	$ 4,382,118	$ 3,613,858	$ 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
Restricted	-	-	-	1,375,779	3,485,073	2,749,396	2,305,385	3,159,130	2,995,610	2,726,754
Assigned	-	-	-	2,073,027	2,055,904	2,087,359	1,729,457	2,146,050	1,373,669	3,510,747
Unassigned	-	-	-	(238,104)	(191,282)	(82,048)	(100,054)	-	-	-
Unreserved, reported in:										
Special revenue funds	2,768,886	2,060,117	2,163,041	-	-	-	-	-	-	-
Capital project funds	675,898	554,273	6,035	-	-	-	-	-	-	-
Permanent funds	60,813	15,613	16,979	-	-	-	-	-	-	-
Total all other governmental funds	$ 7,887,715	$ 6,243,861	$ 6,073,344	$ 4,914,958	$ 6,918,013	$ 6,302,500	$ 5,491,135	$ 7,378,927	$ 5,966,650	$ 7,954,326

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

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

City of Muskegon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Year Ended December 31		Period Ended June 30	Year Ended June 30						
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	$ 15,728,859	$ 14,673,012	$ 11,855,182	$ 15,146,430	$ 15,506,668	$ 14,832,027	$ 14,954,904	$ 15,830,137	$ 16,178,761	$ 16,667,272
Intergovernmental	13,012,035	12,400,408	4,785,494	11,525,749	9,899,379	9,403,554	9,945,065	12,301,594	11,711,788	10,743,434
Charges for services	2,463,975	2,620,372	1,338,194	2,769,204	2,596,328	2,769,227	2,569,335	2,468,889	3,468,938	3,918,217
Other	3,624,579	3,177,522	1,768,895	3,461,292	3,237,189	2,795,952	3,256,324	4,003,105	3,868,958	4,005,126
Total revenues	34,829,448	32,871,314	19,747,765	32,902,675	31,239,564	29,800,760	30,725,628	34,603,725	35,228,445	35,334,049
Expenditures										
Public representation	987,229	923,923	448,703	851,918	867,762	892,113	1,031,984	930,788	1,064,503	1,080,032
Administrative services	632,513	645,704	303,555	586,328	515,988	508,130	497,025	554,330	577,454	624,284
Financial services	2,298,830	2,406,623	1,241,430	2,352,709	2,407,131	2,196,917	2,197,651	2,476,740	2,068,208	2,236,941
Public safety	13,754,394	13,567,101	6,578,735	13,087,976	12,963,122	12,724,094	12,987,898	13,285,004	13,476,557	14,086,619
Public works	2,831,177	2,860,510	1,589,090	3,079,342	2,835,000	2,878,328	2,918,305	2,876,576	2,864,878	3,206,050
Highways, streets and bridges	6,414,453	3,436,069	1,823,089	3,226,377	2,756,010	2,815,337	3,011,611	2,986,909	3,102,391	3,096,875
Community and economic development	1,077,312	4,440,687	1,330,794	3,109,693	2,850,593	2,578,073	2,687,933	2,957,071	5,415,436	3,878,547
Culture and recreation	2,394,031	2,196,186	639,852	1,197,020	1,265,743	1,248,174	1,308,481	1,444,471	3,100,338	3,523,178
Other governmental functions	562,341	438,292	200,623	1,775,128	770,910	299,812	643,666	369,408	305,807	280,416
Debt service										
Principal	999,148	663,371	303,466	1,345,183	289,597	395,211	402,492	417,842	428,199	283,563
Interest	310,432	282,174	136,013	267,258	268,315	292,554	278,412	272,946	257,516	211,242
Issuance costs	-	-	-	-	-	-	-	-	97,578	-
Capital outlay	5,473,828	3,517,741	980,822	3,301,273	2,948,610	3,230,586	3,577,837	3,992,111	3,867,579	2,328,615
Total expenditure	37,735,688	35,378,381	15,576,172	34,180,205	30,738,781	30,059,329	31,543,295	32,564,196	36,626,444	34,836,362
Excess of revenues over (under) expenditures	(2,906,240)	(2,507,067)	4,171,593	(1,277,530)	500,783	(258,569)	(817,667)	2,039,529	(1,397,999)	497,687
Other financing sources (uses)										
Transfers in	1,477,717	1,359,608	342,188	1,348,694	510,907	1,356,229	743,035	853,910	1,563,094	1,805,000
Transfers out	(1,409,491)	(1,309,910)	(359,971)	(1,376,740)	(613,953)	(784,275)	(771,081)	(942,933)	(1,638,094)	(1,818,000)
Bonds issued	500,000	-	-	-	2,000,000	-	-	-	97,578	-
Sale of capital assets	375,723	68,452	75,465	120,118	113,981	190,263	176,887	244,685	190,957	1,529,325
Total other financing sources (uses)	943,949	118,150	57,682	92,072	2,010,935	762,217	148,841	155,662	213,535	1,516,325
Net change in fund balances	$ (1,962,291)	$ (2,388,917)	$ 4,229,275	$ (1,185,458)	$ 2,511,718	$ 503,648	$ (668,826)	$ 2,195,191	$ (1,184,464)	$ 2,014,012
Debt service as a percentage of noncapital expenditures	4.06%	2.97%	3.01%	5.22%	2.01%	2.56%	2.43%	2.42%	2.09%	1.52%

