



Comprehensive Annual Financial Report City of Muskegon

Fiscal Year Ended June 30, 2021

**CITY OF MUSKEGON,
MICHIGAN**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2021**

Prepared By

FINANCIAL SERVICES DIVISION

**Kenneth D. Grant
Finance Director**

**Jessica Rabe
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City Treasurer**

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Information Systems Director**

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Management Assistant**

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City of Muskegon

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

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

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

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

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

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

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

Engineering
(231)724-1077
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

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December 9, 2021

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, 2021.

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, 2021. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

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

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

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

Local economy

The City of Muskegon is located in western Michigan on the shores of Lake Michigan. The City covers 18 square miles (including 4 miles of water) and, with a 2020 census population of 37,633, is the largest city on the eastern shore of Lake Michigan. The City is located in Muskegon County and is part of the Muskegon-Norton Shores Metropolitan Statistical Area (MSA).

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

- Muskegon has been the eastern terminus for the high-speed cross-lake ferry connecting Muskegon with Milwaukee, Wisconsin since 2004. The *Lake Express* service ferries 100,000-plus passengers each season between the two cities.
- Muskegon has been home to the annual Miss Michigan pageant since 1950.
- Pere Marquette beach is nationally recognized as one of the best beaches in the nation, and welcomes hundreds of thousands of visitors.
- Muskegon is home to successful summertime festivals that attract more than 100,000 visitors to the community annually. These include Taste of Muskegon, the Discover Muskegon Festival, Bike Time and Rebel Road, the Unity Christian Music Festival, the Shoreline Jazz Festival, the Great Lakes Surf Festival, the Burning Foot Beer Festival, the Muskegon Polish Festival, and the Michigan Irish Music Festival.

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- Muskegon is the cultural hub for west Michigan with numerous museums and live performance venues: The Muskegon Museum of Art has one of the largest premier art collections in the Midwest, while the Lakeshore Museum Center provides insight into the area's storied past. The Lakeshore Museum Center's attractions include the Muskegon Heritage Museum, the former residences of lumber barons Charles H. Hackley and Thomas Hume, the Fire Barn Museum, and the Scolnik Depression Era House. Frauenthal Center for the Performing Arts operates throughout the year, hosting the West Michigan Symphony Orchestra and the Muskegon Civic Theater.
- Muskegon's downtown is home to dozens of monumental public art pieces, and new pieces are acquired each year. In 2021, local philanthropist Patrick O'Leary provided a \$100,000 fund to provide for the maintenance of the City's public art collection.
- Muskegon is home to three historic museum ships that attract thousands of visitors each year:
 - *USS Silversides*, a rare surviving World War II submarine maintained in pristine condition is docked at the Muskegon Lake Channel;
 - *LST-393*, a landing craft used in the D-day invasion and one of only two such vessels remaining in existence is docked downtown Muskegon at the West Michigan Dock and Market; and the
 - *Milwaukee Clipper*, a Great Lakes passenger ship built before the *Titanic* that for many years served as a cross-lake ferry between Muskegon and Milwaukee is docked in the Lakeside Business District.

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

The local economy has experienced some significant adjustments to the COVID-19 pandemic. However, headed into the pandemic, all local indicators pointed to a strong economy – with both corporate profits and income tax withholdings significantly higher than previous years. Indications are that the local economy will recover to pre-COVID-19 levels in 2022.

The City fully recognizes the difficulties it faces as an older urban community. Thus, we have attempted to position ourselves as a leader in fiscal stability and sustainability, while making key investments in areas that grow the city's financial resources over the long-term.

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Long-term financial planning and major initiatives

Unassigned fund balance in the General Fund at year end was 30.8% of total actual General Fund revenues for the preceding year. This amount was well above the policy guidelines set by the Commission for budgetary and planning purposes (i.e., 13% of total actual General Fund revenue for the preceding year). Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns.

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

Among the City's major initiatives and accomplishments in fiscal year 2020-21 were the following:

- Downtown Muskegon experienced the commencement and/or completion of a number of development projects. The 1021 Jefferson project is complete and now provides low- and moderate-income workforce housing adjacent to city hall in a mixed-use setting; the Leonard Building mixed use building is nearing completion, and the five story structure is set to open in January 2022; Samaritas broke ground on a 50+ unit senior affordable apartment building, and they expect to open in 2022.
- Staff has made significant progress in addressing the former rail line that bisects the Windward Pointe development site – this is the last major hurdle to commencing development on the 120-acre site. An agreement has been reached to allow the City to acquire the site and convert much of the corridor into pedestrian and bike trails.
- The City completed construction on the \$24 Million convention center. The center is connected to the both the Delta Marriott hotel and the Mercy Health Arena. A naming-rights partnership was identified and implemented, resulting in the naming of the facility the *VanDyk Mortgage Convention Center*, and generating \$150,000 in fees.
- Construction of Midtown Square Phase 2, which consists of 10 townhouses and 6 single family homes in the Nelson neighborhood, was started in 2019. The City sold the last house in October 2021. In total, nearly 100 new homes have been constructed in the City over the past three years.
- Developer broke ground on the Hartshorn Marina Village Development, the Adelaide Point Development, and the Viridian Shores Development. These three waterfront developments will feature more than \$200 Million in investments and create hundreds of new housing opportunities.

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Relevant financial policies

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muskegon for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the 33rd consecutive year that the City has received this award. The City has submitted the June 30, 2020 CAFR for consideration but has not received award confirmation at this time. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

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

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

Respectfully submitted,

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

Franklin Peterson
City Manager

A handwritten signature in black ink, appearing to read "Kenneth D. Grant".

Kenneth D. Grant
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Muskegon
Michigan**

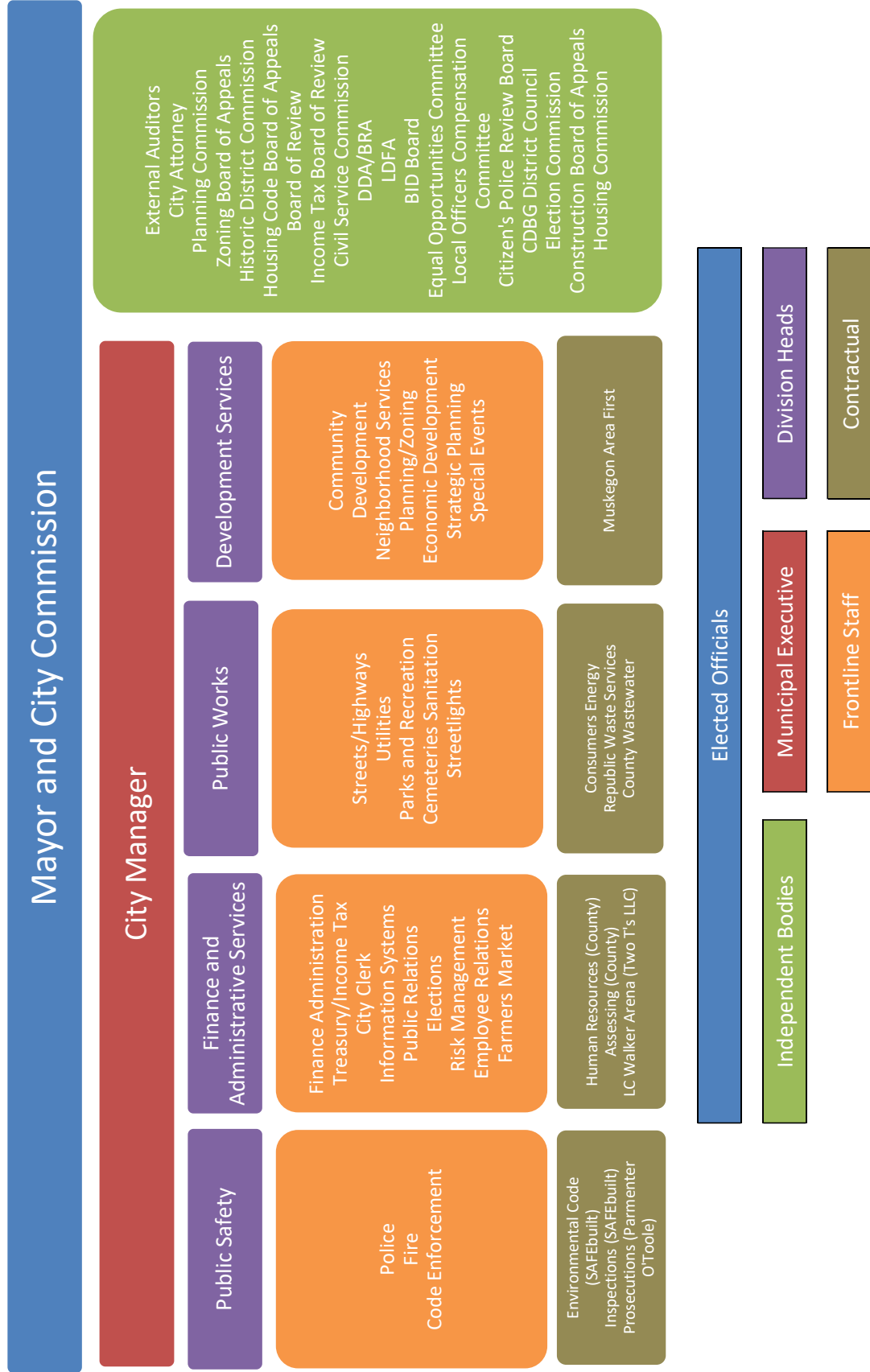
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

Organizational Structure 2020-21



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

June 30, 2021

ELECTED OFFICIALS

Mayor. Stephen J. Gawron
At Large

Vice Mayor-Commissioner. Eric Hood
Ward 1

Commissioner. Willie German
Ward 2

Commissioner. Teresa Emory
Ward 3

Commissioner. Michael Ramsey
Ward 4

Commissioner. Ken Johnson
At Large

Commissioner. Dan Rinsema-Sybenga
At Large

APPOINTED OFFICIALS

City Manager. Frank Peterson

City Attorney. John C. Schrier

Finance Director. Kenneth D. Grant

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Muskegon
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan as of and for the year ended June 30, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension and other post-employment benefit information on pages 21 through 32 and 86 through 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

City Commission
City of Muskegon
Page 3

Other Matters—Continued

Other Information—Continued

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

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



Muskegon, Michigan
December 9, 2021

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2021 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, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The assets/deferred outflows of resources of the City of Muskegon exceeded its liabilities/deferred inflows of resources by \$102,344,375 as of June 30, 2021. The City has a deficit in unrestricted net position of \$29,938,870. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities.

The City's total combined net position increased by \$12,905,583 during the year ended June 30, 2021.

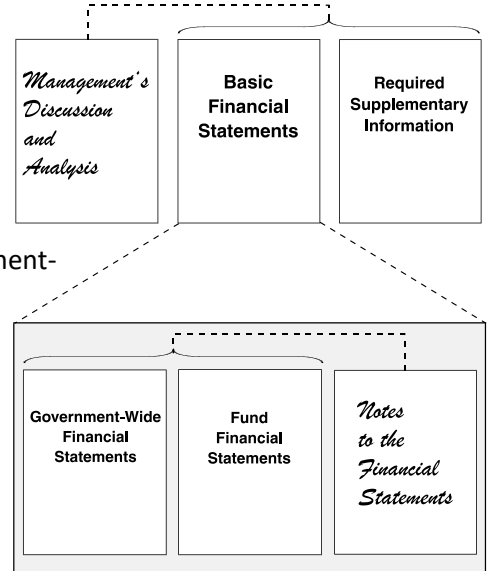
The City's governmental funds reported combined ending fund balance of \$16,292,528, a decrease of \$5,279,036 (24%) from the prior year.

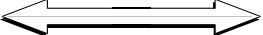
The City's General Fund reported a total fund balance of \$11,197,840, an increase of \$3,295,985 from the prior year balance of \$7,901,855.

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.



Summary  Detail

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 net position and a statement of changes in 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 four 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), which is comprised of six designated brownfield areas. Component units are separate legal entities for which the City of Muskegon has some level of financial accountability. The component units of the City exist primarily for the issuance and repayment of debt to finance projects in specific areas of the City. Accordingly, they are discussed below under the Capital Assets and Debt Administration heading.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The Statement of Net Position provides an overview of the City's assets/deferred outflows of resources, liabilities/deferred inflow of resources and net position. Over time this can provide a good indicator of the City's fiscal health.

The total net position of the City was \$102,344,375 as of June 30, 2021. This is an increase of \$12,905,583 from reported net position for the prior year. An overview of the City's net position follows:

City's Net Position (In Thousands of Dollars)							
	Governmental		Business-Type		Total		Percentage
	Activities		Activities				
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020	Change
Current and other assets	\$40,446	\$32,662	\$8,568	\$4,899	\$49,014	\$37,561	30.49%
Capital assets	102,697	88,046	63,314	51,152	166,011	139,198	19.26%
Total Assets	143,143	120,708	71,882	56,051	215,025	176,759	21.65%
Deferred outflows of resources	2,006	4,278	139	297	2,145	4,575	-53.11%
Total Assets and Deferred Outflows of Resources	145,149	124,986	72,021	56,348	217,170	181,334	19.76%
Long-term liabilities	71,213	67,333	10,793	8,880	82,006	76,213	7.60%
Other liabilities	22,650	10,208	6,804	4,624	29,454	14,832	98.58%
Total Liabilities	93,863	77,541	17,597	13,504	111,460	91,045	22.42%
Deferred inflows of resources	3,147	795	219	55	3,366	850	296.00%
Total Liabilities and Deferred Outflows of Resources	97,010	78,336	17,816	13,559	114,826	91,895	24.95%
Net Position							
Net investment in capital assets	72,201	70,275	54,257	44,543	126,458	114,818	10.14%
Restricted	5,003	4,460	822	599	5,825	5,059	15.14%
Unrestricted	-29,065	-28,085	-874	-2,353	-29,939	-30,438	-1.64%
Total Net Position	\$48,139	\$46,650	\$54,205	\$42,789	\$102,344	\$89,439	14.43%

The bulk of the City's net position \$126,457,976 represents investments in capital assets net of accumulated depreciation, less the remaining balance of debt issued to acquire those assets. These infrastructure assets are used to provide public services to citizens and are not available for spending.

Another \$5,825,269 of the City's net position are legally restricted as to use. The City has a deficit in unrestricted net position of \$29,938,870. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities. The City's unrestricted net position improved \$499,707 during the year.

Changes in net position. The City's total revenues were \$77,714,171 for the year ended June 30, 2021. This represents a 27.3% increase over total revenues collected during the prior fiscal year. Approximately 33.6% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 18.3% came from grants from the state and federal governments and 23.7% 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, 2021 was \$64,843,588. This represents a 12.7% decrease from reported expenses for the last fiscal year ended June 30, 2020. 73.4% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 26.6% 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 increased \$1,489,017 and the net position for business-type activities increased by \$11,416,566. For governmental activities, most of these changes are related to the changes in net pension liability and net other postemployment benefits liability. For business-type activities, the changes represent forgiveness of State Revolving Fund debt

Changes in City's Net Position

(In thousands of dollars)

	Governmental		Business-Type		Total		Percentage Change
	Activities		Activities				
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020	
Program revenues							
Charges for services	\$7,951	\$7,980	\$18,229	\$16,789	\$26,180	\$24,769	5.70%
Operating grants and contributions	9,839	7,398	-	94	9,839	7,492	31.33%
Capital grants and contributions	2,901	4,064	10,354	-	13,255	4,064	226.16%
General revenues							
Property taxes	8,813	8,467	-	-	8,813	8,467	4.09%
Income taxes	9,609	9,437	-	-	9,609	9,437	1.82%
State shared revenues	6,427	5,276	-	-	6,427	5,276	21.82%
All other	3,580	1,508	10	9	3,590	1,517	136.65%
Total revenues	49,120	44,130	28,593	16,892	77,713	61,022	27.35%
Governmental activities expenses							
Public representation	1,604	1,501	-	-	1,604	1,501	6.86%
Administrative services	826	962	-	-	826	962	-14.14%
Financial services	5,040	3,007	-	-	5,040	3,007	67.61%
Public safety	18,249	25,982	-	-	18,249	25,982	-29.76%
Public works	4,026	4,582	-	-	4,026	4,582	-12.13%
Highways, streets and bridges	6,863	7,593	-	-	6,863	7,593	-9.61%
Community and economic development	5,000	5,359	-	-	5,000	5,359	-6.70%
Culture and recreation	4,507	5,270	-	-	4,507	5,270	-14.48%
General administration	404	390	-	-	404	390	3.59%
Interest on long-term debt	1112	732	-	-	1,112	732	51.91%
Business-type activities expenses							
Sewer	-	-	8,085	9,902	8,085	9,902	-18.35%
Water	-	-	8,612	8,438	8,612	8,438	2.06%
Marina and launch ramp	-	-	515	529	515	529	-2.65%
Total expenses	47,631	55,378	17,212	18,869	64,843	74,247	-12.67%
Change in net position before transfers	1,489	(11,248)	11,381	(1,977)	12,870	(13,225)	-197.32%
Transfers	-	-	35	-	35	-	-
Change in net position	1,489	(11,248)	11,416	(1,977)	12,905	(13,225)	-197.58%
Net position at beginning of year	46,650	57,898	42,789	44,766	89,439	102,664	-12.88%
Net position at end of year	\$48,139	\$46,650	\$54,205	\$42,789	\$102,344	\$89,439	14.43%

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, 2021 was \$47,613,260.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was \$18,422,373, or about 38% of the total.
- The remaining cost was paid by user charges to those directly benefitting from the programs or by state and federal grants and contributions or use of net position.