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
2008	$ 8,034,079	23.1%	$ 7,694,780	22.1%	$ 13,012,035	37.4%	$ 2,463,975	7.1%	$ 1,089,187	3.1%	$ 570,526	1.6%	$ 861,515	2.5%	$ 1,103,351	3.2%	$ 34,829,448	-1.9%
2009	8,190,722	24.9%	6,482,290	19.7%	12,400,408	37.7%	2,620,372	8.0%	1,032,681	3.1%	582,394	1.8%	400,900	1.2%	1,161,547	3.5%	32,871,314	-5.6%
2010*	8,487,125	43.0%	3,368,057	17.1%	4,785,494	24.2%	1,338,194	6.8%	584,162	3.0%	297,043	1.5%	193,873	1.0%	693,817	3.5%	19,747,765	-39.9%
2011	8,546,677	26.0%	6,599,753	20.1%	11,525,749	35.0%	2,769,204	8.4%	1,179,639	3.6%	447,254	1.4%	412,498	1.3%	1,421,901	4.3%	32,902,675	66.6%
2012	8,093,864	25.9%	7,412,804	23.7%	9,899,379	31.7%	2,596,328	8.3%	1,223,034	3.9%	459,401	1.5%	307,891	1.0%	1,246,863	4.0%	31,239,564	-5.1%
2013	7,325,555	24.6%	7,506,472	25.2%	9,403,554	31.6%	2,769,227	9.3%	1,238,285	4.2%	435,893	1.5%	267,397	0.9%	854,377	2.9%	29,800,760	-4.6%
2014	7,123,481	23.2%	7,831,423	25.5%	9,945,065	32.4%	2,569,335	8.4%	1,570,137	5.1%	418,691	1.4%	352,153	1.1%	915,343	3.0%	30,725,628	3.1%
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%

* 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

Year	Ad Valorem Assessment Roll: Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial and Commercial Facilities Assessment Roll: Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT	Total Taxable Valuation	Total City	Taxable Value As a Percent Actual
2007	$ 364,789,125	$ -	$ 143,991,195	$ 109,089,684	$ 617,870,004	$ 111,824,925	$ 729,694,929	$ 5,433,443	$ 31,408,300	$ -	$ 36,841,743	$ 766,536,672	11.0685	87.21%
2008	376,414,856	160,219	140,833,691	109,931,336	627,340,102	114,100,484	741,440,586	5,747,358	24,617,400	-	30,364,758	771,805,344	11.0682	86.71%
2009	376,545,791	157,682	147,276,887	114,185,691	638,166,051	111,493,852	749,659,903	5,259,649	25,616,400	-	30,876,049	780,535,952	11.0680	91.48%
2010	332,105,030	-	144,721,736	109,507,141	586,333,907	104,029,037	690,362,944	4,111,154	9,129,000	-	13,240,154	703,603,098	12.0680	94.04%
2011	331,901,631	-	144,675,509	87,261,346	563,838,486	93,465,537	657,304,023	3,071,654	9,129,000	-	12,200,654	669,504,677	12.0749	94.95%
2012	312,930,252	-	134,635,427	81,575,476	529,141,155	91,750,891	620,892,046	3,587,223	6,161,900	-	9,749,123	630,641,169	12.0789	96.40%
2013	310,252,865	-	118,856,014	76,331,458	505,440,337	91,730,093	597,170,430	6,677,737	7,472,900	-	14,150,637	611,321,067	12.0865	96.97%
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%

Assessed and Equalized Valuation of Property

Year	Ad Valorem Assessment Roll: Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial and Commercial Facilities Assessment Roll: Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT	Total Assessed Valuation	Estimated Actual Value
2007	$ 448,120,317	$ -	$ 160,361,200	$ 121,432,880	$ 729,914,397	$ 111,829,191	$ 841,743,588	$ 5,850,600	$ 31,408,300	$ -	$ 37,258,900	$ 879,002,488	$ 1,758,004,976
2008	466,633,100	194,800	156,596,000	121,810,900	745,234,800	114,104,600	859,339,400	6,162,900	24,617,400	-	30,780,300	890,119,700	1,780,239,400
2009	426,002,850	191,100	161,996,600	122,301,800	710,492,350	111,497,300	821,989,650	5,606,100	25,616,400	-	31,222,500	853,212,150	1,706,424,300
2010	354,044,700	-	154,185,000	122,703,400	630,933,100	104,020,200	734,953,300	4,120,400	9,129,000	-	13,249,400	748,202,700	1,496,405,400
2011	354,307,945	-	154,700,200	90,467,700	599,475,845	93,456,700	692,932,545	3,080,900	9,129,000	-	12,209,900	705,142,445	1,410,284,890
2012	327,226,000	-	141,238,834	84,084,000	552,548,834	91,740,800	644,289,634	3,719,300	6,161,900	-	9,881,200	654,170,834	1,308,341,668
2013	321,604,220	-	123,831,400	79,037,400	524,473,020	91,720,300	616,193,320	6,766,000	7,472,900	-	14,238,900	630,432,220	1,260,864,440
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

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, 2017

Taxpayer	6/30/2017 Taxable Valuation	6/30/2017 Rank	6/30/2017 Percent of Total Taxable Valuation	12/31/2007 Taxable Valuation	12/31/2007 Rank	12/31/2007 Percent of Total Taxable Valuation
Consumers Energy	$ 30,979,616	1	5.6%	$ 73,329,972	1	9.6%
DTE Gas Company	7,759,800	2	1.4%	7,960,600	3	1.0%
Mercy General Health Partners	6,989,506	3	1.3%	-		0.0%
Michigan Electric Transmission	4,249,600	4	0.8%	-		0.0%
Muskegon Holdings LLC	4,129,459	5	0.7%	-		0.0%
Glen Oaks Apartments, LLC	3,335,913	6	0.6%	-		0.0%
GE Aviation (Johnson Technology)	2,909,695	7	0.5%	7,797,731	4	1.0%
RCG Muskegon LLC	2,696,300	8	0.5%	-		0.0%
Fleet Engineers	2,638,785	9	0.5%	-		0.0%
Broadstone PC Michigan LLC	2,585,787	10	0.5%	-		0.0%
Sappi (S.D. Warren Co.)				35,802,173	2	4.7%
Hinman Lake LLC				5,651,361	5	0.7%
Esco Company				5,844,530	6	0.8%
Honeywell Inc				5,271,800	7	0.7%
Brunswick				4,973,900	8	0.6%
Coles Quality Foods				5,583,238	9	0.7%
Lorin Industries				4,911,077	10	0.6%
Total - 10 Largest	68,274,461		12.4%	157,126,382		20.5%
Total - All Other	482,527,122		87.6%	609,329,833		79.5%
	$ 550,801,583		100.0%	$ 766,456,215		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**
2007	8.5000	0.0685	2.5000	11.0685	2.4000	-
2008	8.5000	0.0682	2.5000	11.0682	2.4000	-
2009	8.9000	0.0680	2.1000	11.0680	2.4000	-
2010	9.5000	0.0680	2.5000	12.0680	2.4000	-
2011	9.5000	0.0749	2.5000	12.0749	2.4000	-
2012	9.5000	0.0789	2.5000	12.0789	2.4000	-
2013	9.5000	0.0865	2.5000	12.0865	2.4000	-
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

Overlapping - County-Wide Rates

Year	**Muskegon County**	**Intermediate School**	**Special Education**	**Vocational Education**	**Community College**	**MAISD Gen Ed**	**Community College Debt**
2007	6.7357	0.4597	2.2987	0.9996	2.2037	-	-
2008	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2009	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2010	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2011	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2012	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2013	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
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

	Overlapping - School District				Grand Total	
Year	**Operating**	**Debt**	**Total**	**State Education**	**Homestead**	**Non-Homestead**
2007	18.0000	7.0000	25.0000	6.0000	39.1659	57.1659
2008	18.0000	5.5000	23.5000	6.0000	37.6256	55.6256
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

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
2007	$ 8,542,477	$ 7,509,102	87.9%	$ 949,754	$ 8,458,856	99.0%	$ -	$ 67,586	$ 20,748	1.03%
2008	8,466,096	7,219,540	85.3%	1,135,738	8,355,278	98.7%	36,917	73,430	37,388	1.75%
2009	8,700,017	7,522,462	86.5%	1,102,891	8,625,353	99.1%	25,755	73,440	34,758	1.54%
2010	8,945,500	7,784,052	87.0%	1,077,056	8,861,108	99.1%	58,027	70,745	13,647	1.59%
2011	8,583,284	7,457,610	86.9%	1,030,902	8,488,512	98.9%	54,707	80,068	12,935	1.72%
2012	7,872,541	6,882,534	87.4%	915,950	7,798,484	99.1%	27,163	68,945	5,113	1.29%
2013	7,668,166	6,703,147	87.4%	912,362	7,615,509	99.3%	102,713	45,361	7,296	2.03%
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%

SOURCE: City of Muskegon Treasurer' Office

City of Muskegon

SEGMENTED DATA ON INCOME TAX FILERS, RATES AND LIABILITY

Most recent Year and Ten Years Previous

Taxable Income per Return	Year Ended June 30, 2017					Year Ended December 31, 2007				
Individual and Joint Returns	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars
Resident Taxpayers:										
(City resident income, after exemptions, exclusions and deductions is taxed at a flat rate of 1%.)										
$2,500 or less	859	5%	$ 825,100	$ 8,251	0%	1,132	5%	$ 943,800	$ 9,438	0%
$2,501-$7,500	559	3%	5,363,900	53,639	1%	898	4%	6,354,100	63,541	1%
$7,501-$25,000	1,502	8%	46,350,900	463,509	5%	2,248	10%	50,880,400	508,804	7%
$25,001-$50,000	1,465	8%	100,541,500	1,005,415	12%	1,902	8%	98,079,200	980,792	13%
$50,001-$100,000	864	5%	111,816,600	1,118,166	13%	965	4%	91,652,000	916,520	12%
More than $100,000	215	1%	63,579,700	635,797	7%	163	1%	42,426,600	424,266	6%
Subtotal	5,464	31%	$ 328,477,700	$ 3,284,777	38%	7,308	32%	$ 290,336,100	$ 2,903,361	38%
Non-Residents Taxpayers:										
(Non-residents are taxed at a rate of 0.5% on income earned within the City.)										
$2,500 or less	1,625	9%	$ 860,000	$ 7,538	0%	2,230	10%	$ 1,265,852	$ 9,395	0%
$2,501-$7,500	966	5%	4,602,400	43,479	1%	1,331	6%	6,407,400	45,323	1%
$7,501-$25,000	2,162	12%	34,727,600	305,940	4%	3,447	15%	56,191,600	394,402	5%
$25,001-$50,000	2,768	16%	101,449,400	893,740	10%	3,854	17%	142,114,800	997,762	13%
$50,001-$100,000	2,331	13%	155,160,600	1,366,920	16%	2,493	11%	165,312,800	1,160,765	15%
More than $100,000	726	4%	158,580,000	1,397,044	16%	628	3%	134,013,400	940,903	12%
Subtotal	10,578	59%	$ 455,380,000	$ 4,014,661	47%	13,983	60%	$ 505,305,852	$ 3,548,550	47%
All Other Returns										
(Mostly corporate returns which pay at a rate of 1% on income earned in City and partnerships which pay based on partners residence status.)										
Subtotal	1,750	10%		$ 1,311,374	15%	1,850	8%		$ 1,166,550	15%
Total	17,792	100%		$ 8,610,812	100%	23,141	100%		$ 7,618,461	100%