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

	Total Cost of Services			Net Cost of Services		
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>% Change</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>% Change</u>
Governmental activities						
Public safety	\$18,249	\$25,982	-29.76%	\$14,257	\$23,528	-39.40%
Public works	4,026	4,581	-12.12%	3,131	3,746	-16.42%
Highways, streets and bridges	6,863	7,593	-9.61%	864	897	-3.68%
Community and economic development	5,000	5,359	-6.70%	(78)	(38)	105.26%
Culture and recreation	4,507	5,270	-14.48%	2,102	2,853	-26.32%
All other	8,986	6,593	36.30%	6,664	4,950	34.63%
Total governmental activities	<u>\$47,631</u>	<u>\$55,378</u>	<u>-13.99%</u>	<u>\$26,940</u>	<u>\$35,936</u>	<u>-25.03%</u>

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, 2021, the City's total business-type activities realized an overall increase in net position of \$11,416,566.

Sewer Fund net position increased \$10,849,375 primarily as result of forgiveness of debt. The Water Fund saw a net position increase of \$1,052,490. Marina and Launch Ramp Fund net position decreased \$326,924.

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, 2021 were the General Fund, the Major Street and Trunkline Fund, the State Grants Fund, and Convention Center Fund.

General Fund Highlights

The General Fund receives most public attention since it is where local tax revenues are accounted for and where the most visible municipal services such as police, fire and parks are funded. The City reforecasts its General Fund budget on a quarterly basis considering 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%)
6/30/2021	\$9,121,955	54.06%	\$29,653,448	30.76%
6/30/2020	\$5,920,869	-9.79%	28,747,772	20.60%
6/30/2019	6,563,511	1.46%	28,729,919	22.85%
6/30/2018	6,469,108	5.22%	27,051,766	23.91%
6/30/2017	6,148,292	19.10%	25,821,114	23.81%

For the year ended June 30, 2021, General Fund revenues were \$1,571,480 higher than the final amended budget estimate due to higher than anticipated income taxes and revenue sharing.

General Fund expenditures were \$903,355 lower than projected in the final amended budget.

Major Street and Trunkline, State Grant, and Convention Center Fund Highlights

The Major Street and Trunkline Fund accounts for all of the City's street construction and maintenance activities on its primary road system. Primary funding comes from the State of Michigan. For the year ended June 30, 2021, the fund balance of the Major Street and Trunkline Fund increased \$156,869.

The State Grants Fund received \$11,440,947 in funding from the American Rescue Plan Act (ARPA) which will be expended over the next few years.

The Convention Center Fund is accounting for the construction of the Convention Center and is being funded by the 2019 Capital Improvement Bond of \$19,420,000. The Convention Center Construction Fund has a fund deficit of \$1,892,438 as of June 30, 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the City had invested \$166,011,106 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is an increase of \$26,813,518 from capital assets reported as of June 30, 2020. The increase is due to current year additions offset by normal depreciation of assets. Note F of the notes to the basic financial statements provides detailed information on the City's capital asset investment.

Long-Term Debt

At June 30, 2021, the City had \$42,109,969 in bonds and other long-term obligations outstanding. This represents a 20.32% increase from the prior year. The City issued new debt for a improvements to the City central fire station and water and sewer improvements.

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

Bond Ratings

The City's limited full faith and credit bonds (bonds guaranteed by the City's taxing powers) were upgraded by Standard & Poor's from a rating of "A+" to "AA-" in early 2016. The City's rating remained at "AA-" in 2021. The City's Water System revenue bonds carry the "AA-" S&P rating.

City's Long Term Debt – Bonds and Other Obligations

(In thousands of dollars)

	Governmental		Business-Type		Total		Percentage Change
	Activities		Activities				
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020	
Due within one year	\$1,526	\$1,340	\$1,312	\$803	\$2,838	\$2,143	32.43%
Due in more than one year	<u>31,257</u>	<u>26,793</u>	<u>8,015</u>	<u>6,061</u>	<u>39,272</u>	<u>32,854</u>	<u>19.53%</u>
Total bonds & other obligations	\$32,783	\$28,133	\$9,327	\$6,864	\$42,110	\$34,997	20.32%

In addition to direct City debt, component units such as the Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA) had outstanding debt totaling \$1,352,248 at year-end as shown in the table below. This represents a decrease of 23.18% from the prior year.

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

Component Unit Long Term Debt – Bonds and Other Obligations

(In thousands of dollars)

	Local Development Finance Authority		Total		Percentage Change
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	
	Due within one year	\$245	\$395	\$245	
Due in more than one year	<u>1,107</u>	<u>1,365</u>	<u>1,107</u>	<u>1,365</u>	<u>-18.90%</u>
Total bonds & other obligations	\$1,352	\$1,760	\$1,352	\$1,760	-23.18%

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s fiscal year 2021-22 capital budget anticipates spending \$20,734,537 for capital projects, consisting of street improvements, water and sewer system improvements, scheduled equipment replacements, the rehab of houses in a city neighborhood and the replacement of fire department rescue equipment.

From an operating standpoint, the City’s 2021-22 budget will be relatively stable while the City attempts to maintain a healthy fund balance and allow time to plan for and address economic challenges with a long-term solution:

- The full-time personnel complement will remain stable at approximately 257.5.
- Some user fees will be increased and new fees recommended during the course of the year.
- The City will continue to look for opportunities to partner with other entities to deliver quality services in a cost-effective manner (e.g. Farmers’ Market kitchen management, Marsh Field and recreation programs).

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

Local Income Tax

The City income tax was approved by voters in 1993 and is the primary source of funding for police, fire, parks and other general operations. The income tax rate is 1% on City residents and ½ of 1% on non-residents working in the City. The income tax provides key advantages for core cities such as Muskegon.

First, it allows the City to regionalize its tax structure by taxing non-residents who work here and use City services. Second, it allows the City to benefit from development occurring outside City limits because City residents employed by non-City employers pay income taxes.

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

Income tax revenues increased 1.3% from \$9,137,714 for the year ended June 30, 2020 to \$9,256,826 for the year ended June 30, 2021. For 2021-22, the City has estimated income tax revenue to be \$9,100,000.

Year	City Income Tax Revenues	Percent Change
6/30/2021	\$9,256,826	1.3%
6/30/2020	\$9,137,714	5.1%
6/30/2019	\$8,691,673	-0.8%
6/30/2018	\$8,758,674	1.7%
6/30/2017	8,610,812	5.6%

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 2021-22, the City tax levy will be at 10 mills for general operations and 3 mills for sanitation service. We project that \$7,705,754 in total property tax revenue will be collected during fiscal year 2021-22.

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 13% 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
6/30/2021	\$4,733,888	14.9%
6/30/2020	\$4,117,935	-3.6%
6/30/2019	\$4,271,438	2.8%
6/30/2018	\$4,153,072	2.8%
6/30/2017	\$4,046,147	4.1%

For 2021-22, the City projects \$4,399,008 in state shared revenues.

Street Funds

The State also returns to the City a share of gasoline tax revenues to help fund maintenance and construction of major and local streets within the City. These revenues have been more stable than general state sales tax state-shared revenues have been:

Year	Street Revenues from State	Percent Change
6/30/2021	\$5,961,524	9.4%
6/30/2020	\$5,450,220	6.2%
6/30/2019	\$5,134,277	1.4%
6/30/2018	\$5,060,936	25.9%
6/30/2017	\$4,020,630	1.0%

Based on recent legislative changes, the City began seeing increases in street funding that will carry into future years. At this time, the City is projecting an increase in street revenues for fiscal year 2021-22 up to \$5,624,629.

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 \$17,581,112 during the year ended June 30, 2021. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. During the year ended June 30, 2021 water rates increased by 4%. Water rates will increase by 4% in each of the next two fiscal years to pay for improvements being made at the Water Filtration Plant. The City began providing treated water to the City of Norton Shores and Fruitport Charter Township in May 2015. The addition of these two new large municipal customers allows the spreading of water treatment costs over a larger customer base while remaining well within the plant's rated treatment capacity.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

City of Muskegon
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and investments	\$ 30,258,368	\$ 2,290,366	\$ 32,548,734	\$ 323,582
Assets managed by others	1,490,799	-	1,490,799	-
Receivables	4,331,651	3,462,792	7,794,443	-
Due from other governmental units	2,277,455	942,769	3,220,224	-
Internal balances	(674,327)	674,327	-	-
Due from component units	652,132	-	652,132	-
Inventories	7,318	235,287	242,605	-
Prepaid items	555,994	144,657	700,651	-
Total current assets	38,899,390	7,750,198	46,649,588	323,582
Noncurrent assets				
Restricted cash and investments	-	818,000	818,000	-
Advances to component units	593,307	-	593,307	-
Notes receivable, less amounts due within one year	953,966	-	953,966	-
Capital assets, net				
Nondepreciable	43,354,368	12,054,782	55,409,150	400,000
Depreciable	59,342,824	51,259,132	110,601,956	762,529
Total noncurrent assets	104,244,465	64,131,914	168,376,379	1,162,529
Total assets	143,143,855	71,882,112	215,025,967	1,486,111
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	1,356,700	94,316	1,451,016	-
Related to other postemployment benefits	648,880	45,110	693,990	-
Total deferred outflows of resources	2,005,580	139,426	2,145,006	-
Total assets and deferred outflows of resources	145,149,435	72,021,538	217,170,973	1,486,111
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	5,585,663	4,538,040	10,123,703	101,053
Due to other governmental units	26,549	841,429	867,978	-
Due to primary government	-	-	-	652,132
Short-term draw note	1,108,007	-	1,108,007	-
Unearned revenues - unused Farmers Market tokens	150,187	-	150,187	-
Unearned revenues - expenditure-driven grants	14,216,861	-	14,216,861	-
Unearned revenues - prepaid events	36,687	-	36,687	-
Unearned revenues - prepaid fees	-	112,994	112,994	-
Bonds and other obligations, due within one year	1,526,100	1,311,750	2,837,850	245,000
Total current liabilities	22,650,054	6,804,213	29,454,267	998,185
Noncurrent liabilities				
Advances from primary government	-	-	-	593,307
Bonds and other obligations, less amounts due within one year	31,256,965	8,015,154	39,272,119	1,107,248
Net pension liability	30,755,115	2,138,057	32,893,172	-
Net other postemployment benefits liability	9,200,956	639,639	9,840,595	-
Total noncurrent liabilities	71,213,036	10,792,850	82,005,886	1,700,555
Total liabilities	93,863,090	17,597,063	111,460,153	2,698,740
DEFERRED INFLOWS OF RESOURCES				
Related to pension	2,544,270	176,874	2,721,144	-
Related to other postemployment benefits	603,356	41,945	645,301	-
Total deferred inflows of resources	3,147,626	218,819	3,366,445	-
Total liabilities and deferred inflows of resources	97,010,716	17,815,882	114,826,598	2,698,740
NET POSITION				
Net investment in capital assets	72,200,515	54,257,461	126,457,976	(189,719)
Restricted				
Highways, streets and bridges	2,483,456	-	2,483,456	-
Debt service	-	822,000	822,000	-
Mercy Health Arena	54,928	-	54,928	-
Law enforcement	22,229	-	22,229	-
Business improvement districts	136,968	-	136,968	-
Perpetual care				
Expendable	597,217	-	597,217	-
Non-expendable	1,652,408	-	1,652,408	-
Other purposes	56,063	-	56,063	-
Unrestricted	(29,065,065)	(873,805)	(29,938,870)	(1,022,910)
Total net position	\$ 48,138,719	\$ 54,205,656	\$ 102,344,375	\$ (1,212,629)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenue			Primary Government		Total	Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Primary government							
Governmental activities							
Public representation services	\$ 1,603,410	\$ 280,395	\$ -	\$ -	\$ (1,323,015)	\$ -	\$ -
Administrative services	826,344	504,281	-	433,580	111,517	-	111,517
Financial services	5,039,787	988,501	50,000	-	(4,001,286)	-	(4,001,286)
Public safety	18,249,379	2,207,996	1,783,920	-	(14,257,463)	-	(14,257,463)
Public works	4,025,982	828,098	66,965	-	(3,130,919)	-	(3,130,919)
Highways, streets and bridges	6,862,862	187,478	5,797,955	13,110	(864,319)	-	(864,319)
Community and economic development	4,999,907	912,247	2,058,974	2,106,828	78,142	-	78,142
Culture and recreation	4,507,120	1,976,029	81,431	347,658	(2,102,002)	-	(2,102,002)
General administration	404,303	65,592	-	-	(338,711)	-	(338,711)
Interest on long-term debt	1,112,166	-	-	-	(1,112,166)	-	(1,112,166)
Total governmental activities	47,631,260	7,950,617	9,839,245	2,901,176	(26,940,222)	-	(26,940,222)
Business-type activities							
Sewer	8,084,729	9,298,156	-	9,568,000	-	10,781,427	10,781,427
Water	8,612,574	8,752,570	-	780,250	-	920,246	920,246
Marina and launch ramp	515,025	178,706	-	6,294	-	(330,025)	(330,025)
Total business-type activities	17,212,328	18,229,432	-	10,354,544	-	11,371,648	11,371,648
Total primary government	\$ 64,843,588	\$ 26,180,049	\$ 9,839,245	\$ 13,255,720	(26,940,222)	11,371,648	(15,568,574)
Component units							
Local Development Finance Authority - SmartZone	\$ 206,969	\$ -	\$ -	\$ 350,000	-	-	143,031
Downtown Development Authority	580,098	-	168,325	-	-	-	(411,773)
Tax Increment Finance Authority	50,000	-	-	-	-	-	(50,000)
Brownfield Redevelopment Authorities	1,256,102	-	-	-	-	-	(1,256,102)
Total component units	\$ 2,093,169	\$ -	\$ 168,325	\$ 350,000	-	-	(1,574,844)
General revenues							
Property taxes					8,813,155	-	8,813,155
Income taxes					9,609,218	-	9,609,218
Cable franchise agreement					374,219	-	374,219
Grants and contributions not restricted to specific programs					6,427,138	-	6,427,138
Unrestricted investment earnings					229,177	9,918	239,095
Miscellaneous					370,268	-	370,268
Gain on sale of capital asset					2,641,064	-	2,641,064
Transfers					(35,000)	35,000	-
Total general revenues					28,429,239	44,918	28,474,157
Change in net position					1,489,017	11,416,566	12,905,583
Net position at beginning of year					46,649,702	42,789,090	89,438,792
Net position at end of year					\$ 48,138,719	\$ 54,205,656	\$ 102,344,375
							\$ (1,212,629)

The accompanying notes are an integral part of this statement.

City of Muskegon
BALANCE SHEET
 Governmental Funds
 June 30, 2021

	General Fund	Major Street and Trunkline Fund	State Grants Fund	Convention Center Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 9,992,054	\$ 2,359,634	\$ 12,990,641	\$ 162,646	\$ 2,943,588	\$ 28,448,563
Assets managed by others	-	-	-	-	1,490,800	1,490,800
Receivables						
Accounts and loans (net of allowance for uncollectibles)	231,419	38,019	18,859	-	1,749,722	2,038,019
Property taxes	58,670	-	-	-	-	58,670
Income taxes	1,578,153	-	-	-	-	1,578,153
Due from other governmental units	904,628	840,915	49,628	12,036	470,248	2,277,455
Due from other funds	1,050,377	-	-	-	-	1,050,377
Due from component units	652,132	-	-	-	-	652,132
Advances to component units	-	-	-	-	202,227	202,227
Prepaid items	259,920	30,716	-	-	35,876	326,512
Total assets	\$ 14,727,353	\$ 3,269,284	\$ 13,059,128	\$ 174,682	\$ 6,892,461	\$ 38,122,908
LIABILITIES						
Accounts payable	\$ 2,250,444	\$ 844,089	\$ 32,562	\$ 1,067,120	\$ 235,717	\$ 4,429,932
Accrued liabilities	524,363	13,579	-	-	46,580	584,522
Due to other governmental units	20,519	3,563	-	-	2,466	26,548
Due to other funds	-	-	-	-	627,636	627,636
Short-term draw note	-	-	-	-	1,108,007	1,108,007
Unearned revenues - unused Farmers Market tokens	-	-	-	-	150,187	150,187
Unearned revenues - expenditure-driven grants	84,187	-	13,025,018	1,000,000	107,656	14,216,861
Unearned revenues - prepaid events	-	-	-	-	36,687	36,687
Total liabilities	2,879,513	861,231	13,057,580	2,067,120	2,314,936	21,180,380
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - income taxes	650,000	-	-	-	-	650,000
FUND BALANCES (DEFICITS)						
Nonspendable						
Prepaid items	259,920	30,716	-	-	35,876	326,512
Perpetual care	10,000	-	-	-	1,642,408	1,652,408
Restricted						
Highways, streets and bridges	66,965	2,377,337	-	-	1,181,198	3,625,500
Mercy Health Arena	-	-	-	-	26,490	26,490
Law enforcement	-	-	-	-	22,229	22,229
Business improvement districts	-	-	-	-	136,968	136,968
Perpetual care	-	-	-	-	597,217	597,217
Other purposes	-	-	-	-	56,063	56,063
Committed for social equity program	39,000	-	-	-	-	39,000
Assigned for capital projects and public improvements	1,700,000	-	1,548	-	1,906,042	3,607,590
Unassigned	9,121,955	-	-	(1,892,438)	(1,026,966)	6,202,551
Total fund balances (deficits)	11,197,840	2,408,053	1,548	(1,892,438)	4,577,525	16,292,528
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 14,727,353	\$ 3,269,284	\$ 13,059,128	\$ 174,682	\$ 6,892,461	\$ 38,122,908

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, 2021

Total fund balance—governmental funds \$ 16,292,528

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	\$ 174,623,761	
Accumulated depreciation	<u>(74,625,986)</u>	99,997,775

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		650,000
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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	(251,700)	
Bonds and notes payable	(30,496,677)	
Compensated absences	(2,125,762)	
Net pension liability and related deferred outflows/inflows of resources	(30,576,152)	
Net other post employment benefits liability and related outflows/inflows of resources	<u>(8,763,755)</u>	(72,214,046)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the Statement of Net Position.