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

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

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

	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
2008	$ 6,844,970	$ 215,000	$ 1,416,900	$ 8,476,870	$ 7,075,000	$ 12,170,000	$ 19,245,000	$ 27,721,870	$ 696
2009	6,623,499	70,000	1,120,000	7,813,499	6,565,000	11,570,000	18,135,000	25,948,499	659
2010*	6,444,605	-	1,065,428	7,510,033	5,995,000	11,570,000	17,565,000	25,075,033	639
2011	5,920,000	-	244,850	6,164,850	5,415,000	10,955,000	16,370,000	22,534,850	587
2012	7,725,000	-	150,253	7,875,253	4,815,000	10,325,000	15,140,000	23,015,253	599
2013	7,350,000	-	130,042	7,480,042	4,205,000	9,685,000	13,890,000	21,370,042	577
2014	6,954,535	-	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

* 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, 2017

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	Debt Supported by City General Revenues
Direct Debt			
City of Muskegon:			
Revenue Bonds	$ 8,503,661	$ 8,503,661	$ -
Capital Improvement Bonds	5,940,903	-	5,940,903
Intergovernmental Bonds	57,946	-	57,946
Component Unit Debt:			
Downtown Development Authority	1,335,327	1,335,327	-
Local Development Finance Authority	2,942,948	2,942,948	-
Total City Direct Debt	$ 18,780,785	$ 12,781,936	$ 5,998,849

	Gross	City Share as Percent of Gross	Net
Overlapping Debt			
Muskegon School District	$ 14,340,000	95.08%	$ 13,634,472
Orchard View School District	41,835,872	19.58%	8,191,464
Reith's Puffer School District	68,097,768	1.84%	1,252,999
Hackley Public Library	2,635,000	95.08%	2,505,358
Muskegon County	70,305,000	12.81%	9,006,071
Muskegon Community College	27,150,000	12.81%	3,477,915
Total Overlapping Debt	$ 224,363,640		38,068,279
Total City Direct and Overlapping Debt			$ 44,067,128

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

	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
Debt Limit	$ 85,933,940	$ 82,198,965	$ 82,198,965	$ 78,308,925	$ 73,585,150	$ 68,555,700	$ 61,706,477	$ 61,510,980	$ 60,962,090	$ 61,333,841
Total net debt applicable to limit	15,481,870	14,778,499	14,435,033	12,929,850	14,375,253	13,655,042	12,847,550	11,969,708	11,313,794	10,290,785
Legal debt margin	$ 70,452,070	$ 67,420,466	$ 67,763,932	$ 65,379,075	$ 59,209,897	$ 54,900,658	$ 48,858,927	$ 49,541,272	$ 49,648,296	$ 51,043,056
Total net debt applicable to the limit as a percentage of debt limit	18.02%	17.98%	17.56%	16.51%	19.54%	19.92%	20.82%	19.46%	18.56%	16.78%

Legal Debt Margin Calculation for 2017:

Assessed Valuation:		$ 613,338,410
Legal Debt Limit (10%)		61,333,841
Total Indebtedness:	$ 18,780,785	
Debt not Subject to Limitation:		
Paid by Special Assessment	-	
Revenue Bonds	(8,490,000)	
Debt Subject to Limitation		10,290,785
Legal Debt Margin		$ 51,043,056

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

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

City of Muskegon

REVENUE BOND COVERAGE

Last Ten Fiscal Years

Water Supply System

Fiscal Year		Gross Revenue (a)		Direct Operating Expenses (b)		Net Revenue Available For Debt Service	Debt Service Requirements						Coverage
								Principal		Interest		Total	
2008	$	6,336,135	$	3,407,903	$	2,928,232	$	1,080,000	$	600,377	$	1,680,377	1.74
2009		5,906,313		3,498,263		2,408,050		1,110,000		567,462		1,677,462	1.44
2010*		2,904,735		1,575,275		1,329,460		535,000		271,522		806,522	1.65
2011		5,467,785		3,294,530		2,173,255		1,195,000		451,323		1,646,323	1.32
2012		5,273,720		3,441,078		1,832,642		1,230,000		410,187		1,640,187	1.12
2013		5,907,784		3,729,276		2,178,508		1,250,000		384,694		1,634,694	1.33
2014		6,109,144		3,511,477		2,597,667		1,295,000		352,634		1,647,634	1.58
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

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	
2008	$	5,338,647	$	4,979,343	$	359,304	$	546,278	$	12,550	$	558,828	0.64
2009						No Direct System Indebtedness							
2010*						No Direct System Indebtedness							
2011						No Direct System Indebtedness							
2012						No Direct System Indebtedness							
2013						No Direct System Indebtedness							
2014						No Direct System Indebtedness							
2015						No Direct System Indebtedness							
2016						No Direct System Indebtedness							
2017						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
2008	39,825	$ 710,378,828	17,838	32.3	5,361	946	$ 23,001,998	11.5%
2009	39,401	720,386,117	18,283	32.8	5,931	909	18,417,289	16.2%
2010	39,259	735,734,614	18,741	32.8	5,931	374	11,900,915	17.8%
2011	38,401	737,646,617	19,209	34.1	5,162	835	18,829,825	13.8%
2012	38,225	752,622,470	19,689	34.1	5,428	891	21,932,738	8.5%
2013	37,046	747,644,037	20,182	34.1	4,367	826	24,613,938	12.0%
2014	37,213	769,789,707	20,686	34.1	4,808	1,108	54,065,115	9.6%
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%