Net position of the internal service funds	4,125,149	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(712,687)</u>	<u>3,412,462</u>

Net position of governmental activities		<u>\$ 48,138,719</u>
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The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 Governmental Funds
 For the year ended June 30, 2021

	General Fund	Major Street and Trunkline Fund	State Grants Fund	Convention Center Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 17,700,658	\$ -	\$ -	\$ -	\$ -	\$ 17,700,658
Licenses and permits	2,246,375	-	-	-	-	2,246,375
Intergovernmental revenues						
Federal	1,667,916	-	-	-	1,811,560	3,479,476
State	5,752,393	4,573,237	1,518,800	-	1,391,287	13,235,717
Local	50,000	-	-	790,749	575,151	1,415,900
Charges for services	3,672,008	11,521	-	-	1,214,796	4,898,325
Fines and forfeitures	584,471	-	-	-	10,342	594,813
Investment earnings and rental income	198,408	10,039	373	6,509	33,036	248,365
Income from assets managed by others	-	-	-	-	229,194	229,194
Other	1,184,254	27,003	-	202,500	1,012,769	2,426,526
Total revenues	33,056,483	4,621,800	1,519,173	999,758	6,278,135	46,475,349
EXPENDITURES						
Current						
Public representation services	1,556,327	-	-	-	-	1,556,327
Administrative services	783,403	-	-	-	-	783,403
Financial services	4,810,339	-	-	-	-	4,810,339
Public safety	14,641,568	-	-	-	-	14,641,568
Public works	3,442,980	-	-	-	161,742	3,604,722
Highways, streets and bridges	-	4,234,631	-	-	1,336,973	5,571,604
Community and economic development	838,868	-	-	-	-	838,868
Culture and recreation	1,949,114	-	-	-	1,886,678	3,835,792
Other governmental functions	380,232	-	-	-	-	380,232
Debt service						
Principal	2,285,300	220,000	-	175,000	133,504	2,813,804
Interest and fees	250,991	10,300	-	615,749	66,176	943,216
Bond issuance costs	140,750	-	-	-	-	140,750
Capital outlay	4,358,050	-	1,518,801	10,473,442	4,884,443	21,234,736
Total expenditures	35,437,922	4,464,931	1,518,801	11,264,191	8,469,516	61,155,361
Excess of revenues over (under) expenditures	(2,381,439)	156,869	372	(10,264,433)	(2,191,381)	(14,680,012)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	-	2,908,552	2,908,552
Long-term debt issued	4,325,000	-	-	-	-	4,325,000
Refunding bonds issued	2,055,000	-	-	-	-	2,055,000
Premium on bonds issued	772,424	-	-	-	-	772,424
Transfers in	-	-	-	-	895,000	895,000
Transfers out	(1,475,000)	-	-	(40,000)	(40,000)	(1,555,000)
Total other financing sources (uses)	5,677,424	-	-	(40,000)	3,763,552	9,400,976
Net change in fund balances (deficits)	3,295,985	156,869	372	(10,304,433)	1,572,171	(5,279,036)
Fund balances at beginning of year	7,901,855	2,251,184	1,176	8,411,995	3,005,354	21,571,564
Fund balances (deficits) at end of year	\$ 11,197,840	\$ 2,408,053	\$ 1,548	\$ (1,892,438)	\$ 4,577,525	\$ 16,292,528

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, 2021

Net change in fund balances—total governmental funds \$ (5,279,036)

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	\$ (4,737,533)	
Capital outlay	<u>19,695,829</u>	14,958,296

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

Income taxes	50,000	
Special assessments	<u>(7,520)</u>	42,480

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

Issuance of long-term debt	(6,380,000)	
Premium on long-term debt issued	(772,424)	
Repayment of principal on long-term debt	<u>2,813,804</u>	(4,338,620)
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	(53,700)	
Amortization of premiums and discounts	<u>25,500</u>	(28,200)

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	(302,519)	
Change in net pension liability and related deferred outflows/inflows of resources	(4,060,345)	
Change in net other post employment benefits liability and related deferred outflows/inflows of resources	<u>192,483</u>	(4,170,381)

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	146,103	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>158,375</u>	<u>304,478</u>
Change in net position of governmental activities		<u><u>\$ 1,489,017</u></u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
 Proprietary Funds
 June 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
ASSETS					
Current assets					
Cash and investments	\$ -	\$ 2,290,366	\$ -	\$ 2,290,366	\$ 1,809,803
Receivables	1,838,310	1,586,042	38,440	3,462,792	1,610,774
Due from other governmental units	729,884	212,885	-	942,769	-
Inventories	30,234	205,053	-	235,287	7,318
Prepaid items	59,943	82,257	2,457	144,657	229,482
Total current assets	2,658,371	4,376,603	40,897	7,075,871	3,657,377
Noncurrent assets					
Restricted cash and investments	101,000	717,000	-	818,000	-
Advances to component units	-	-	-	-	391,080
Capital assets					
Land	16,188	103,500	22,562	142,250	65,000
Land improvements	-	62,948	1,888,965	1,951,913	301,715
Buildings, improvements and systems	30,903,618	74,043,369	2,322,488	107,269,475	1,668,215
Machinery and equipment	157,622	3,101,790	60,620	3,320,032	9,750,170
Construction in progress	5,843,401	5,999,917	69,214	11,912,532	-
Less accumulated depreciation	(12,050,218)	(45,779,289)	(3,452,781)	(61,282,288)	(9,085,683)
Net capital assets	24,870,611	37,532,235	911,068	63,313,914	2,699,417
Total noncurrent assets	24,971,611	38,249,235	911,068	64,131,914	3,090,497
Total assets	27,629,982	42,625,838	951,965	71,207,785	6,747,874
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	21,765	72,551	-	94,316	58,040
Related to other postemployment benefits	10,410	34,700	-	45,110	27,760
Total deferred outflows of resources	32,175	107,251	-	139,426	85,800
Total assets and deferred outflows of resources	27,662,157	42,733,089	951,965	71,347,211	6,833,674
LIABILITIES					
Current liabilities					
Accounts payable	2,237,687	2,065,484	62,948	4,366,119	269,193
Accrued liabilities	47,008	122,930	1,983	171,921	50,316
Due to other governmental units	831,845	9,584	-	841,429	-
Due to other funds	29,970	-	8,390	38,360	384,381
Unearned revenues - prepaid fees	-	-	112,994	112,994	-
Bonds and other obligations, due within one year	284,400	1,026,050	1,300	1,311,750	26,700
Total current liabilities	3,430,910	3,224,048	187,615	6,842,573	730,590
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	2,429,718	5,578,663	6,773	8,015,154	133,925
Net pension liability	493,398	1,644,659	-	2,138,057	1,315,727
Net other postemployment benefits liability	147,609	492,030	-	639,639	393,624
Total noncurrent liabilities	3,070,725	7,715,352	6,773	10,792,850	1,843,276
Total liabilities	6,501,635	10,939,400	194,388	17,635,423	2,573,866
DEFERRED INFLOWS OF RESOURCES					
Related to pension	40,817	136,057	-	176,874	108,846
Related to other postemployment benefits	9,680	32,265	-	41,945	25,813
Total deferred inflows of resources	50,497	168,322	-	218,819	134,659
Total liabilities and deferred inflows of resources	6,552,132	11,107,722	194,388	17,854,242	2,708,525
NET POSITION					
Net investment in capital assets	22,231,078	31,115,315	911,068	54,257,461	2,699,417
Restricted for debt service	101,000	721,000	-	822,000	-
Unrestricted	(1,222,053)	(210,948)	(153,491)	(1,586,492)	1,425,732
Total net position	\$ 21,110,025	\$ 31,625,367	\$ 757,577	53,492,969	\$ 4,125,149
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				712,687	
Net position of business-type activities				\$ 54,205,656	

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, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
	\$	\$	\$	\$	\$
OPERATING REVENUES					
Charges for services	9,139,883	8,441,229	178,286	17,759,398	8,889,155
Other	158,273	311,341	420	470,034	97,102
Total operating revenues	9,298,156	8,752,570	178,706	18,229,432	8,986,257
OPERATING EXPENSES					
Administration	593,928	1,263,568	8,119	1,865,615	791,527
Insurance premiums and claims	-	-	-	-	4,839,612
Wastewater treatment	5,271,658	-	-	5,271,658	-
Wastewater maintenance	1,615,456	-	-	1,615,456	-
Filtration plant operations	-	2,419,539	-	2,419,539	-
Water distribution	-	2,798,889	-	2,798,889	-
Other operations	-	-	397,807	397,807	3,400,274
Depreciation	450,685	1,860,487	106,040	2,417,212	542,440
Total operating expenses	7,931,727	8,342,483	511,966	16,786,176	9,573,853
Operating income (loss)	1,366,429	410,087	(333,260)	1,443,256	(587,596)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	138	9,738	42	9,918	24,721
Gain on sale of capital assets	-	-	-	-	83,978
Interest expense	(6,452)	(112,860)	-	(119,312)	-
Bond issuance costs	(78,740)	(69,725)	-	(148,465)	-
Total nonoperating revenue (expenses)	(85,054)	(172,847)	42	(257,859)	108,699
Income (loss) before capital contributions and transfers	1,281,375	237,240	(333,218)	1,185,397	(478,897)
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital grants and contributions	9,568,000	780,250	6,294	10,354,544	-
Transfers in	-	35,000	-	35,000	625,000
Total capital contributions and transfers	9,568,000	815,250	6,294	10,389,544	625,000
Change in net position	10,849,375	1,052,490	(326,924)	11,574,941	146,103
Net position at beginning of year	10,260,650	30,572,877	1,084,501		3,979,046
Net position at end of year	\$ 21,110,025	\$ 31,625,367	\$ 757,577		\$ 4,125,149
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(158,375)	
Change in net position of business-type activities				\$ 11,416,566	

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, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 8,057,091	\$ 7,938,041	\$ 259,133	\$ 16,254,265	\$ 53,808
Receipts from interfund services provided	57,183	155,775	-	212,958	7,297,489
Other receipts	-	-	-	-	1,502,594
Payments to suppliers	(6,275,093)	(3,483,675)	(277,989)	(10,036,757)	(6,671,503)
Payments to employees	(721,796)	(1,999,003)	(38,550)	(2,759,349)	(1,336,543)
Payments for interfund services used	(620,526)	(822,809)	(29,140)	(1,472,475)	(868,416)
Net cash provided by (used for) operating activities	496,859	1,788,329	(86,546)	2,198,642	(22,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	35,000	-	35,000	625,000
Interfund borrowing	(1,269,042)	-	8,390	(1,260,652)	(10,136)
Advances to component units	-	-	-	-	90,140
Net cash provided by (used for) noncapital financing activities	(1,269,042)	35,000	8,390	(1,225,652)	705,004
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from long-term debt	10,662,794	2,893,953	-	13,556,747	-
Issuance costs on long-term debt	(78,740)	(69,725)	-	(148,465)	-
Capital contributions	9,568,000	780,250	6,294	10,354,544	-
Purchases of capital assets	(9,707,858)	(3,222,070)	(14,214)	(12,944,142)	(322,030)
Principal paid on capital debt	(9,568,000)	(1,540,250)	-	(11,108,250)	-
Interest paid on capital debt	(3,151)	(107,860)	-	(111,011)	-
Proceeds from sale of capital assets	-	-	-	-	170,913
Net cash provided by (used for) capital and related financing activities	873,045	(1,265,702)	(7,920)	(400,577)	(151,117)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	138	9,738	42	9,918	24,721
Net increase (decrease) in cash and investments	101,000	567,365	(86,034)	582,331	556,037
Cash and investments at beginning of year	-	2,440,001	86,034	2,526,035	1,253,766
Cash and investments at end of year	\$ 101,000	\$ 3,007,366	\$ -	\$ 3,108,366	\$ 1,809,803
Reconciliation of cash and investments to the Statement of Net Position					
Cash and investments	\$ -	\$ 2,290,366	\$ -	\$ 2,290,366	\$ 1,809,803
Restricted cash and investments	101,000	717,000	-	818,000	-
	\$ 101,000	\$ 3,007,366	\$ -	\$ 3,108,366	\$ 1,809,803
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 1,366,429	\$ 410,087	\$ (333,260)	\$ 1,443,256	\$ (587,596)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	450,685	1,860,487	106,040	2,417,212	542,440
Change in assets and liabilities					
Receivables	(1,183,882)	(658,754)	(26,384)	(1,869,020)	(132,366)
Inventories	(14,729)	(95,949)	-	(110,678)	(1,285)
Prepaid items	(1,748)	(4,889)	1,818	(4,819)	14,393
Accounts payable	(201,319)	44,882	51,120	(105,317)	(77,132)
Unearned revenues	-	-	106,811	106,811	-
Accrued liabilities	81,423	232,465	7,309	321,197	218,975
Net cash provided by (used for) operating activities	\$ 496,859	\$ 1,788,329	\$ (86,546)	\$ 2,198,642	\$ (22,571)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
 Fiduciary Funds
 June 30, 2021

	Other Post- Employment Benefits Trust Fund	Custodial Funds
ASSETS		
Cash and investments	\$ 25,146,235	\$ 842,960
Accounts receivable	-	145,552
Total assets	25,146,235	988,512
LIABILITIES		
Accounts payable	-	125,849
Due to other governmental units	-	763,408
Deposits held for others	-	99,255
Total liabilities	-	988,512
NET POSITION		
Restricted for other post-employment benefits	\$ 25,146,235	\$ -

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF CHANGES IN NET POSITION
 Fiduciary Funds
 For the year ended June 30, 2021

	Other Post- Employment Benefits Trust Fund	Custodial Funds
ADDITIONS		
Tax collections for other governments	\$ -	\$ 22,844,643
Other collections for third parties	-	1,268,438
Employer contributions	1,270,526	-
Net investment income	4,279,670	-
	5,550,196	24,113,081
DEDUCTIONS		
Payment of taxes to other governments	-	22,844,643
Other payments to third parties	-	1,268,438
Benefit payments	1,622,024	-
Administrative expenses	45,288	-
	1,667,312	24,113,081
Change in net position	3,882,884	-
Net position at beginning of year, as restated	21,263,351	-
Net position at end of year	\$ 25,146,235	\$ -

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2021

	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authorities	Total
ASSETS					
Current assets					
Cash and investments	\$ 40,168	\$ 159,587	\$ 17,885	\$ 105,942	\$ 323,582
Noncurrent assets					
Capital assets, net					
Nondepreciable	400,000	-	-	-	400,000
Depreciable	762,529	-	-	-	762,529
Total noncurrent assets	1,162,529	-	-	-	1,162,529
Total assets	1,202,697	159,587	17,885	105,942	1,486,111
LIABILITIES					
Current liabilities					
Accounts payable	-	69,446	-	20,550	89,996
Accrued liabilities	7,000	4,057	-	-	11,057
Due to primary government	-	-	-	652,132	652,132
Bonds and other obligations, due within one year	245,000	-	-	-	245,000
Total current liabilities	252,000	73,503	-	672,682	998,185
Noncurrent liabilities					
Advances from primary government	-	-	-	593,307	593,307
Bonds and other obligations, less amounts due within one year	1,107,248	-	-	-	1,107,248
Total noncurrent liabilities	1,107,248	-	-	593,307	1,700,555
Total liabilities	1,359,248	73,503	-	1,265,989	2,698,740
NET POSITION					
Net investment in capital assets	(189,719)	-	-	-	(189,719)
Unrestricted	33,168	86,084	17,885	(1,160,047)	(1,022,910)
Total net position	\$ (156,551)	\$ 86,084	\$ 17,885	\$ (1,160,047)	\$ (1,212,629)

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, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenue			Local Development Finance Authority - SmartZone		Tax Increment Finance Authority	
	Operating Grants and Contributions	Capital Grants and Contributions	SmartZone	Downtown Development Authority	Brownfield Redevelopment Authorities	Total	
Local Development Finance Authority - SmartZone							
Community and economic development	\$ 172,648	\$ -	\$ (172,648)	\$ -	\$ -	\$ -	\$ (172,648)
Interest on long-term debt	34,321	350,000	315,679	-	-	-	315,679
Total Local Development Finance Authority - SmartZone	206,969	350,000	143,031	-	-	-	143,031
Downtown Development Authority							
Economic development	580,098	168,325	-	(411,773)	-	-	(411,773)
Tax Increment Finance Authority							
Community and economic development	50,000	-	-	-	(50,000)	-	(50,000)
Brownfield Redevelopment Authorities							
Community and economic development	1,233,732	-	-	-	-	(1,233,732)	(1,233,732)
Interest on long-term debt	22,370	-	-	-	-	(22,370)	(22,370)
Total Brownfield Redevelopment Authorities	1,256,102	-	-	-	-	(1,256,102)	(1,256,102)
Total discretely presented component units	\$ 2,093,169	\$ 168,325	\$ 143,031	(411,773)	(50,000)	(1,256,102)	(1,574,844)
General revenues							
Property taxes			99,568	490,931	42,184	760,872	1,393,555
Grants and contributions not restricted to specific programs			3,349	-	9,744	16,266	29,359
Unrestricted investment income			205	579	69	907	1,760
Miscellaneous			-	-	-	304	304
Total general revenues			103,122	491,510	51,997	778,349	1,424,978
Change in net position			246,153	79,737	1,997	(477,753)	(149,866)
Net position at beginning of year			(402,704)	6,347	15,888	(682,294)	(1,062,763)
Net position at end of year			\$ (156,551)	\$ 86,084	\$ 17,885	\$ (1,160,047)	\$ (1,212,629)

The accompanying notes are an integral part of this statement.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021, there was no outstanding debt issued by the Hospital Finance Authority. The City is not obligated in any manner for repayment of debt issued by the Hospital Finance Authority, as any debt is payable solely from contractual payments from the hospitals.

Muskegon Housing Commission. The Muskegon Housing Commission was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Housing Commission are appointed by the City, but the City is not financially accountable for the Commission and therefore the Commission is excluded from the accompanying financial statements. The Housing Commission’s main purpose is to administer activities that provide adequate housing facilities for low-income families and the elimination of housing conditions that are detrimental to the public peace, health, safety, and welfare. The Commission’s policy is to prepare its financial statements on the basis prescribed by the Department of Housing and Urban Development. Accordingly, the summary information below (which is required by federal regulations), is not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Summary financial information for the fiscal year ended September 30, 2019, the date of its latest audited financial statements is as follows:

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 Other Post-Employment Benefit Trust Funds are used to report resources that are administered through irrevocable trusts for the benefit of City employees and retirees.

The Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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

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

Measurement Focus and Basis of Accounting

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

Cash and Investments

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

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 Other Post-Employment Benefit Trust Fund is held in trust by the Municipal Employees' Retirement System (MERS) and is subject to the investment policies of MERS and State of Michigan statutes allowing diverse investments in stocks, corporate and government bonds, mortgages, real estate, and other investments.

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 acquisition value.

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Capital Assets—Continued

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

Defined Benefit Plan

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

Other Postemployment Benefit Costs

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

Deferred Outflows/Inflows of Resources

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes

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

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

The 2020 state taxable value for real/personal property of the City totaled approximately \$599,786,000 of which approximately \$33,468,000 was captured by the component units. The ad valorem taxes levied consisted of 9.993, 2.9979 and .0824 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, and BRA component units.

Compensated Absences

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentation of prior year's totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. In addition, certain items in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Excess of Expenditures Over Appropriations

During the year ended June 30, 2021, actual expenditures exceeded appropriations for:

	Final Budget	Actual
General Fund		
Public representation services		
City attorney	\$ 380,000	\$ 431,961
Public safety		
Police department	9,707,553	9,862,730
Transfers out	1,205,000	1,475,000
Mercy Health Arena Fund		
Culture and recreation	1,465,881	1,715,865
Downtown BID Fund		
Public works	113,681	159,762

These overexpenditures were funded with available fund balance.

Fund Deficits

As of June 30, 2021, the City’s Sewer Fund, Water Fund, Marina and Launch Ramp, and Public Service Building Fund had unrestricted fund net position deficits of \$1,222,053, \$210,948, \$153,491, and \$383,186, respectively. The Public Improvement Fund and the Convention Center Construction Fund had unassigned fund deficits of \$1,026,966 and \$1,892,438, respectively. These deficits will be eliminated through future operations or an interfund transfer.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2021, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	S&P	Percent
Money market funds	\$ 517,687	1	AAA	1.1 %
Negotiable certificates of deposit	1,774,038	30	not rated	3.7
US agency obligations	8,264,742	297	AA+	17.2
Local units of government obligations	510,105	10	AA	1.1
External investment pool	11,758,887	3	AAA	24.5
MERS investment funds	<u>25,146,235</u>	N/A	not rated	<u>52.4</u>
Total fair value	<u>\$ 47,971,694</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>112</u>		

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

Deposit and Investment Risks

Interest rate risk

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

Credit risk

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

Concentration of credit risk

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

Security	Percent of Total Investments
Federal Home Loan Mortgage Corporation obligations	5.2%
Government National Mortgage Association obligations	11.8%

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, 2021, \$11,842,021 of the City's bank balance of \$12,342,021 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.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial credit risk - investments

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

Foreign currency risk

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

Restricted Assets

Restrictions are placed on assets by bond ordinance and City Commission action. At June 30, 2021, restricted cash and investments in the Sewer and Water Fund of \$101,000 and \$717,000, respectively, were restricted by bond ordinance.

NOTE D—ASSETS MANAGED BY OTHERS

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

The Funds

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

Lakeshore Trails Improvement Fund

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

Cemetery Perpetual Care Fund

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

Pere Marquette and Margaret Drake Elliot Park Fund

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

Darl and Kathleen Staley Charity Fund

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

City of Muskegon Parks Fund

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE D—ASSETS MANAGED BY OTHERS—Continued

The Funds—Continued

City of Muskegon Events and Sponsorships Fund

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

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

Reporting of the Assets of the Funds

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

Summary of the Community Foundation Funds

A summary of revenues, expenses, and changes in the assets at fair value of the funds for the year ended June 30, 2021 follows:

	Lakeshore Trails Improvement Fund	Cemetery Perpetual Care Fund	Marquette and Elliot Park Fund	Staley Charity Fund	Muskegon Parks Fund	Events and Sponsorships Fund	Totals
Revenues							
Contributions	\$ 1,652	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 11,652
Dividends and interest	1,467	17,807	2,315	9,632	537	3	31,761
Realized and unrealized gain (loss) on investments	16,561	201,378	25,602	109,044	6,074	-	358,659
Other income	-	12,843	-	-	-	-	12,843
	<u>19,680</u>	<u>232,028</u>	<u>27,917</u>	<u>118,676</u>	<u>6,611</u>	<u>10,003</u>	<u>414,915</u>
Expenses							
Grants and scholarships	-	-	25,534	-	-	-	25,534
Administration fees	601	10,149	1,916	5,068	214	100	18,048
	<u>19,079</u>	<u>221,879</u>	<u>467</u>	<u>113,608</u>	<u>6,397</u>	<u>9,903</u>	<u>371,333</u>
Total assets at beginning of year	<u>59,464</u>	<u>1,234,737</u>	<u>114,871</u>	<u>398,942</u>	<u>22,200</u>	<u>4,785</u>	<u>1,834,999</u>
Total assets at end of year	78,543	1,456,616	115,338	512,550	28,597	14,688	2,206,332
Less assets recorded as those of the Foundation	<u>(54,845)</u>	<u>-</u>	<u>(115,338)</u>	<u>(512,550)</u>	<u>(18,111)</u>	<u>(14,688)</u>	<u>(715,532)</u>
Assets reported on the Balance Sheet/Statement of Net Position	<u>\$ 23,698</u>	<u>\$ 1,456,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,486</u>	<u>\$ -</u>	<u>\$ 1,490,800</u>

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.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021.

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE E—FAIR VALUE MEASUREMENTS—Continued

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

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

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

The following table sets forth by level, within the fair value hierarchy, the City’s assets at fair value on a recurring basis as of June 30, 2021:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 517,687	\$ -	\$ 517,687
Negotiable certificates of deposit	1,774,038	-	-	1,774,038
US agency obligations	8,264,742	-	-	8,264,742
Local units of government obligations	510,105	-	-	510,105
External investment pools	-	11,758,887	-	11,758,887
MERS investment funds	-	25,146,235	-	25,146,235
Assets managed by others	-	1,477,957	-	1,477,957
Total assets at fair value	\$ 10,548,885	\$ 38,900,766	\$ -	\$ 49,449,651

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,258,844	\$ -	\$ -	\$ 14,258,844
Construction in progress	18,729,886	17,265,687	6,900,049	29,095,524
Total capital assets, not being depreciated	32,988,730	17,265,687	6,900,049	43,354,368
Capital assets, being depreciated:				
Land improvements	5,446,304	-	-	5,446,304
Leasehold improvements	534,821	-	-	534,821
Buildings and improvements	29,914,552	2,192,125	-	32,106,677
Furniture, vehicles and equipment	16,373,852	868,200	450,369	16,791,683
Infrastructure	74,757,641	6,512,074	-	81,269,715
Shared improvements	6,905,293	-	-	6,905,293
Total capital assets, being depreciated	133,932,463	9,572,399	450,369	143,054,493
Less accumulated depreciation:				
Land improvements	2,252,853	160,917	-	2,413,770
Leasehold improvements	491,710	5,674	-	497,384
Buildings and improvements	18,245,653	552,034	-	18,797,687
Furniture, vehicles and equipment	12,706,346	750,583	443,256	13,013,673
Infrastructure	40,031,075	3,465,500	-	43,496,575
Shared improvements	5,147,315	345,265	-	5,492,580
Total accumulated depreciation	78,874,952	5,279,973	443,256	83,711,669
Total capital assets, being depreciated, net	55,057,511	4,292,426	7,113	59,342,824
Capital assets, net	\$ 88,046,241	\$ 21,558,113	\$ 6,907,162	\$ 102,697,192
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 142,250	\$ -	\$ -	\$ 142,250
Construction in progress	8,942,883	14,891,135	11,921,486	11,912,532
Total capital assets, not being depreciated	9,085,133	14,891,135	11,921,486	12,054,782
Capital assets, being depreciated:				
Land improvements	1,951,913	-	-	1,951,913
Buildings, improvements and systems	95,715,965	11,553,510	-	107,269,475
Machinery and equipment	3,263,412	56,620	-	3,320,032
Total capital assets, being depreciated	100,931,290	11,610,130	-	112,541,420
Less accumulated depreciation:				
Land improvements	1,840,598	9,522	-	1,850,120
Buildings, improvements and systems	54,183,758	2,343,340	-	56,527,098
Machinery and equipment	2,840,720	64,350	-	2,905,070
Total accumulated depreciation	58,865,076	2,417,212	-	61,282,288
Total capital assets, being depreciated, net	42,066,214	9,192,918	-	51,259,132
Capital assets, net	\$ 51,151,347	\$ 24,084,053	\$ 11,921,486	\$ 63,313,914

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

Public representation services	\$ 4,007
Administrative services	2,484
Public safety	133,741
Public works	8,280
Highways, streets and bridges	3,940,374
Community and economic development	70,993
Culture and recreation	553,583
General administration	24,071
Internal Service Fund depreciation	542,440
	\$ 5,279,973

Business-type activities:

Sewer	\$ 450,685
Water	1,860,487
Marina and Launch Ramp	106,040
	\$ 2,417,212

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
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	2,863,081	172,648	-	3,035,729
Total capital assets, being depreciated, net	935,177	(172,648)	-	762,529
Capital assets, net	\$ 1,335,177	\$ (172,648)	\$ -	\$ 1,162,529

Depreciation expense was charged to economic development.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Mercy Health Arena Fund	\$ 204,874
General Fund	Public Improvement Fund	299,481
General Fund	Lead Abatement Fund	33,938
General Fund	Community Development Block Grant Fund	89,343
General Fund	Sewer Fund	29,970
General Fund	Marina and Launch Ramp Fund	8,390
General Fund	General Insurance Fund	384,381
		<u><u>\$ 1,050,377</u></u>

The outstanding balances between funds result from the payable funds having negative positions in the City’s cash and investment pool. In addition, the Brownfield Redevelopment Authorities owe the General Fund \$652,132 for having a negative position in the City’s cash and investment pool.

Interfund Transfers:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor Governmental Funds			
Public Improvement Fund	\$ 50,000	General Fund	\$ 850,000
Mercy Health Arena Fund	725,000		
Farmers Market and Kitchen 242 Fund	75,000		
	<u>850,000</u>		<u>850,000</u>
Internal Service Funds			
Public Service Building Fund	625,000	General Fund	625,000
Nonmajor Governmental Funds			
Mercy Health Arena Fund	40,000	Convention Center Fund	40,000
Nonmajor Governmental Funds			
Farmers Market and Kitchen 242 Fund	5,000	Nonmajor Governmental Funds Senior Millage Fund	5,000
Water Fund	35,000	Nonmajor Governmental Funds Senior Millage Fund	35,000
	<u><u>\$ 1,555,000</u></u>		<u><u>\$ 1,555,000</u></u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued

The General Fund transferred funds to the Mercy Health Arena Fund, Public Service Building Fund, and other funds for operation subsidies. The Senior Millage Fund transferred funds to the Farmers Market and Kitchen 242 Fund and the Water Fund to provide services to seniors. The Convention Center Fund transferred funds to the Mercy Health Arena Fund as reimbursement for upgrades caused by convention center construction. Other transfers between funds were made to meet grant matching requirements or other operational needs.

NOTE H—SHORT-TERM DEBT

Summary of Changes in Short-Term Liabilities

The following is a summary of short-term liabilities activity for the City for the year ended June 30, 2021.

	Balance		Balance
	July 1, 2020	Additions	Deductions
			June 30, 2021
Governmental activities:			
Short-term draw note	\$ 1,102,021	\$ 2,494,268	\$ 2,488,282
	\$ 1,108,007		\$ 1,108,007

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE I—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2021.

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Governmental activities:					
Public placement debt					
General obligation debt	\$ 23,980,000	\$ 6,380,000	\$ 690,000	\$ 29,670,000	\$ 1,145,000
Discount	(143,150)	-	(7,500)	(135,650)	-
Premium	222,903	772,424	33,000	962,327	-
Direct borrowings and direct placements					
Installment purchase agreements	2,123,804	-	2,123,804	-	-
Compensated absences	1,949,435	1,601,300	1,264,347	2,286,388	381,100
Governmental activities long-term liabilities	<u>\$ 28,132,992</u>	<u>\$ 8,753,724</u>	<u>\$ 4,103,651</u>	<u>\$ 32,783,065</u>	<u>\$ 1,526,100</u>
Business-type activities:					
Public placement debt					
Revenue obligations	\$ 6,607,956	\$ 13,556,747	\$ 11,108,250	\$ 9,056,453	\$ 1,266,750
Compensated absences	255,712	254,094	239,355	270,451	45,000
Business-type activities long-term liabilities	<u>\$ 6,863,668</u>	<u>\$ 13,810,841</u>	<u>\$ 11,347,605</u>	<u>\$ 9,326,904</u>	<u>\$ 1,311,750</u>
Component units:					
Public placement debt					
General obligation debt	\$ 1,720,000	\$ -	\$ 395,000	\$ 1,325,000	\$ 245,000
Premium	40,377	-	13,129	27,248	-
Component unit long- term liabilities	<u>\$ 1,760,377</u>	<u>\$ -</u>	<u>\$ 408,129</u>	<u>\$ 1,352,248</u>	<u>\$ 245,000</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE I—LONG-TERM DEBT—Continued

Public Placement Debt

General Obligation Debt

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

During the year ended June 30, 2021, the City issued \$2,055,000 of Capital Improvement Bonds, Series 2020B to redeem the 2019 Capital Improvement Installment Loan. The proceeds from the refunding bond were used to pay off the outstanding balance of the 2019 Capital Improvement Installment Loan in full, and the liability for that loan has been removed from long-term obligations.

The City refunded the 2019 Capital Improvement Installment Loan to improve short-term cash flows and simplify the structure of their debt service. As a result of the refunding transaction, the City's total debt service payment will increase over the next 20 years by approximately \$220,000 and it will recognize an economic loss (difference between the present values of the debt service payments on the old and new debt) of approximately \$26,000.

General obligation debt outstanding as of June 30, 2021 is as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
General obligation debt:				
Governmental activities:				
2011 Capital Improvement Bonds	\$ 2,000,000	2.98%	September 2021	\$ 230,000
2016 Limited Tax General Obligation Refunding Bonds	4,535,000	3% - 4%	October 2032	3,815,000
2019 Capital Improvement Bonds	19,420,000	1.83% - 3.58%	December 2049	19,245,000
2020A Capital Improvement Bonds	4,325,000	2.5% - 5%	October 2040	4,325,000
2020B Capital Improvement Bonds	2,055,000	.68% - 3.2%	October 2041	2,055,000
				<u><u>\$ 29,670,000</u></u>
Component units:				
2012 LDFA Tax Increment Refunding Bonds	\$ 4,100,000	3% - 4%	November 2025	<u><u>\$ 1,325,000</u></u>

Revenue Obligations

The City has issued bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue obligations outstanding as of June 30, 2021 are as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Revenue obligations:				
Business-type activities:				
2004 Drinking Water State Revolving Fund	\$ 13,900,000	2.13%	October 2025	\$ 4,040,000
2019 Water Supply System Junior Lien Bond	1,991,874	2%	October 2025	1,591,874
2019 Sanitary Sewer System Junior Lien Bond	10,809,459	2%	October 2033	2,184,459
2020 Water Supply System Junior Lien Bond	1,165,296	2%	April 2041	785,046
2020 Sanitary Sewer System Junior Lien Bond	1,398,074	2%	April 2041	455,074
				<u><u>\$ 9,056,453</u></u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE I—LONG-TERM DEBT—Continued

Revenue Obligations—Continued

The City has pledged future water customer revenues, net of specified operating expenses, to repay the 2004 Drinking Water State Revolving Fund Loan. Proceeds from the issuance were used to make improvements to the City's water supply system. The bond is payable solely from water customer net revenues and is payable through 2025. Annual principal and interest payments on the bond are expected to require less than 35 percent of net revenues through 2025. The total principal and interest remaining to be paid on the bond is \$4,258,133. Principal and interest paid for the year ended June 30, 2021 and total customer net revenues were \$853,925 and \$2,280,312, respectively.