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

Employer	2017 Employees	2017 Rank	2017 Percentage of total City employment	2007 Employees	2007 Rank	2007 Percentage of total City employment
Mercy General Health Partners*	4,114	1	27.4%	1,954	1	11.7%
ADAC Automotive	979	2	6.5%	500	6	3.0%
County of Muskegon	755	3	5.0%	1,211	3	7.2%
Port City Group	667	4	4.4%			
Muskegon Public Schools	565	5	3.8%	931	5	5.6%
SAF Holland USA	345	6	2.3%			
G.E. Aviation (formerly Johnson Technology Inc.)	331	7	2.2%	425	7	2.5%
Knoll Inc	310	8	2.1%			
Muskegon Area Intermediate	253	9	1.7%			
Betten Automotive Group	232	10	1.5%			
State of Michigan				1,064	4	6.4%
Verizon				350	8	2.1%
Sappi Fine Paper (formerly SD Warren)				250	10	1.5%
City of Muskegon				270	9	1.6%
Hackley Hospital				1,578	2	9.4%

*** 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	2007	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
Administration	1.50	1.50	-	-	0.40	0.40	0.40	0.40	-	-	-
Affirmative Action	1.50	1.50	1.50	1.50	1.10	1.10	1.10	1.10	1.30	1.30	1.46
Cemetaries	3.25	3.25	3.25	2.50	2.20	1.75	1.25	1.25	1.25	1.25	1.25
City Clerk & Elections	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.54
City Commission	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Hall Maintenance	1.00	1.00	1.00	1.00	0.55	0.55	0.55	0.55	0.55	0.55	0.55
City Manager's Office	1.75	1.75	3.25	2.25	2.25	2.25	2.25	2.25	2.05	2.05	1.75
City Treasurer's Office	4.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50	5.50	5.50	5.50
Civil Service	2.00	2.00	2.00	2.00	1.00	-	-	-	-	-	-
Environmental Services	2.00	2.00	2.00	2.00	2.00	5.00	5.00	5.00	2.00	2.00	2.00
Farmers Market	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	-
Finance Administration	4.00	4.00	4.00	3.00	3.00	3.00	2.00	2.00	3.00	3.00	3.00
Fire	38.00	38.00	38.00	36.00	33.00	35.00	28.00	28.83	32.00	35.00	35.00
Fire Safety Inspections	12.00	12.00	12.00	9.00	8.00	6.00	6.00	0.83	-	-	-
General Recreation	1.33	1.66	1.66	2.00	-	-	-	-	-	-	-
Income Tax Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50	3.50	3.50	3.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Parks	8.15	8.15	7.99	7.15	6.00	6.05	6.05	6.00	6.00	6.00	7.05
Planning, Zoning & Economic Development	6.00	6.00	6.00	5.00	4.00	3.00	3.00	3.00	3.40	3.40	3.45
Police	94.00	94.00	94.00	88.00	88.00	88.00	88.00	87.34	88.00	88.00	88.00
Sanitation	1.00	1.00	1.00	-	0.30	0.20	0.20	0.20	0.20	0.20	0.20
Senior Transit	-	-	-	-	-	0.05	0.05	0.05	-	-	-
MVH-Major Streets	17.75	15.75	13.75	12.00	12.00	11.70	10.70	10.70	10.70	10.70	10.70
MVH-Local Streets	7.00	6.00	8.00	7.00	7.00	6.70	6.70	6.70	6.70	6.70	6.70
Community Development	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Home Program	1.00	1.00	1.00	0.25	0.25	-	-	-	-	-	-
Lead Program	-	-	-	0.75	0.75	-	-	-	-	-	-
Sewer Maintenance	16.20	15.20	13.20	10.20	10.20	9.75	9.75	9.80	9.80	9.80	9.80
Water Filtration	10.00	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00	10.00	10.00
Water Maintenance	12.50	13.50	15.40	12.40	12.40	11.75	11.75	11.75	11.75	11.75	11.75
Hartshorn Marina Fund	0.67	0.34	0.05	0.05	0.05	0.30	0.30	0.30	0.30	0.30	0.30
Public Service Building	3.45	3.45	3.70	8.95	8.05	7.95	8.45	8.45	8.50	8.50	8.50
Engineering	7.45	7.45	7.45	5.45	4.95	4.95	4.95	4.95	4.95	4.95	4.95
Equipment	8.25	8.25	8.50	7.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
	282.00	280.00	280.00	256.00	244.00	241.00	233.00	227.00	228.00	231.00	232.45

* 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	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
Administrative Services										
Elections										
Number of registered voters	27,678	26,136	26,136	26,330	26,324	26,098	26,025	24,014	24,005	24,612
Number of votes cast:										
Last general election	15,271	15,271	15,271	8,106	1,933	13,487	3,029	7,763	2,547	13,179
Last city election	1,101	2,254	2,254	8,106	1,933	2,131	3,029	7,763	2,547	13,179
Percentage of registered voters voting:										
Last general election	55%	58%	58%	31%	7%	52%	12%	32%	11%	54%
Last city election	4%	9%	9%	31%	7%	8%	12%	32%	11%	54%
Financial Services										
Property Tax Bills	15,350	15,435	-	15,351	15,261	15,291	15,211	14,528	14,611	14,243
Income Tax Returns	22,598	21,071	19,963	19,688	18,699	17,857	18,222	17,839	17,800	17,792
Paper Check Issued to Vendors	3,346	3,113	1,486	2,986	3,746	1,677	1,404	1,527	1,608	1,675
Electronic Payments to Vendors	763	963	450	884	1,334	1,251	1,579	1,471	1,849	1,998
Public Safety										
Fire Protection										
Number of firefighter and officer positions	41	37	37	37	36	41	38	35	35	35
Number of emergency calls	4,298	4,220	2,062	4,402	4,676	4,563	4,354	4,881	4,938	4,895
Police Protection										
Number of sworn officer positions	84	79	79	79	79	79	76	76	76	75
Part I (Major) Crimes	3,107	3,071	1,305	2,859	2,772	2,647	2,240	2,107	1,989	2,816
Public Works										
Refuse Collected (Tons per Year)	10,401	10,526	6,042	12,703	10,153	9,958	10,217	10,512	10,994	11,009
Recyclables Collected (Tons per Year)	626	309	-	-	-	-	-	-	-	-
Water & Sewer										
Number of consumers	13,131	12,987	12,966	13,037	13,109	13,144	13,086	13,223	13,307	13,248
Average daily water consumption (GPD)	8,879,000	7,976,000	7,163,000	8,417,000	7,700,000	7,651,000	7,666,000	8,293,570	11,027,945	10,947,233
Water main breaks repaired	34	17	6	12	5	11	30	15	16	12
Sewer flows (Millions Gallons per Year)	2,181	1,979	965	1,625	1,695	1,777	1,833	2,013	1,794	1,815
Sewer Service Calls	533	508	263	591	522	508	532	501	521	462