During the year ended June 30, 2021, revenue obligations were forgiven and recognized as capital grants and contributions in the Sewer and Water Funds for \$9,568,000 and \$780,250, respectively.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2021.

For governmental activities, pension liabilities (i.e. net pension and OPEB liabilities), claims and judgments and compensated absences are generally liquidated by the General Fund.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on June 30, 2021 was approximately \$2,158,000. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for public placement debt and for direct borrowings and direct placements outstanding as of June 30, 2021 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Public Placement Debt			
	Principal	Interest	Principal	Interest
2022	\$ 1,145,000	\$ 987,637	\$ 1,266,750	\$ 190,718
2023	970,000	957,231	1,295,000	164,255
2024	1,050,000	926,991	1,318,074	137,105
2025	1,100,000	892,982	1,190,000	109,572
2026	1,140,000	856,998	1,175,296	84,531
2027-2031	6,355,000	3,627,560	1,060,000	302,500
2032-2036	4,030,000	2,691,759	1,160,000	191,950
2037-2041	4,385,000	2,060,507	591,333	42,900
2042-2046	4,720,000	1,287,468	-	-
2047-2050	4,775,000	352,719	-	-
	\$ 29,670,000	\$ 14,641,852	\$ 9,056,453	\$ 1,223,531

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE I—LONG-TERM DEBT—Continued

Year Ending June 30,	Component Units	
	Public Placement Debt	
	Principal	Interest
2022	\$ 245,000	\$ 37,300
2023	255,000	28,575
2024	265,000	20,775
2025	275,000	12,675
2026	285,000	4,275
2027-2031	-	-
2032-2036	-	-
2037-2041	-	-
2042-2046	-	-
2047-2050	-	-
	\$ 1,325,000	\$ 103,600

Annual debt service requirements to maturity by type of debt as of June 30, 2021 follow:

Year Ending June 30,	General Obligation Debt		Revenue Obligations
	Governmental Activities	Component Units	Business-type Activities
2022	\$ 2,132,637	\$ 282,300	\$ 1,457,468
2023	1,927,231	283,575	1,459,255
2024	1,976,991	285,775	1,455,179
2025	1,992,982	287,675	1,299,572
2026	1,996,998	289,275	1,259,827
2027-2031	9,982,560	-	1,362,500
2032-2036	6,721,759	-	1,351,950
2037-2041	6,445,507	-	634,233
2042-2046	6,007,468	-	-
2047-2050	5,127,719	-	-
	\$ 44,311,852	\$ 1,428,600	\$ 10,279,984

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE J—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMRMA for its insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. A \$150,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2021 and 2020 were as follows:

<u>Year Ended</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
June 30, 2021	\$ 133,364	\$ 138,186	\$ 167,904	\$ 103,646
June 30, 2020	224,580	94,465	185,681	133,364

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, 2021, the claims liability including incurred but not reported claims was \$63,118. 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 2021 and 2020 were as follows:

<u>Year Ended</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
June 30, 2021	\$ 111,410	\$ 1,676,498	\$ 1,724,790	\$ 63,118
June 30, 2020	51,401	2,267,390	2,207,381	111,410

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE J—OTHER INFORMATION—Continued

Contingencies

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

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

Commitments

The City has several contracts for street projects including water and sewer system improvements as of June 30, 2021 with a remaining amount of approximately \$15,009,000. Approximately \$3,630,000 and \$3,068,000 of the commitments in the Sewer and Water funds, respectively, are being financed by long-term debt with the remainder being paid out of available funds as follows:

Fund	Amount
Major Street and Trunkline	\$ 4,248,000
Local Street	350,000
Public Improvement	100,000
Sewer	3,630,000
Water	6,681,000
	\$ 15,009,000

The City has also committed to allocating 35 percent of local marihuana excise taxes received to their Michigan Social Equity Program. As of June 30, 2021, the City has committed approximately \$39,000 of fund balance in the General Fund to this program.

Leases

The City leases an office facility under a noncancellable operating lease that expires December 2045 with the option by the tenant to renew the term of the lease for five successive periods of five years each. The City received rental income (including pro-rata utility usage) of \$101,084 for the year ended June 30, 2021. The future minimum rental income for this lease is as follows:

Year Ending June 30,	Amount
2022	\$ 481,075
2023	463,060
2024	464,617
2025	463,429
2026	464,782
2027-2031	2,295,708
2032-2036	352,832
2037-2041	402,902
2042-2045	350,419
	\$ 5,738,824

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE K—TAX ABATEMENTS

Industrial Facilities Exemption

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

For the year ended June 30, 2021, the City abated property taxes revenues totaling \$109,028 under this program.

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, 2021, the City abated property taxes revenues totaling \$167,665 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, 2021, the City abated property taxes revenues totaling \$146,690 under this program.

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Benefits Provided—Continued

Benefits provided are based on the following by employee division:

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

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

Final average compensation is calculated based on 3 years.

Employees Covered by Benefit Terms

At December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	332
Inactive employees entitled to but not yet receiving benefits	37
Active employees	71
Total employees covered by MERS	440

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, 2021, the City had a flat-dollar employer contribution to the Plan of \$2,902,032 in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. Member contributions range from 4 percent to 6.5 percent.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent in the long-term
Investment rate of return	7.35 percent, net of administrative and investment expenses

Although no specific price inflation assumptions are needed for the valuation, the 3.0 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014 through 2018.

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

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.0%	7.45%	4.47%	2.50%	2.97%
Global fixed income	20.0%	4.90%	0.98%	2.50%	0.48%
Private assets	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.0%		7.35%		4.85%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent for 2020. 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. The projection of cash flows used to determine the discount rate assumed that employer and employee contributions will be made at rates agreed upon for employees and the actuarially determined rate for employers. 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.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a)-(b)
Balance at January 1, 2020	\$ 119,926,123	\$ 88,994,708	\$ 30,931,415
Changes for the year			
Service cost	615,293	-	615,293
Interest	8,787,617	-	8,787,617
Difference between expected and actual experience	2,829,299	-	2,829,299
Changes in assumptions	2,974,495	-	2,974,495
Contributions - employer	-	2,468,311	(2,468,311)
Contributions - employee	-	374,806	(374,806)
Net investment income	-	10,575,596	(10,575,596)
Administrative expenses	-	(173,766)	173,766
Benefit payments including refund of employee contributions	(9,214,462)	(9,214,462)	-
Net changes	5,992,242	4,030,485	1,961,757
Balance at December 31, 2020	\$ 125,918,365	\$93,025,193	\$32,893,172

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

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

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
City's net pension liability	\$ 46,316,744	\$ 32,893,172	\$ 21,580,702

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of \$7,438,731. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual net investment income	\$ -	\$ 2,721,144
Contributions subsequent to the measurement date*	1,451,016	-
Total	\$ 1,451,016	\$ 2,721,144

*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, 2022.

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
2022	\$ (524,288)
2023	360,334
2024	(1,742,199)
2025	(814,991)

Payables to the Pension Plan

At June 30, 2021, the City reported a payable of \$109,822 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE L—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Contribution Pension Plan

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

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the City Commission as determined by negotiated labor contracts. The City is required to contribute 3 percent to 13 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are required to contribute 0 percent to 6 percent of annual compensation depending on employee group. For the year ended June 30, 2021, City and employee contributions were \$1,041,141 and \$454,302, 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, 2021, forfeitures reduced the City's pension expense by \$60,905.

Deferred Compensation Plan

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

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

NOTE M—OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—CONTINUED

Retiree Healthcare Plan—Continued

Benefits Provided

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

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

Benefits are provided through a third party insurer.

Employees Covered by Benefit Terms

At the December 31, 2019 valuation, the following employees were covered by the benefit terms:

Active members	109
Inactive members	40
Retirees and beneficiaries	302
Total employees covered by OPEB Plan	<u><u>451</u></u>

Contributions

The OPEB Plan's funding policy is that the City will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended June 30, 2021, the City made payments for postemployment healthcare benefits of \$1,206,464.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as December 31, 2019, which was rolled forward to December 31, 2020.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation rolled forward to December 31 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	6.24 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates	Pre-Medicare: 8.25 percent graded down to 7.5 percent after one year and then by .25 percent per year to an ultimate rate of 4.5 percent Post-Medicare: 6.5 percent graded down to 5.75 percent after one year and then by .25 percent per year to an ultimate rate of 4.5 percent

Mortality

Mortality rates for police and fire were as set forth in the Public Safety 2010 Employee and Healthy Retiree, headcount weighted, MP-2020 improvement scale. Mortality rates for others were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2020 improvement scale.

Investment Rate of Return

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.24 percent. The projection of cash flows used to determine the discount rate assumed that the City will make future contributions at levels consistent with the contributions made in 2019 and 2020. Based on this assumption, the OPEB plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. As of December 31, 2019 the discount rate used to value OPEB liabilities was 6.24 percent.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability

	Increase (Decrease)		Net OPEB Liability (a)-(b)
	Total OPEB Liability (a)	Plan Fiduciary Position (b)	
Balance at January 1, 2020	\$ 33,642,202	\$ 21,215,561	\$ 12,426,641
Changes for the year			
Service cost	156,214	-	156,214
Interest	2,058,432	-	2,058,432
Difference between expected and actual experience	(325,146)	-	(325,146)
Changes of assumptions	(1,152,266)	-	(1,152,266)
Contributions - employer	-	1,154,926	(1,154,926)
Net investment income	-	2,210,729	(2,210,729)
Administrative expenses	-	(42,375)	42,375
Benefit payments including refund of employee contributions	(1,621,453)	(1,621,453)	-
Net changes	(884,219)	1,701,827	(2,586,046)
Balance at December 31, 2020	\$ 32,757,983	\$ 22,917,388	\$ 9,840,595

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

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

	1% Decrease (5.24%)	Current Discount Rate (6.24%)	1% Increase (7.24%)
City's net OPEB liability	\$ 13,400,901	\$ 9,840,595	\$ 6,868,906

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's net OPEB liability	\$ 6,583,520	\$ 9,840,595	\$ 13,728,259

OPEB Plan Fiduciary Net Position

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

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,055,549. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual net investment income	\$ -	\$ 645,301
Contributions subsequent to the measurement date*	693,990	-
Total	\$ 693,990	\$ 645,301

*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, 2022.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE M—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

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

Year Ending June 30,	Amount
2022	\$ (88,659)
2023	41,015
2024	(417,106)
2025	(180,551)

Payables to the OPEB Plan

At June 30, 2021, the City did not have a payable to the OPEB Plan.

Healthcare Savings Plan

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

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

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

For the year ended June 30, 2021, City and employee contributions were \$183,564 and \$202,353, respectively.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE N—RISKS AND UNCERTAINTIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and the City’s operations. As of June 30, 2021, the City is continuing to implement risk mitigation tactics including all aspects of the City’s operations.

NOTE O—CHANGE IN ACCOUNTING PRINCIPLE

The net position of the fiduciary activities and Other Post-Employment Benefit Trust were restated effective July 1, 2020 to reflect the implementation of GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement 84 was issued by the GASB in January 2017 and is effective for the City’s 2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established 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 on the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

	Other Post- Employment Benefit Trust Fund
Net position at July 1, 2020	\$ -
Other post-employment benefit trust funds	21,263,351
Net position at July 1, 2020, as restated	\$ 21,263,351

NOTE P—UPCOMING ACCOUNTING PRONOUNCEMENTS

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE P—UPCOMING ACCOUNTING PRONOUNCEMENTS—Continued

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the City’s 2023 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2021
 (with comparative actual amounts for the year ended June 30, 2020)

	2021			2020	
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final		Final Budget	
REVENUES					
Taxes					
City income taxes	\$ 7,750,000	\$ 8,650,000	\$ 9,256,826	\$ 606,826	\$ 9,137,714
Property taxes	7,566,060	7,550,017	7,624,483	74,466	7,373,617
Industrial facilities taxes	76,468	76,468	211,811	135,343	128,212
Payments in lieu of taxes	566,877	566,877	607,538	40,661	614,314
Total taxes	15,959,405	16,843,362	17,700,658	857,296	17,253,857
Licenses and permits					
Business licenses	75,000	42,000	45,415	3,415	42,520
Liquor licenses	50,000	50,000	45,808	(4,192)	49,557
Marihuana facilities licenses	90,000	100,000	189,200	89,200	143,300
Cable TV fees	370,000	370,000	374,219	4,219	361,405
Rental property registration	397,500	360,500	397,236	36,736	354,830
Burial permits	80,000	80,000	74,435	(5,565)	76,615
Building permits	1,100,000	705,000	683,883	(21,117)	911,057
Electrical permits	196,000	196,000	194,056	(1,944)	172,531
Plumbing permits	95,000	95,000	99,165	4,165	103,139
Mechanical permits	143,500	143,500	136,858	(6,642)	144,730
Vacant building fees	40,000	3,500	6,100	2,600	60,570
Other inspections	-	-	-	-	350
Total licenses and permits	2,637,000	2,145,500	2,246,375	100,875	2,420,604
Intergovernmental revenues					
Federal grants	40,000	1,646,586	1,667,916	21,330	147,191
State					
Grants	776,000	941,004	1,018,505	77,501	913,590
State shared revenue	4,130,818	4,347,882	4,733,888	386,006	4,117,935
Total intergovernmental revenues - State	4,906,818	5,288,886	5,752,393	463,507	5,031,525
Local	50,000	50,000	50,000	-	40,000

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2021
 (with comparative actual amounts for the year ended June 30, 2020)

	2021			2020	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
Charges for services					
Tax administration fees	\$ 327,000	\$ 327,000	\$ 369,323	\$ 42,323	\$ 350,742
Utility administration fees	310,000	310,000	310,000	-	310,000
Reimbursement for elections	-	-	75	75	50,142
Brownfield authority admin fee	175,000	200,000	175,000	(25,000)	180,000
Indirect cost reimbursements	1,302,797	1,302,797	1,278,590	(24,207)	1,066,967
Site plan review fee	6,500	6,000	8,900	2,900	7,600
Sale of cemetery lots	25,000	30,900	47,339	16,439	28,440
Police miscellaneous	143,500	130,000	130,990	990	116,108
Police impound fees	37,000	40,000	46,309	6,309	38,293
Landlord's alert fee	30,000	30,000	25,766	(4,234)	25,990
Fire protection - state property	173,718	119,574	119,574	-	173,718
Zoning fees	15,000	21,000	21,580	580	29,855
Muskegon Heights zoning	11,000	9,000	11,270	2,270	5,670
Clerk fees	5,000	750	1,387	637	1,329
Clerk fees - passport fees	40,000	2,000	5,555	3,555	63,520
Tax abatement application fees	6,000	1,000	4,085	3,085	8,890
Treasurer fees	67,000	24,000	57,618	33,618	67,177
False alarm fees	7,000	7,000	5,880	(1,120)	6,780
Miscellaneous cemetery income	16,000	25,000	34,956	9,956	16,383
Senior transit program fees	-	4,231	7,281	3,050	-
Fire miscellaneous	9,500	12,500	16,334	3,834	1,681
Sanitation stickers	396,100	405,100	435,659	30,559	336,827
Lot cleanup fees	39,500	42,000	34,615	(7,385)	31,566
Reimbursements - lot mowing and demolitions	5,000	5,000	-	(5,000)	124
Special events reimbursements	15,000	-	(34,762)	(34,762)	61,625
Recreation program fees	4,500	13,550	14,890	1,340	8,634
Parking	200,000	500,000	543,794	43,794	146,821
Other charges for services	-	-	-	-	400
Total charges for services	3,367,115	3,568,402	3,672,008	103,606	3,135,282
Fines and forfeitures					
Income tax - penalty and interest	200,000	280,000	286,818	6,818	201,614
Late fees on current taxes	20,000	20,000	15,574	(4,426)	18,123
Interest on late invoices	11,000	17,000	16,179	(821)	11,006
Parking fines	55,000	140,000	149,864	9,864	76,543
Court fines	120,000	90,000	97,979	7,979	83,061
Civil infractions	16,000	15,000	18,057	3,057	21,978
Total fines and forfeitures	422,000	562,000	584,471	22,471	412,325
Investment earnings and rental income					
Interest income	100,000	100,000	98,623	(1,377)	153,093
Net increase (decrease) in the fair value of investments	-	(100,000)	(163,278)	(63,278)	193,005
City right of way rental	6,800	6,800	2,000	(4,800)	6,800
Fire station lease - Central Dispatch	54,000	96,319	101,084	4,765	56,772
Parking rentals	68,750	68,750	61,935	(6,815)	48,500
Great Lakes Naval Memorial lease	15,000	-	-	-	-
McGraft Park rentals	97,000	55,000	48,016	(6,984)	44,637
Other park rentals	55,000	31,000	50,028	19,028	34,858
Total investment earnings and rental income	396,550	257,869	198,408	(59,461)	537,665

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2021
 (with comparative actual amounts for the year ended June 30, 2020)

	2021			2020	
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final		Final Budget	
Other					
Police sale and auction proceeds	\$ 1,000	\$ 1,000	\$ 385	\$ (615)	\$ 28,818
CDBG program reimbursements	548,967	461,984	495,554	33,570	482,833
Fisherman's Landing reimbursement	17,500	17,500	23,706	6,206	24,842
Contributions	20,000	503,380	558,945	55,565	22,227
Contributions - Veteran's Park maintenance	18,500	18,500	12,904	(5,596)	16,811
Community Foundation for Muskegon County	10,000	35,534	10,144	(25,390)	9,982
Miscellaneous and sundry	83,000	84,500	82,616	(1,884)	89,486
Total other	698,967	1,122,398	1,184,254	61,856	674,999
Total revenues	28,477,855	31,485,003	33,056,483	1,571,480	29,653,448
EXPENDITURES					
Current					
Public representation services					
City commission	85,642	94,600	96,287	(1,687)	93,898
City promotions and public relations	58,000	58,000	56,041	1,959	92,409
City manager	442,010	427,800	430,424	(2,624)	432,401
Contributions to outside agencies	425,363	568,000	541,614	26,386	386,779
City attorney	380,000	380,000	431,961	(51,961)	373,919
Total public representation services	1,391,015	1,528,400	1,556,327	(27,927)	1,379,406
Administrative services					
City clerk	622,802	585,500	569,368	16,132	621,603
Civil service	224,437	234,100	214,035	20,065	222,645
Affirmative action	-	-	-	-	22
Total administrative services	847,239	819,600	783,403	36,197	844,270
Financial services					
Finance administration	640,541	647,000	643,392	3,608	587,625
Assessing	349,000	349,000	348,753	247	258,238
Arena administration	-	-	10,797	(10,797)	24,049
Income tax administration	400,220	413,837	400,206	13,631	363,889
Information systems	530,926	527,963	524,565	3,398	535,954
City treasurer	625,823	637,377	615,675	21,702	589,093
Pension administration	-	2,267,000	2,266,951	49	-
Total financial services	2,546,510	4,842,177	4,810,339	31,838	2,358,848
Public safety					
Police department	10,766,690	9,707,553	9,862,730	(155,177)	10,445,491
Fire department	3,360,760	3,198,615	2,908,093	290,522	4,353,377
Fire safety inspections	2,349,360	1,983,915	1,870,745	113,170	1,996,679
Total public safety	16,476,810	14,890,083	14,641,568	248,515	16,795,547

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2021
 (with comparative actual amounts for the year ended June 30, 2020)

	2021			2020	
	Budgeted Amounts		Actual	Variance with	
	Original	Final		Final Budget	
			Actual		Actual
Public works					
Street lighting	\$ 350,000	\$ 350,000	\$ 382,729	\$ (32,729)	\$ 390,116
Community event support	91,539	97,642	100,206	(2,564)	81,049
General sanitation	2,267,799	2,267,262	2,285,497	(18,235)	2,216,029
Storm water management	14,000	14,000	4,000	10,000	13,340
City hall maintenance	295,402	315,750	310,492	5,258	309,388
Cemeteries maintenance	498,897	473,433	360,056	113,377	429,404
Total public works	3,517,637	3,518,087	3,442,980	75,107	3,439,326
Community and economic development					
Planning, zoning and economic development	441,257	480,000	488,691	(8,691)	405,688
Environmental services	-	-	177	(177)	7,413
Edison Landing subsidy	350,000	350,000	350,000	-	360,000
Total community and economic development	791,257	830,000	838,868	(8,868)	773,101
Culture and recreation					
Parks maintenance	1,832,600	1,800,004	1,665,740	134,264	1,873,339
McGraft Park maintenance	122,975	130,100	131,222	(1,122)	18,142
General and inner city recreation programs	-	-	305	(305)	1,928
Forestry	-	61,000	56,567	4,433	656
Parking operations	-	86,200	89,542	(3,342)	30,524
Farmers market and flea market	-	-	99	(99)	204
Social district	-	-	5,639	(5,639)	-
Total culture and recreation	1,955,575	2,077,304	1,949,114	128,190	1,924,793
Other governmental functions					
Insurance premiums	360,000	363,180	351,344	11,836	340,189
Other	100,000	100,000	28,888	71,112	31,272
Total other governmental functions	460,000	463,180	380,232	82,948	371,461
Debt service					
Principal	194,100	2,294,000	2,285,300	8,700	290,000
Interest and fees	251,000	251,000	250,991	9	160,811
Bond issuance costs	-	141,000	140,750	250	-
Total debt service	445,100	2,686,000	2,677,041	8,959	450,811
Capital outlay	50,000	4,686,446	4,358,050	328,396	786,725
Total expenditures	28,481,143	36,341,277	35,437,922	903,355	29,124,288
Excess of revenues over (under) expenditures	(3,288)	(4,856,274)	(2,381,439)	2,474,835	529,160

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2021
 (with comparative actual amounts for the year ended June 30, 2020)

	2021			2020	
	Budgeted Amounts		Actual	Variance with	
	Original	Final		Final Budget	
					Actual
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	\$ -	\$ 3,243,399	\$ 4,325,000	\$ 1,081,601	\$ -
Refunding bonds issued	-	2,055,000	2,055,000	-	-
Premium on bonds issued	-	770,000	772,424	2,424	-
Transfers in	-	225,000	-	(225,000)	-
Transfers out	(390,000)	(1,205,000)	(1,475,000)	(270,000)	(1,132,500)
Total other financing sources (uses)	(390,000)	5,088,399	5,677,424	589,025	(1,132,500)
Net change in fund balance	\$ (393,288)	\$ 232,125	3,295,985	\$ 3,063,860	(603,340)
Fund balance at beginning of year			7,901,855		8,505,195
Fund balance at end of year			\$ 11,197,840		\$ 7,901,855

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues				
Federal	\$ 385,824	\$ -	\$ -	\$ -
State	5,191,586	4,476,000	4,573,237	97,237
Charges for services	-	-	11,521	11,521
Investment earnings	10,000	10,000	10,039	39
Other	-	-	27,003	27,003
Total revenues	5,587,410	4,486,000	4,621,800	135,800
EXPENDITURES				
Current				
Highways, streets and bridges	4,737,046	4,531,273	4,234,631	296,642
Debt service				
Principal	220,000	220,000	220,000	-
Interest and fees	11,000	11,000	10,300	700
Total expenditures	4,968,046	4,762,273	4,464,931	297,342
Excess of revenues over (under) expenditures	619,364	(276,273)	156,869	433,142
OTHER FINANCING SOURCES				
Transfers in	-	715,222	-	(715,222)
Net change in fund balance	<u>\$ 619,364</u>	<u>\$ 438,949</u>	156,869	<u>\$ (282,080)</u>
Fund balance at beginning of year			2,251,184	
Fund balance at end of year			<u>\$ 2,408,053</u>	

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

City of Muskegon
Required Supplemental Information

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

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	\$ 615,293	\$ 732,228	\$ 806,565	\$ 1,018,541	\$ 1,130,408	\$ 1,194,909	\$ 1,190,507
Interest	8,787,617	8,718,797	8,345,836	8,429,233	8,345,661	8,034,035	7,817,503
Differences between expected and actual experience	2,829,299	1,830,804	3,642,392	1,326,122	(1,697,797)	(647,017)	-
Changes in assumptions	2,974,495	4,134,788	-	-	-	4,779,382	-
Benefit payments, including refunds of employee contributions	(9,214,462)	(8,218,689)	(7,512,608)	(6,937,544)	(6,417,825)	(6,363,249)	(6,407,932)
Other changes	-	-	(229,967)	(4,485,289)	-	-	-
Net change in total pension liability	5,992,242	7,197,928	5,052,218	(648,937)	1,360,447	6,998,060	2,600,078
Total pension liability at beginning of year	119,926,123	112,728,195	107,675,977	108,324,914	106,964,467	99,966,407	97,366,329
Total pension liability at end of year (a)	\$ 125,918,365	\$ 119,926,123	\$ 112,728,195	\$ 107,675,977	\$ 108,324,914	\$ 106,966,467	\$ 99,966,407
PLAN FIDUCIARY NET POSITION							
Contributions-employer	\$ 2,468,311	\$ 2,712,204	\$ 2,671,175	\$ 1,801,016	\$ 1,996,512	\$ 1,420,218	\$ 1,166,652
Contributions-employee	374,806	491,814	848,562	687,391	563,898	566,045	564,409
Net investment income	10,575,596	11,059,388	(3,452,538)	10,964,115	8,890,951	(1,237,895)	5,282,031
Benefit payments, including refunds or employee contributions	(9,214,462)	(8,218,689)	(7,512,608)	(6,937,544)	(6,417,825)	(6,363,249)	(6,407,932)
Administrative expense	(173,766)	(190,108)	(173,509)	(173,921)	(175,718)	(183,599)	(193,139)
Net change in plan fiduciary net position	4,030,485	5,854,609	(7,618,918)	6,341,057	4,857,818	(5,798,480)	412,021
Plan fiduciary net position at beginning of year	88,994,708	83,140,099	90,759,017	84,417,960	79,560,142	85,358,622	84,946,601
Plan fiduciary net position at end of year (b)	\$ 93,025,193	\$ 88,994,708	\$ 83,140,099	\$ 90,759,017	\$ 84,417,960	\$ 79,560,142	\$ 85,358,622
City's net pension liability at end of year (a)-(b)	\$ 32,893,172	\$ 30,931,415	\$ 29,588,096	\$ 16,916,960	\$ 23,906,954	\$ 27,404,325	\$ 14,607,785
Plan fiduciary net position as a percentage of the total pension liability	73.88%	74.21%	73.75%	84.29%	77.93%	74.38%	85.39%
Covered payroll	\$ 5,408,268	\$ 6,110,950	\$ 6,565,169	\$ 7,645,789	\$ 8,460,078	\$ 9,108,948	\$ 9,171,511
City's net pension liability as a percentage of covered payroll	608.20%	506.16%	450.68%	221.26%	282.59%	300.85%	159.27%

Notes to Schedule

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

City of Muskegon
Required Supplemental Information

PENSION SYSTEM SCHEDULE OF CONTRIBUTIONS

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 2,902,032	\$ 1,855,248	\$ 1,902,696	\$ 1,798,140	\$ 1,897,158	\$ 1,546,440	\$ 1,293,996	\$ 1,043,040	\$ 1,035,772	\$ 1,160,870
Contributions in relation to the actuarially determined contribution	2,902,032	2,777,641	2,218,663	1,964,214	2,276,200	1,753,272	1,293,996	1,543,040	1,035,772	1,160,870
Contribution deficiency (excess)	\$ -	\$ (922,393)	\$ (315,967)	\$ (166,074)	\$ (379,042)	\$ (206,832)	\$ -	\$ (500,000)	\$ -	\$ -
Covered payroll	\$ 5,408,268	\$ 6,110,950	\$ 6,561,169	\$ 7,645,789	\$ 8,460,078	\$ 9,108,948	\$ 9,171,511	\$ 9,198,938	\$ 10,185,425	\$ 10,650,990
Contributions as percentage of covered payroll	53.7%	45.5%	33.8%	25.7%	26.9%	19.2%	14.1%	16.8%	10.2%	10.9%

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	18 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.0 percent in the long-term
Investment rate of return	7.35 percent, net of administrative and investment expenses
Retirement age	Varies depending on plan adoption
Mortality	Based on a version of Pub-2010 and fully generational MP-2019

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

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

	2020	2019	2018	2017
TOTAL OPEB LIABILITY				
Service cost	\$ 156,214	\$ 165,306	\$ 178,243	\$ 165,423
Interest	2,058,432	2,191,233	2,035,720	1,954,979
Differences between expected and actual experience	(325,146)	(2,119,868)	(992,432)	-
Changes of assumptions	(1,152,266)	6,288,823	2,349,210	-
Benefit payments, including refunds of employee contributions	<u>(1,621,453)</u>	<u>(1,983,928)</u>	<u>(1,118,442)</u>	<u>(1,064,376)</u>
Net change in total OPEB liability	(884,219)	4,541,566	2,452,299	1,056,026
Total OPEB liability at beginning of year	33,642,202	29,100,636	26,648,337	25,592,311
Total OPEB liability at end of year (a)	<u>\$ 32,757,983</u>	<u>\$ 33,642,202</u>	<u>\$ 29,100,636</u>	<u>\$ 26,648,337</u>
PLAN FIDUCIARY NET POSITION				
Contributions-employer	\$ 1,154,926	\$ 1,001,447	\$ 671,363	\$ 736,039
Net investment income	2,210,729	2,660,470	(699,603)	2,110,019
Benefit payments, including refunds or employee contributions	(1,621,453)	(1,983,928)	(1,118,442)	(1,064,376)
Administrative expense	<u>(42,375)</u>	<u>(41,397)</u>	<u>(53,927)</u>	<u>(52,313)</u>
Net change in plan fiduciary net position	1,701,827	1,636,592	(1,200,609)	1,729,369
Plan fiduciary net position at beginning of year	21,215,561	19,578,969	20,779,578	19,050,209
Plan fiduciary net position at end of year (b)	<u>\$ 22,917,388</u>	<u>\$ 21,215,561</u>	<u>\$ 19,578,969</u>	<u>\$ 20,779,578</u>
City's net OPEB liability at end of year (a)-(b)	<u>\$ 9,840,595</u>	<u>\$ 12,426,641</u>	<u>\$ 9,521,667</u>	<u>\$ 5,868,759</u>
Plan fiduciary net position as a percentage of the total OPEB liability	69.96%	63.06%	67.28%	77.98%
Covered payroll	\$ 7,848,543	\$ 8,952,683	Not Available	\$ 8,095,840
City's net OPEB liability as a percentage of covered payroll	125.38%	138.80%	Not Available	72.49%
Notes to Schedule				
Additional actuarial data is not available and will be provided in subsequent years.				

City of Muskegon

REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 2,289,405	\$ 2,115,188	\$ 1,470,562	\$ 956,532	\$ 606,506	\$ 639,428	\$ 659,451	\$ 696,634	\$ 728,863	\$ 832,891
Contributions in relation to the actuarially determined contribution	1,206,464	1,233,505	1,260,887	687,642	606,506	639,428	659,451	696,634	728,863	832,891
Contribution deficiency (excess)	\$ 1,082,941	\$ 881,683	\$ 209,675	\$ 268,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,848,543	\$ 8,952,683	Not Available	\$ 8,095,840	\$ 10,830,000	\$ 10,830,000	\$ 10,005,000	\$ 10,005,000	\$ 12,365,000	\$ 12,365,000

Contributions as percentage of covered payroll	15.4%	13.8%	Not Available	8.5%	5.6%	5.9%	6.6%	7.0%	5.9%	6.7%
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Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	7 years
Asset valuation method	Equal to market value of assets
Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	6.24 percent (including inflation), net of administrative and investment expenses
Retirement age	55 - 60 years of age
Mortality	Mortality rates for police and fire were as set forth in the Public Safety 2010 Employee and Healthy Retiree, headcount weighted, MP-2020 improvement scale. Mortality rates for others were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2020 improvement scale.

City of Muskegon

REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF INVESTMENT RETURNS

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

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	10.55%	13.95%	-3.41%	11.19%

Notes to Schedule

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

OTHER SUPPLEMENTAL INFORMATION

DESCRIPTION OF OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

Lakeshore BID – to account for the collection of special assessment revenue in the lakeshore area to be used for improvement and maintenance of lakeshore infrastructure.