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

SOURCE: City of Muskegon Departments

City of Muskegon

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
Debt Limit	$ 85,933,940	$ 82,198,965	$ 82,198,965	$ 78,308,925	$ 73,585,150	$ 68,555,700	$ 61,706,477	$ 61,510,980	$ 60,962,090	$ 61,333,841
Total net debt applicable to limit	15,481,870	14,778,499	14,435,033	12,929,850	14,375,253	13,655,042	12,847,550	11,969,708	11,313,794	10,290,785
Legal debt margin	$ 70,452,070	$ 67,420,466	$ 67,763,932	$ 65,379,075	$ 59,209,897	$ 54,900,658	$ 48,858,927	$ 49,541,272	$ 49,648,296	$ 51,043,056
Total net debt applicable to the limit as a percentage of debt limit	18.02%	17.98%	17.56%	16.51%	19.54%	19.92%	20.82%	19.46%	18.56%	16.78%

Legal Debt Margin Calculation for 2017:

Assessed Valuation:		$ 613,338,410
Legal Debt Limit (10%)		61,333,841
Total Indebtedness:	$ 18,780,785	
Debt not Subject to Limitation:		
Paid by Special Assessment	-	
Revenue Bonds	(8,490,000)	
Debt Subject to Limitation		10,290,785
Legal Debt Margin		$ 51,043,056

* 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
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
2008	39,825	$ 710,378,828	17,838	32.3	5,361	946	$ 23,001,998	11.5%
2009	39,401	720,386,117	18,283	32.8	5,931	909	18,417,289	16.2%
2010	39,259	735,734,614	18,741	32.8	5,931	374	11,900,915	17.8%
2011	38,401	737,646,617	19,209	34.1	5,162	835	18,829,825	13.8%
2012	38,225	752,622,470	19,689	34.1	5,428	891	21,932,738	8.5%
2013	37,046	747,644,037	20,182	34.1	4,367	826	24,613,938	12.0%
2014	37,213	769,789,707	20,686	34.1	4,808	1,108	54,065,115	9.6%
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%

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

	2017			2007		
Employer	**Employees**	**Rank**	**Percentage of total City employment**	**Employees**	**Rank**	**Percentage of total City employment**
Mercy General Health Partners*	4,114	1	27.4%	1,954	1	11.7%
ADAC Automotive	979	2	6.5%	500	6	3.0%
County of Muskegon	755	3	5.0%	1,211	3	7.2%
Port City Group	667	4	4.4%			
Muskegon Public Schools	565	5	3.8%	931	5	5.6%
SAF Holland USA	345	6	2.3%			
G.E. Aviation (formerly Johnson Technology Inc.)	331	7	2.2%	425	7	2.5%
Knoll Inc	310	8	2.1%			
Muskegon Area Intermediate	253	9	1.7%			
Betten Automotive Group	232	10	1.5%			
State of Michigan				1,064	4	6.4%
Verizon				350	8	2.1%
Sappi Fine Paper (formerly SD Warren)				250	10	1.5%
City of Muskegon				270	9	1.6%
Hackley Hospital				1,578	2	9.4%