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

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

Capital Projects Funds

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

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

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

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

**DESCRIPTION OF
OTHER GOVERNMENTAL FUNDS—CONTINUED**

Capital Projects Funds—Continued

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

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

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

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

Permanent Funds

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

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

City of Muskegon
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2021

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	\$ 2,943,588	\$ 1,376,197	\$ 990,386	\$ 577,005
Assets managed by others	1,490,800	-	34,184	1,456,616
Accounts and loans receivable (net of allowance for uncollectibles)	1,749,722	337,501	1,408,444	3,777
Due from other governmental units	470,248	197,019	273,229	-
Advances to component units	202,227	-	-	202,227
Prepaid items	35,876	35,876	-	-
Total assets	\$ 6,892,461	\$ 1,946,593	\$ 2,706,243	\$ 2,239,625
LIABILITIES				
Accounts payable	\$ 235,717	\$ 62,413	\$ 173,304	\$ -
Accrued liabilities	46,580	33,496	13,084	-
Due to other governmental units	2,466	112	2,354	-
Due to other funds	627,636	204,874	422,762	-
Short-term draw note	1,108,007	-	1,108,007	-
Unearned revenues - unused Farmers Market tokens	150,187	150,187	-	-
Unearned revenues - expenditure-driven grants	107,656	-	107,656	-
Unearned revenues - prepaid events	36,687	36,687	-	-
Total liabilities	2,314,936	487,769	1,827,167	-
FUND BALANCES				
Nonspendable				
Prepaid items	35,876	35,876	-	-
Perpetual care	1,642,408	-	-	1,642,408
Restricted				
Highways, streets and bridges	1,181,198	1,181,198	-	-
Mercy Health Arena	26,490	26,490	-	-
Law enforcement	22,229	22,229	-	-
Business improvement districts	136,968	136,968	-	-
Perpetual care	597,217	-	-	597,217
Other purposes	56,063	56,063	-	-
Assigned for capital projects and public improvements	1,906,042	-	1,906,042	-
Unassigned	(1,026,966)	-	(1,026,966)	-
Total fund balances	4,577,525	1,458,824	879,076	2,239,625
Total liabilities, deferred inflows of resources and fund balances	\$ 6,892,461	\$ 1,946,593	\$ 2,706,243	\$ 2,239,625

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 Other Governmental Funds
 For the year ended June 30, 2021

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	\$ 1,811,560	\$ -	\$ 1,811,560	\$ -
State	1,391,287	1,391,287	-	-
Local	575,151	-	575,151	-
Charges for services	1,214,796	1,128,975	39,033	46,788
Fines and forfeitures	10,342	10,342	-	-
Investment earnings	33,036	5,550	17,318	10,168
Income from assets managed by others	229,194	-	7,316	221,878
Other	1,012,769	199,343	813,426	-
Total revenues	6,278,135	2,735,497	3,263,804	278,834
EXPENDITURES				
Current				
Public works	161,742	161,742	-	-
Highways, streets and bridges	1,336,973	1,336,973	-	-
Culture and recreation	1,886,678	1,886,678	-	-
Debt service				
Principal	133,504	-	133,504	-
Interest and fees	66,176	-	66,176	-
Capital outlay	4,884,443	30,745	4,853,698	-
Total expenditures	8,469,516	3,416,138	5,053,378	-
Excess of revenues over (under) expenditures	(2,191,381)	(680,641)	(1,789,574)	278,834
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,908,552	-	2,908,552	-
Transfers in	895,000	845,000	50,000	-
Transfers out	(40,000)	-	(40,000)	-
Total other financing sources (uses)	3,763,552	845,000	2,918,552	-
Net change in fund balances (deficits)	1,572,171	164,359	1,128,978	278,834
Fund balances (deficits) at beginning of year	3,005,354	1,294,465	(249,902)	1,960,791
Fund balances at end of year	\$ 4,577,525	\$ 1,458,824	\$ 879,076	\$ 2,239,625

City of Muskegon
COMBINING BALANCE SHEET
 Other Special Revenue Funds
 June 30, 2021

	Total Other									
	Special Revenue Funds	Local Street	Mercy Health Arena	Criminal Forfeitures	Downtown BID	Lakeshore BID	Tree Replacement	Farmers Market and Kitchen 242		
ASSETS										
Cash and investments	\$ 1,376,197	\$ 998,052	\$ -	\$ 22,229	\$ 132,988	\$ 3,980	\$ 13,680	\$ 205,268		
Accounts receivable	337,501	11,518	321,798	-	-	-	-	4,185		
Due from other governmental units	197,019	197,019	-	-	-	-	-	-		
Prepaid items	35,876	7,438	28,438	-	-	-	-	-		
Total assets	\$ 1,946,593	\$ 1,214,027	\$ 350,236	\$ 22,229	\$ 132,988	\$ 3,980	\$ 13,680	\$ 209,453		
LIABILITIES										
Accounts payable	\$ 62,413	\$ 7,192	\$ 40,495	\$ -	\$ -	\$ -	\$ -	\$ 14,726		
Accrued liabilities	33,496	18,199	13,140	-	-	-	-	2,157		
Due to other governmental units	112	-	112	-	-	-	-	-		
Due to other funds	204,874	-	204,874	-	-	-	-	-		
Unearned revenues - unused Farmers Market tokens	150,187	-	-	-	-	-	-	150,187		
Unearned revenues - prepaid events	36,687	-	36,687	-	-	-	-	-		
Total liabilities	487,769	25,391	295,308	-	-	-	-	167,070		
FUND BALANCES										
Nonspendable - prepaid items	35,876	7,438	28,438	-	-	-	-	-		
Restricted										
Highways, streets and bridges	1,181,198	1,181,198	-	-	-	-	-	-		
Mercy Health Arena	26,490	-	26,490	-	-	-	-	-		
Law enforcement	22,229	-	-	22,229	-	-	-	-		
Business improvement districts	136,968	-	-	-	132,988	3,980	-	-		
Other purposes	56,063	-	-	-	-	-	13,680	42,383		
Total fund balances	1,458,824	1,188,636	54,928	22,229	132,988	3,980	13,680	42,383		
Total liabilities, deferred inflows of resources and fund balances	\$ 1,946,593	\$ 1,214,027	\$ 350,236	\$ 22,229	\$ 132,988	\$ 3,980	\$ 13,680	\$ 209,453		

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Special Revenue Funds
 For the year ended June 30, 2021

	Total Other		Local Street	Mercy Health Arena	Criminal Forfeitures	Downtown BID	Lakeshore BID	Tree Replacement	Farmers Market and Kitchen 242
	Special Revenue Funds	Funds							
REVENUES									
Intergovernmental revenues - State	\$ 1,391,287	\$ 1,388,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -
Charges for services	1,128,975	2,349	995,142	-	-	-	-	14,300	117,184
Fines and forfeitures	10,342	-	-	10,342	-	-	-	-	-
Investment earnings	5,550	4,502	-	43	631	1	45	328	-
Other	199,343	62,356	9,836	-	115,306	5,959	-	5,886	-
Total revenues	2,735,497	1,457,494	1,004,978	10,385	115,937	5,960	-	23,231	117,512
EXPENDITURES									
Current									
Public works	161,742	-	-	-	159,762	1,980	-	-	-
Highways, streets and bridges	1,336,973	1,336,973	-	-	-	-	-	-	-
Culture and recreation	1,886,678	-	1,715,865	-	-	-	-	10,570	160,243
Capital outlay	30,745	-	30,745	-	-	-	-	-	-
Total expenditures	3,416,138	1,336,973	1,746,610	-	159,762	1,980	-	10,570	160,243
Excess of revenues over (under) expenditures	(680,641)	120,521	(741,632)	10,385	(43,825)	3,980	-	12,661	(42,731)
OTHER FINANCING SOURCES									
Transfers in	845,000	-	765,000	-	-	-	-	-	80,000
Net change in fund balances	164,359	120,521	23,368	10,385	(43,825)	3,980	-	12,661	37,269
Fund balances at beginning of year	1,294,465	1,068,115	31,560	11,844	176,813	-	-	1,019	5,114
Fund balances at end of year	\$ 1,458,824	\$ 1,188,636	\$ 54,928	\$ 22,229	\$ 132,988	\$ 3,980	\$ -	\$ 13,680	\$ 42,383

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 Other Special Revenue Funds
 For the year ended June 30, 2021

	Local Street			Mercy Health Arena		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Intergovernmental revenues - State	\$ 1,390,000	\$ 1,388,287	\$ (1,713)	\$ -	\$ -	\$ -
Charges for services	-	2,349	2,349	798,876	995,142	196,266
Investment earnings	3,500	4,502	1,002	-	-	-
Other	60,000	62,356	2,356	5,700	9,836	4,136
Total revenues	1,453,500	1,457,494	3,994	804,576	1,004,978	200,402
EXPENDITURES						
Current						
Highways, streets and bridges	1,719,140	1,336,973	382,167	-	-	-
Culture and recreation	-	-	-	1,465,881	1,715,865	(249,984)
Capital outlay	-	-	-	35,930	30,745	5,185
Total expenditures	1,719,140	1,336,973	382,167	1,501,811	1,746,610	(244,799)
Excess of revenues over (under) expenditures	(265,640)	120,521	386,161	(697,235)	(741,632)	(44,397)
OTHER FINANCING SOURCES						
Transfers in	100,000	-	(100,000)	740,000	765,000	25,000
Net change in fund balances	<u>\$ (165,640)</u>	120,521	<u>\$ 286,161</u>	<u>\$ 42,765</u>	23,368	<u>\$ (19,397)</u>
Fund balances at beginning of year		1,068,115			31,560	
Fund balances at end of year		<u>\$ 1,188,636</u>			<u>\$ 54,928</u>	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 Other Special Revenue Funds
 For the year ended June 30, 2021

	Criminal Forfeitures			Downtown BID		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Fines and forfeitures	\$ 7,407	\$ 10,342	\$ 2,935	\$ -	\$ -	\$ -
Investment earnings	40	43	3	-	631	631
Other	-	-	-	113,681	115,306	1,625
Total revenues	7,447	10,385	2,938	113,681	115,937	2,256
EXPENDITURES						
Current						
Public works	-	-	-	113,681	159,762	(46,081)
Net change in fund balances	<u>\$ 7,447</u>	<u>10,385</u>	<u>\$ 2,938</u>	<u>\$ -</u>	<u>(43,825)</u>	<u>\$ (43,825)</u>
Fund balances at beginning of year		<u>11,844</u>			<u>176,813</u>	
Fund balances at end of year		<u>\$ 22,229</u>			<u>\$ 132,988</u>	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 Other Special Revenue Funds
 For the year ended June 30, 2021

	Lakeshore BID			Tree Replacement		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Intergovernmental revenues - State	\$ -	\$ -	\$ -	\$ 3,000	\$ 3,000	\$ -
Charges for services	-	-	-	-	14,300	14,300
Investment earnings	-	1	1	-	45	45
Other	-	5,959	5,959	14,800	5,886	(8,914)
Total revenues	-	5,960	5,960	17,800	23,231	5,431
EXPENDITURES						
Current						
Public works	-	1,980	(1,980)	-	-	-
Culture and recreation	-	-	-	14,800	10,570	4,230
Total expenditures	-	1,980	(1,980)	14,800	10,570	4,230
Net change in fund balances	<u>\$ -</u>	<u>3,980</u>	<u>\$ 3,980</u>	<u>\$ 3,000</u>	<u>12,661</u>	<u>\$ 9,661</u>
Fund balances at beginning of year		<u>-</u>			<u>1,019</u>	
Fund balances at end of year		<u>\$ 3,980</u>			<u>\$ 13,680</u>	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 Other Special Revenue Funds
 For the year ended June 30, 2021

	Farmers Market and Kitchen 242		
	Final	Actual	Variance
	Budget	Actual	Variance
REVENUES			
Intergovernmental revenues - State	\$ -	\$ -	\$ -
Charges for services	115,500	117,184	1,684
Investment earnings	170	328	158
Other	6,710	-	(6,710)
Total revenues	122,380	117,512	(4,868)
EXPENDITURES			
Current			
Culture and recreation	211,953	160,243	51,710
Excess of revenues over (under) expenditures	(89,573)	(42,731)	46,842
OTHER FINANCING SOURCES			
Transfers in	105,000	80,000	(25,000)
Net change in fund balance	\$ 15,427	37,269	\$ 21,842
Fund balance at beginning of year		5,114	
Fund balance at end of year		\$ 42,383	

City of Muskegon
COMBINING BALANCE SHEET
 Other Capital Projects Funds
 June 30, 2021

	Total Other Capital Projects Funds	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	HOME Rehabilitation	Lead Abatement	Senior Millage	Public Improvement
ASSETS								
Cash and investments	\$ 990,386	\$ 227,545	\$ 624,078	\$ -	\$ 110,635	\$ -	\$ 28,128	\$ -
Assets managed by others	34,184	-	-	-	-	-	-	34,184
Receivables								
Accounts and loans (net of allowance for uncollectibles)	1,408,444	-	935,911	11,773	-	-	-	460,760
Due from other governmental units	273,229	-	-	108,067	1,781	56,290	101,556	5,535
Total assets	\$ 2,706,243	\$ 227,545	\$ 1,559,989	\$ 119,840	\$ 112,416	\$ 56,290	\$ 129,684	\$ 500,479
LIABILITIES								
Accounts payable	\$ 173,304	\$ -	\$ 116,887	\$ 21,442	\$ 400	\$ 17,849	\$ 4,425	\$ 12,301
Accrued liabilities	13,084	-	-	9,055	1,452	2,149	428	-
Due to other governmental units	2,354	-	-	-	-	2,354	-	-
Due to other funds	422,762	-	-	89,343	-	33,938	-	299,481
Short-term draw note	1,108,007	-	-	-	-	-	-	1,108,007
Unearned revenues - expenditure-driven grants	107,656	-	-	-	-	-	-	107,656
Total liabilities	1,827,167	-	116,887	119,840	1,852	56,290	4,853	1,527,445
FUND BALANCES (DEFICITS)								
Assigned for capital projects and public improvements	1,906,042	227,545	1,443,102	-	110,564	-	124,831	-
Unassigned	(1,026,966)	-	-	-	-	-	-	(1,026,966)
Total fund balances (deficits)	879,076	227,545	1,443,102	-	110,564	-	124,831	(1,026,966)
Total liabilities and fund balances (deficits)	\$ 2,706,243	\$ 227,545	\$ 1,559,989	\$ 119,840	\$ 112,416	\$ 56,290	\$ 129,684	\$ 500,479

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 Other Capital Projects Funds
 For the year ended June 30, 2021

	Total Other Capital Projects Funds	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	HOME Rehabilitation	Lead Abatement	Senior Millage	Public Improvement
REVENUES								
Intergovernmental revenues								
Federal	\$ 1,811,560	\$ -	\$ -	\$ 1,069,842	\$ 55,069	\$ 681,114	\$ -	\$ 5,555
Local	575,151	-	-	-	-	-	-	575,151
Charges for services	39,033	-	6,000	-	-	-	-	33,033
Investment earnings	17,318	1,134	15,853	-	-	-	331	-
Income from assets managed by others	7,316	-	-	-	-	-	-	7,316
Other	813,426	-	405,448	6,838	-	-	200,266	200,874
Total revenues	3,263,804	1,134	427,301	1,076,680	55,069	681,114	200,597	821,909
EXPENDITURES								
Debt service								
Principal	133,504	-	-	-	-	-	-	133,504
Interest and fees	66,176	-	-	-	-	-	-	66,176
Capital outlay	4,853,698	-	27,023	1,128,054	244,597	681,114	117,960	2,654,950
Total expenditures	5,053,378	-	27,023	1,128,054	244,597	681,114	117,960	2,854,630
Excess of revenues over (under) expenditures	(1,789,574)	1,134	400,278	(51,374)	(189,528)	-	82,637	(2,032,721)
OTHER FINANCING SOURCES (USES)								
Proceeds from sale of capital assets	2,908,552	-	-	51,374	300,092	-	-	2,557,086
Transfers in	50,000	-	-	-	-	-	-	50,000
Transfers out	(40,000)	-	-	-	-	-	(40,000)	-
Total other financing sources (uses)	2,918,552	-	-	51,374	300,092	-	(40,000)	2,607,086
Net change in fund balances (deficits)	1,128,978	1,134	400,278	-	110,564	-	42,637	574,365
Fund balances (deficits) at beginning of year	(249,902)	226,411	1,042,824	-	-	-	82,194	(1,601,331)
Fund balances (deficits) at end of year	\$ 879,076	\$ 227,545	\$ 1,443,102	\$ -	\$ 110,564	\$ -	\$ 124,831	\$ (1,026,966)

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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, 2021

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
ASSETS					
Current assets					
Cash and investments	\$ 1,809,803	\$ 56,580	\$ 915,651	\$ -	\$ 837,572
Accounts receivable	1,610,774	3,122	49,776	1,557,876	-
Inventories	7,318	-	7,318	-	-
Prepaid items	229,482	1,777	66,936	154,300	6,469
Total current assets	3,657,377	61,479	1,039,681	1,712,176	844,041
Noncurrent assets					
Advances to component units	391,080	-	195,540	195,540	-
Capital assets					
Land	65,000	-	-	-	65,000
Land improvements	301,715	-	-	-	301,715
Buildings and improvements	1,668,215	-	-	-	1,668,215
Machinery and equipment	9,750,170	51,346	9,604,460	-	94,364
Less accumulated depreciation	(9,085,683)	(31,145)	(7,267,497)	-	(1,787,041)
Net capital assets	2,699,417	20,201	2,336,963	-	342,253
Total noncurrent assets	3,090,497	20,201	2,532,503	195,540	342,253
Total assets	6,747,874	81,680	3,572,184	1,907,716	1,186,294
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	58,040	-	21,765	-	36,275
Related to other postemployment benefits	27,760	-	10,410	-	17,350
Total deferred outflows of resources	85,800	-	32,175	-	53,625
Total assets and deferred outflows of resources	6,833,674	81,680	3,604,359	1,907,716	1,239,919
LIABILITIES					
Current liabilities					
Accounts payable	269,193	5,237	62,665	167,253	34,038
Accrued liabilities	50,316	10,827	16,613	1,405	21,471
Due to other funds	384,381	-	-	384,381	-
Bonds and other obligations, due within one year	26,700	4,900	8,800	900	12,100
Total current liabilities	730,590	20,964	88,078	553,939	67,609
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	133,925	24,658	43,866	4,664	60,737
Net pension liability	1,315,727	-	493,398	-	822,329
Net other postemployment benefits liability	393,624	-	147,609	-	246,015
Total noncurrent liabilities	1,843,276	24,658	684,873	4,664	1,129,081
Total liabilities	2,573,866	45,622	772,951	558,603	1,196,690
DEFERRED INFLOWS OF RESOURCES					
Related to pension	108,846	-	40,817	-	68,029
Related to other postemployment benefits	25,813	-	9,680	-	16,133
Total deferred inflows of resources	134,659	-	50,497	-	84,162
Total liabilities and deferred inflows of resources	2,708,525	45,622	823,448	558,603	1,280,852
NET POSITION					
Net investment in capital assets	2,699,417	20,201	2,336,963	-	342,253
Unrestricted	1,425,732	15,857	443,948	1,349,113	(383,186)
Total net position	\$ 4,125,149	\$ 36,058	\$ 2,780,911	\$ 1,349,113	\$ (40,933)

City of Muskegon
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Internal Service Funds
For the year ended June 30, 2021