*** 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	2007	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
Administration	1.50	1.50	-	-	0.40	0.40	0.40	0.40	-	-	-
Affirmative Action	1.50	1.50	1.50	1.50	1.10	1.10	1.10	1.10	1.30	1.30	1.46
Cemetaries	3.25	3.25	3.25	2.50	2.20	1.75	1.25	1.25	1.25	1.25	1.25
City Clerk & Elections	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.54
City Commission	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Hall Maintenance	1.00	1.00	1.00	1.00	0.55	0.55	0.55	0.55	0.55	0.55	0.55
City Manager's Office	1.75	1.75	3.25	2.25	2.25	2.25	2.25	2.25	2.05	2.05	1.75
City Treasurer's Office	4.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50	5.50	5.50	5.50
Civil Service	2.00	2.00	2.00	2.00	1.00	-	-	-	-	-	-
Environmental Services	2.00	2.00	2.00	2.00	2.00	5.00	5.00	5.00	2.00	2.00	2.00
Farmers Market	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	-
Finance Administration	4.00	4.00	4.00	3.00	3.00	3.00	2.00	2.00	3.00	3.00	3.00
Fire	38.00	38.00	38.00	36.00	33.00	35.00	28.00	28.83	32.00	35.00	35.00
Fire Safety Inspections	12.00	12.00	12.00	9.00	8.00	6.00	6.00	0.83	-	-	-
General Recreation	1.33	1.66	1.66	2.00	-	-	-	-	-	-	-
Income Tax Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50	3.50	3.50	3.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Parks	8.15	8.15	7.99	7.15	6.00	6.05	6.05	6.00	6.00	6.00	7.05
Planning, Zoning & Economic Development	6.00	6.00	6.00	5.00	4.00	3.00	3.00	3.00	3.40	3.40	3.45
Police	94.00	94.00	94.00	88.00	88.00	88.00	88.00	87.34	88.00	88.00	88.00
Sanitation	1.00	1.00	1.00	-	0.30	0.20	0.20	0.20	0.20	0.20	0.20
Senior Transit	-	-	-	-	-	0.05	0.05	0.05	-	-	-
MVH-Major Streets	17.75	15.75	13.75	12.00	12.00	11.70	10.70	10.70	10.70	10.70	10.70
MVH-Local Streets	7.00	6.00	8.00	7.00	7.00	6.70	6.70	6.70	6.70	6.70	6.70
Community Development	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Home Program	1.00	1.00	1.00	0.25	0.25	-	-	-	-	-	-
Lead Program	-	-	-	0.75	0.75	-	-	-	-	-	-
Sewer Maintenance	16.20	15.20	13.20	10.20	10.20	9.75	9.75	9.80	9.80	9.80	9.80
Water Filtration	10.00	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00	10.00	10.00
Water Maintenance	12.50	13.50	15.40	12.40	12.40	11.75	11.75	11.75	11.75	11.75	11.75
Hartshorn Marina Fund	0.67	0.34	0.05	0.05	0.05	0.30	0.30	0.30	0.30	0.30	0.30
Public Service Building	3.45	3.45	3.70	8.95	8.05	7.95	8.45	8.45	8.50	8.50	8.50
Engineering	7.45	7.45	7.45	5.45	4.95	4.95	4.95	4.95	4.95	4.95	4.95
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	282.00	280.00	280.00	256.00	244.00	241.00	233.00	227.00	228.00	231.00	232.45

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City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
Administrative Services										
Elections										
Number of registered voters	27,678	26,136	26,136	26,330	26,324	26,098	26,025	24,014	24,005	24,612
Number of votes cast:										
Last general election	15,271	15,271	15,271	8,106	1,933	13,487	3,029	7,763	2,547	13,179
Last city election	1,101	2,254	2,254	8,106	1,933	2,131	3,029	7,763	2,547	13,179
Percentage of registered voters voting:										
Last general election	55%	58%	58%	31%	7%	52%	12%	32%	11%	54%
Last city election	4%	9%	9%	31%	7%	8%	12%	32%	11%	54%
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Property Tax Bills	15,350	15,435	-	15,351	15,261	15,291	15,211	14,528	14,611	14,243
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Public Safety										
Fire Protection										
Number of firefighter and officer positions	41	37	37	37	36	41	38	35	35	35
Number of emergency calls	4,298	4,220	2,062	4,402	4,676	4,563	4,354	4,881	4,938	4,895
Police Protection										
Number of sworn officer positions	84	79	79	79	79	79	76	76	76	75
Part I (Major) Crimes	3,107	3,071	1,305	2,859	2,772	2,647	2,240	2,107	1,989	2,816
Public Works										
Refuse Collected (Tons per Year)	10,401	10,526	6,042	12,703	10,153	9,958	10,217	10,512	10,994	11,009
Recyclables Collected (Tons per Year)	626	309	-	-	-	-	-	-	-	-
Water & Sewer										
Number of consumers	13,131	12,987	12,966	13,037	13,109	13,144	13,086	13,223	13,307	13,248
Average daily water consumption (GPD)	8,879,000	7,976,000	7,163,000	8,417,000	7,700,000	7,651,000	7,666,000	8,293,570	11,027,945	10,947,233
Water main breaks repaired	34	17	6	12	5	11	30	15	16	12
Sewer flows (Millions Gallons per Year)	2,181	1,979	965	1,625	1,695	1,777	1,833	2,013	1,794	1,815
Sewer Service Calls	533	508	263	591	522	508	532	501	521	462

* 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	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Fire Protection										
Number of stations	3	3	3	3	3	3	3	3	3	3
Police Protection										
Number of stations	1	1	1	1	1	1	1	1	1	1
Highways, Streets and Bridges										
Miles of Streets	197.79	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95
Number of streetlights	3,134	3,192	3,125	3,065	2,838	2,838	2,838	2,838	2,900	2,984
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)	183.60	184.35	184.35	184.35	184.35	184.35	184.25	184.35	184.35	184.35
Water										
Water mains (miles)	195.58	195.69	195.69	195.69	195.40	195.95	195.95	195.95	195.95	195.95

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

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Fire Protection										
Number of stations	3	3	3	3	3	3	3	3	3	3
Police Protection										
Number of stations	1	1	1	1	1	1	1	1	1	1
Highways, Streets and Bridges										
Miles of Streets	197.79	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95
Number of streetlights	3,134	3,192	3,125	3,065	2,838	2,838	2,838	2,838	2,900	2,984
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)	183.60	184.35	184.35	184.35	184.35	184.35	184.25	184.35	184.35	184.35
Water										
Water mains (miles)	195.58	195.69	195.69	195.69	195.40	195.95	195.95	195.95	195.95	195.95

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

SOURCE: City of Muskegon Departments

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SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

BRICKLEY DELONG
CERTIFIED PUBLIC ACCOUNTANTS

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*

December 1, 2017

City Commission
City of Muskegon
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Muskegon's basic financial statements, and have issued our report thereon dated December 1, 2017.

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

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 2017-001.**

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

City of Muskegon's Response to Findings
The City of Muskegon's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The 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

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

December 1, 2017

City Commission
City of Muskegon
Muskegon, Michigan

Report on Compliance for Each Major Federal Program
We have audited the City of Muskegon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Muskegon's major federal programs for the year ended June 30, 2017. the 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 the City of Muskegon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the City of Muskegon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the City of Muskegon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2016	Adjustments and Transfers	Cash or Payments In-Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2017	Passed Through to Subrecipents
U.S. Department of Agriculture								
Direct programs								
Farmers Market Promotion Program	10.168							
15FMPPMI0088		$ 75,000	$ 8,906	$ -	$ 23,486	$ 26,268	$ 11,688	$ -
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	-	17,342	21,777	4,435	-	-
B-15-MC-26-0026		895,410	50,991	(17,342)	24,209	-	9,440	-
B-16-MC-26-0026		886,662	-	-	439,332	725,507	286,175	3,000
Program Income		73,476	-	-	28,072	28,072	-	-
Total Community Development Block Grants/ Entitlement Grants		2,752,573	50,991	-	513,390	758,014	295,615	3,000
HOME Investment Partnerships Program	14.239							
M-14-MC-26-0215		275,421	-	-	22,532	22,532	-	-
M-15-MC-26-0215		268,639	4,275	-	96,984	111,054	18,345	-
M-16-MC-26-0215		264,277	-	-	27,728	126,478	98,750	-
Program Income		133,726	10,637	-	428,656	418,019	-	-
Total HOME Investment Partnerships Program		942,063	14,912 -	-	575,900	678,083	117,095	-
Total U.S. Department of Housing and Urban Development		3,694,636	65,903	-	1,089,290	1,436,097	412,710	3,000

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2016	Adjustments and Transfers	Cash or Payments In-Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2017	Passed Through to Subrecipents
U.S. Department of Justice								
Direct programs								
Bulletproof Vest Partnership Grant	16.607							
2014 Grant		$ 9,076	$ 3,476	$ -	$ 3,476	$ -	$ -	$ -
2015 Grant		4,628	-	-	1,896	1,896	-	-
		13,704	3,476	-	5,372	1,896	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738							
2016-DJ-BX-0581		45,788	-	-	35,732	35,732	-	-
Total direct programs		59,492	3,476	-	41,104	37,628	-	-
Passed through Ottawa County								
Edward Byrne Memorial Justice Assistance Grant Program	16.738							
2015-MU-BX-0964		14,000	-	-	14,000	14,000	-	-
Total U.S. Department of Justice		73,492	3,476	-	55,104	51,628	-	-
U.S. Environmental Protection Agency								
Direct programs								
Great Lakes Program	66.469							
00E01414		110,449	2,616	-	107,868	107,832	2,580	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818							
00E01538		400,000	30,117	-	133,338	152,243	49,022	-
Total U.S. Environmental Protection Agency		510,449	32,733	-	241,206	260,075	51,602	-
TOTAL FEDERAL ASSISTANCE		**$ 4,353,577**	**$ 111,018**	**$ -**	**$ 1,409,086**	**$ 1,774,068**	**$ 476,000**	**$ 3,000**

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, 2017

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, 2017. 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, 2017 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	
General Fund	$ 51,628
Major Street and Trunkline Fund	400,000
Other governmental funds	1,276,349
	1,727,977
Plus program income	446,091
Less MDOT contracted projects as shown below	(400,000)
Federal expenditures per the Schedule of Expenditures of Federal Awards	**$ 1,774,068**

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, 2017 the federal aid received and expended by the City of Muskegon was $400,000 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 STP 1661(011) Fed Item HK 0932 Contract 16-5190		$ 400,000	$ 400,000

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2017

SECTION I—SUMMARY OF AUDITOR'S RESULTS

A. *Financial Statements*

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

2. Internal control over financial reporting:
   - Material weakness(es) identified? __X__ yes _____ no
   - Significant deficiency(ies) identified? _____ yes __X__ none reported

3. Noncompliance material to financial statements noted? _____ yes __X__ no

B. *Federal Awards*

1. Internal control over major federal programs:
   - Material weakness(es) identified? _____ yes __X__ no
   - Significant deficiency(ies) identified? _____ yes __X__ none reported

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

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

4. Identification of major programs:

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

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

6. Auditee qualified as low-risk auditee? __X__ yes _____ no

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2017-001: MATERIAL WEAKNESS—Year-end Closing Procedures

Criteria or Specific Requirement: General ledger account balances should be fully adjusted at year-end.

Condition: Material journal entries were proposed by auditors at year-end. These misstatements were not detected by the City's internal controls. The City subsequently made these proposed adjustments.

Context: During our year-end substantive testing, we noted three material adjustments that were necessary to adjust fixed assets, grants receivable, and payables.

Cause: There was significant turnover in the City's Finance Department near year-end.

Effect: The financial statements would have been materially misstated without these proposed entries.

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

Recommendation: We recommend that the City improve its controls surrounding year-end closing to ensure that all accounts are fully adjusted.

Views of Responsible Officials: The City agrees with this 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, 2017.

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
(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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 1, 2017

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

The City of Muskegon respectfully advises you that there were ***no*** audit findings reported in our single audit report, dated December 5, 2016, for the year ended June 30, 2016.

Sincerely,

Elizabeth Lewis
Finance Director

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

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MUSKEGON

West Michigan's Shoreline City
www.shorelinecity.com

CORRECTIVE ACTION PLAN

December 1, 2017

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

The City of Muskegon respectfully submits the following Corrective Action Plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2017

The findings from the Schedule of Findings and Responses for the year ended June 30, 2017 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2017-001: MATERIAL WEAKNESS—Year-end Closing Procedures

Recommendation: We recommend that the City improve its controls surrounding year-end closing to ensure that all accounts are fully adjusted.

Action Taken: The City will review and update its year-end closing policies to ensure that all entries are made prior to the audit.

Responsible Person and Anticipated Completion Date: Assistance Finance Director – June 2018

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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