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	\$ 8,889,155	\$ 503,187	\$ 2,212,782	\$ 5,067,567	\$ 1,105,619
Other	97,102	32,586	64,516	-	-
Total operating revenues	8,986,257	535,773	2,277,298	5,067,567	1,105,619
OPERATING EXPENSES					
Administration	791,527	101,932	171,867	46,806	470,922
Insurance premiums and claims	4,839,612	-	-	4,839,612	-
Other operations	3,400,274	400,980	1,936,098	74,644	988,552
Depreciation	542,440	2,499	508,412	-	31,529
Total operating expenses	9,573,853	505,411	2,616,377	4,961,062	1,491,003
Operating income (loss)	(587,596)	30,362	(339,079)	106,505	(385,384)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	24,721	30	12,121	10,640	1,930
Gain (loss) on sale of capital assets	83,978	-	83,978	-	-
Total nonoperating revenues (expenses)	108,699	30	96,099	10,640	1,930
Income (loss) before transfers	(478,897)	30,392	(242,980)	117,145	(383,454)
TRANSFERS					
Transfers in	625,000	-	-	-	625,000
Change in net position	146,103	30,392	(242,980)	117,145	241,546
Net position at beginning of year	3,979,046	5,666	3,023,891	1,231,968	(282,479)
Net position at end of year	\$ 4,125,149	\$ 36,058	\$ 2,780,911	\$ 1,349,113	\$ (40,933)

City of Muskegon
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended June 30, 2021

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 53,808	\$ 29,948	\$ 23,860	\$ -	\$ -
Receipts from interfund services provided	7,297,489	503,187	2,212,782	3,475,901	1,105,619
Other receipts	1,502,594	-	-	1,502,594	-
Payments to suppliers	(6,671,503)	(164,578)	(1,005,157)	(4,794,074)	(707,694)
Payments to employees	(1,336,543)	(228,949)	(364,830)	(226,006)	(516,758)
Payments for interfund services used	(868,416)	(95,033)	(655,123)	(3,989)	(114,271)
Net cash provided by (used for) operating activities	(22,571)	44,575	211,532	(45,574)	(233,104)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	625,000	-	-	-	625,000
Interfund borrowing	(10,136)	-	-	(10,136)	-
Collections on advances to component units	90,140	-	45,070	45,070	-
Net cash provided by (used for) noncapital financing activities	705,004	-	45,070	34,934	625,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(322,030)	-	(322,030)	-	-
Proceeds from sale of capital assets	170,913	-	170,913	-	-
Net cash provided by (used for) capital and related financing activities	(151,117)	-	(151,117)	-	-
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	24,721	30	12,121	10,640	1,930
Net increase (decrease) in cash and investments	556,037	44,605	117,606	-	393,826
Cash and investments at beginning of year	1,253,766	11,975	798,045	-	443,746
Cash and investments at end of year	\$ 1,809,803	\$ 56,580	\$ 915,651	\$ -	\$ 837,572
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (587,596)	\$ 30,362	\$ (339,079)	\$ 106,505	\$ (385,384)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	542,440	2,499	508,412	-	31,529
Change in assets and liabilities					
Receivables	(132,366)	(2,638)	(40,656)	(89,072)	-
Inventories	(1,285)	-	(1,285)	-	-
Prepaid items	14,393	868	(2,378)	15,648	255
Accounts payable	(77,132)	4,604	16,349	(78,641)	(19,444)
Accrued liabilities	218,975	8,880	70,169	(14)	139,940
Net cash provided by (used for) operating activities	\$ (22,571)	\$ 44,575	\$ 211,532	\$ (45,574)	\$ (233,104)

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:

CUSTODIAL FUNDS are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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 NET POSITION
 Custodial Funds
 June 30, 2021

	<u>Total Custodial Funds</u>	<u>Collector</u>	<u>Current Tax</u>	<u>Rehab Loan Escrow</u>
ASSETS				
Cash and investments	\$ 842,960	\$ 842,579	\$ -	\$ 381
Accounts receivable	145,552	145,552	-	-
Total assets	988,512	988,131	-	381
LIABILITIES				
Accounts payable	125,849	125,468	-	381
Due to other governmental units	763,408	763,408	-	-
Deposits held for others	99,255	99,255	-	-
Total liabilities	988,512	988,131	-	381
NET POSITION				
Restricted for individuals, organizations, and other governments	\$ -	\$ -	\$ -	\$ -

City of Muskegon
COMBINING STATEMENT OF CHANGES IN NET POSITION
 Custodial Funds
 For the year ended June 30, 2021

	<u>Total Custodial Funds</u>	<u>Collector</u>	<u>Current Tax</u>	<u>Rehab Loan Escrow</u>
ADDITIONS				
Tax collections for other governments	\$ 22,844,643	\$ 406,974	\$ 22,437,669	\$ -
Other collections for third parties	1,268,438	1,268,438	-	-
Total additions	24,113,081	1,675,412	22,437,669	-
DEDUCTIONS				
Payment of taxes to other governments	22,844,643	406,974	22,437,669	-
Other payments to third parties	1,268,438	1,268,438	-	-
Total deductions	24,113,081	1,675,412	22,437,669	-
Change in net position	-	-	-	-
Net position at beginning of year, as restated	-	-	-	-
Net position at end of year	\$ -	\$ -	\$ -	\$ -

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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 Authorities – to account for the collection of tax increment revenues for environmental remediation in designated brownfield areas. Currently there are six designated brownfield areas capturing tax increments.

- Area I – Betten-Henry Street brownfield site.
- Area II – Former downtown mall brownfield site.
- Area III – Terrace Point brownfield site.
- Area IV – Pigeon Hill brownfield site.
- Area V – Hartshore Marina site.
- Area VI – Scattered housing site.

City of Muskegon
COMBINING BALANCE SHEET
 Discretely Presented Component Units
 June 30, 2021

	Total Discretely Presented Component Units	Local				Brownfield Redevelopment Authorities
		Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority		
ASSETS						
Cash and investments	\$ 323,582	\$ 40,168	\$ 159,587	\$ 17,885	\$ 105,942	
LIABILITIES						
Accounts payable	\$ 89,996	\$ -	\$ 69,446	\$ -	\$ 20,550	
Accrued liabilities	4,057	-	4,057	-	-	
Due to primary government	652,132	-	-	-	652,132	
Advances from primary government	593,307	-	-	-	593,307	
Total liabilities	1,339,492	-	73,503	-	1,265,989	
FUND BALANCES (DEFICITS)						
Unassigned	(1,015,910)	40,168	86,084	17,885	(1,160,047)	
Total liabilities and fund balances (deficits)	\$ 323,582	\$ 40,168	\$ 159,587	\$ 17,885	\$ 105,942	

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**
Discretely Presented Component Units
June 30, 2021

Total fund balances (deficits)—governmental funds \$ (1,015,910)

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

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

Cost of capital assets	\$ 4,198,258	
Accumulated depreciation	<u>(3,035,729)</u>	1,162,529

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	(7,000)	
Bonds and notes payable	<u>(1,352,248)</u>	<u>(1,359,248)</u>

Net position of governmental activities		<u>\$ (1,212,629)</u>
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City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 Discretely Presented Component Units
 For the year ended June 30, 2021

	Total Discretely Presented Component Units	Local			Tax Increment Finance Authority	Brownfield Redevelopment Authorities
		Development Finance Authority - SmartZone	Downtown Development Authority	Finance Authority		
REVENUES						
Property taxes	\$ 1,393,555	\$ 99,568	\$ 490,931	\$ 42,184	\$ 760,872	
Intergovernmental revenues						
State	29,359	3,349	-	9,744	16,266	
Local	400,000	350,000	50,000	-	-	
Investment earnings	1,760	205	579	69	907	
Other	118,629	-	118,325	-	304	
Total revenues	1,943,303	453,122	659,835	51,997	778,349	
EXPENDITURES						
Current						
Community and economic development	1,863,830	-	580,098	50,000	1,233,732	
Debt service						
Principal	395,000	395,000	-	-	-	
Interest and fees	72,470	50,100	-	-	22,370	
Total expenditures	2,331,300	445,100	580,098	50,000	1,256,102	
Net change in fund balances (deficits)	(387,997)	8,022	79,737	1,997	(477,753)	
Fund balances (deficits) at beginning of year	(627,913)	32,146	6,347	15,888	(682,294)	
Fund balances (deficits) at end of year	\$ (1,015,910)	\$ 40,168	\$ 86,084	\$ 17,885	\$ (1,160,047)	

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, 2021

Net change in fund balances (deficits)—total governmental funds \$ (387,997)

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 395,000

Changes in accrual of interest and amortization of premiums and discounts

Change in accrued interest payable \$ 2,650

Amortization of premiums 13,129 15,779

Change in net position of governmental activities \$ (149,866)

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SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2021

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2020	6/30/2021	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Drinking Water State Revolving Fund	3/2/2004	\$ 13,900,000	2.13%	10/01/20	\$ 760,000	\$ -	\$ -
			2.13%	10/01/21	775,000	775,000	77,616
			2.13%	10/01/22	790,000	790,000	60,988
Type of debt: state loan			2.13%	10/01/23	810,000	810,000	43,988
Revenue pledged: water system net revenues			2.13%	10/01/24	825,000	825,000	26,616
			2.13%	10/01/25	840,000	840,000	8,925
					<u>4,800,000</u>	<u>4,040,000</u>	<u>218,133</u>
Drinking Water State Revolving Fund*	8/30/2019	\$1,600,000	2.00%	10/01/21	65,000	65,000	32,000
			2.00%	10/01/22	70,000	70,000	30,700
Type of debt: state loan			2.00%	10/01/23	70,000	70,000	29,300
Revenue Pledged: water system net revenues			2.00%	10/01/24	58,217	70,000	27,900
Forgiveness: 20%			2.00%	10/01/25	-	70,000	26,500
			2.00%	10/01/26	-	75,000	25,100
			2.00%	10/01/27	-	75,000	23,600
			2.00%	10/01/28	-	75,000	22,100
			2.00%	10/01/29	-	75,000	20,600
			2.00%	10/01/30	-	80,000	19,100
			2.00%	10/01/31	-	80,000	17,500
			2.00%	10/01/32	-	80,000	15,900
			2.00%	10/01/33	-	85,000	14,300
			2.00%	10/01/34	-	85,000	12,600
			2.00%	10/01/35	-	85,000	10,900
			2.00%	10/01/36	-	90,000	9,200
			2.00%	10/01/37	-	90,000	7,400
			2.00%	10/01/38	-	90,000	5,600
			2.00%	10/01/39	-	95,000	3,800
			2.00%	10/01/40	-	86,874	1,900
					<u>263,217</u>	<u>1,591,874</u>	<u>356,000</u>
Sanitary Sewer State Revolving Fund*	8/30/2019	\$2,875,000	2.00%	10/01/21	120,000	120,000	56,300
			2.00%	10/01/22	120,000	120,000	53,900
Type of debt: state loan			2.00%	10/01/23	125,000	125,000	51,450
Revenue Pledged: sanitary sewer system net revenues			2.00%	10/01/24	125,000	125,000	48,950
Forgiveness: 75%			2.00%	10/01/25	130,000	130,000	46,400
			2.00%	10/01/26	130,000	130,000	43,800
			2.00%	10/01/27	135,000	135,000	41,150
			2.00%	10/01/28	135,000	135,000	38,450
			2.00%	10/01/29	140,000	140,000	35,700
			2.00%	10/01/30	140,000	140,000	32,900
			2.00%	10/01/31	145,000	145,000	30,050
			2.00%	10/01/32	99,739	145,000	27,150
			2.00%	10/01/33	-	150,000	24,200
			2.00%	10/01/34	-	150,000	21,200
			2.00%	10/01/35	-	155,000	18,150
			2.00%	10/01/36	-	139,459	15,000
					<u>1,544,739</u>	<u>2,184,459</u>	<u>584,750</u>
Drinking Water State Revolving Fund*	9/30/2020	\$ 3,844,750	2.00%	10/01/21	-	154,750	15,701
			2.00%	10/01/22	-	160,000	12,606
Type of debt: state loan			2.00%	10/01/23	-	165,000	9,406
Revenue Pledged: water system net revenues			2.00%	10/01/24	-	170,000	6,106
Forgiveness: 9%			2.00%	10/01/25	-	135,296	2,706
					<u>-</u>	<u>785,046</u>	<u>46,525</u>
Sanitary Sewer State Revolving Fund*	9/30/2020	\$ 3,772,000	2.00%	10/01/21	-	152,000	9,101
			2.00%	10/01/22	-	155,000	6,061
Type of debt: state loan			2.00%	10/01/23	-	148,074	2,961
Revenue Pledged: water system net revenues			2.00%	10/01/24	-	-	-
Forgiveness: 20%			2.00%	10/01/25	-	-	-
					<u>-</u>	<u>455,074</u>	<u>18,123</u>
TOTAL BUSINESS TYPE ACTIVITIES BONDS AND LOAN PAYABLE					\$ 6,607,956	\$ 9,056,453	\$ 1,223,531

*If certain conditions are met, a portion of the principal amount on these debts may be forgiven.

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2021

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2020	6/30/2021	Annual Interest Payable
Governmental Activities Bonds and Loan Payable:							
Capital Improvement refunding bonds of 2016 (\$189,903 unamortized premium)	3/8/2016	\$ 4,815,000	3.00%	10/01/20	\$ 295,000	\$ -	\$ -
			3.00%	10/01/21	305,000	305,000	141,975
			3.00%	10/01/22	300,000	300,000	132,900
Type of debt: limited G.O. bonds			3.00%	10/01/23	300,000	300,000	122,400
Revenue pledged: general revenues			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
					4,110,000	3,815,000	920,475
Capital improvement bonds of 2011 (streets)	9/30/2011	\$ 2,000,000	2.98%	09/01/20	220,000	-	-
			2.98%	09/01/21	230,000	230,000	3,427
					450,000	230,000	3,427
Type of debt: limited G.O. bond							
Revenue pledged: gas tax, general revenues							
Installment Purchase Agreements		\$ 2,417,390	4.4% - 5.3%	04/22/21	324,944	-	-
Mercy Health Arena			4.4% - 5.3%	04/22/22	340,307	-	-
Type of debt: installment purchase			4.4% - 5.3%	04/22/23	356,217	-	-
Revenue pledged: general revenues			4.4% - 5.3%	04/22/24	372,871	-	-
			4.4% - 5.3%	04/22/25	390,306	-	-
			4.4% - 5.3%	04/22/26	339,159	-	-
					2,123,804	-	-
Capital Improvement Bonds of 2019 Convention Center (\$135,650 unamortized discount)	10/9/2019	\$ 19,420,000	1.90%	10/01/20	175,000	-	-
			1.83%	10/01/21	205,000	205,000	612,211
			1.88%	10/01/22	250,000	250,000	607,985
			1.93%	10/01/23	300,000	300,000	602,740
Type of debt: limited G.O. bonds			2.00%	10/01/24	320,000	320,000	596,645
Revenue Pledged: excise tax on hotel rooms levied by the County of Muskegon pursuant to Act 263			2.10%	10/01/25	340,000	340,000	589,875
			2.24%	10/01/26	360,000	360,000	582,273
			2.34%	10/01/27	380,000	380,000	573,795
			2.43%	10/01/28	405,000	405,000	564,429
			2.60%	10/01/29	430,000	430,000	553,918
			2.60%	10/01/30	455,000	455,000	542,412
			2.68%	10/01/31	480,000	480,000	530,066
			2.78%	10/01/32	510,000	510,000	516,544
			2.83%	10/01/33	540,000	540,000	501,815
			2.93%	10/01/34	570,000	570,000	485,822
			3.30%	10/01/35	605,000	605,000	467,399
			3.30%	10/01/36	640,000	640,000	446,670
			3.30%	10/01/37	680,000	680,000	424,692
			3.30%	10/01/38	720,000	720,000	401,382
			3.30%	10/01/39	760,000	760,000	376,740
			3.48%	10/01/40	800,000	800,000	350,166
			3.48%	10/01/41	845,000	845,000	321,543
			3.48%	10/01/42	895,000	895,000	291,267
			3.48%	10/01/43	940,000	940,000	259,338
			3.48%	10/01/44	995,000	995,000	225,669
			3.58%	10/01/45	1,045,000	1,045,000	189,651
			3.58%	10/01/46	1,105,000	1,105,000	151,165
			3.58%	10/01/47	1,160,000	1,160,000	110,622
			3.58%	10/01/48	1,225,000	1,225,000	67,931
			3.58%	10/01/49	1,285,000	1,285,000	23,001
					19,420,000	19,245,000	11,967,766

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2021

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2020	6/30/2021	Annual Interest Payable
Governmental Activities Bonds and Loan Payable—Continued:							
Capital Improvement Bonds of 2020 Series 2020A (\$772,424 unamortized premium)	11/12/2020	\$ 4,325,000	4.00%	10/01/21	\$ -	\$ 320,000	\$ 183,900
			4.00%	10/01/22	-	335,000	170,800
			4.00%	10/01/23	-	360,000	156,900
			4.00%	10/01/24	-	370,000	142,300
Type of debt: limited G.O. bonds			4.00%	10/01/25	-	385,000	127,200
Revenue pledged: general revenues			5.00%	10/01/26	-	405,000	109,375
			5.00%	10/01/27	-	420,000	88,750
			5.00%	10/01/28	-	445,000	67,125
			5.00%	10/01/29	-	470,000	44,250
			5.00%	10/01/30	-	485,000	20,375
			2.50%	10/01/31	-	30,000	7,875
			2.50%	10/01/32	-	30,000	7,125
			2.50%	10/01/33	-	30,000	6,375
			2.50%	10/01/34	-	30,000	5,625
			2.50%	10/01/35	-	35,000	4,813
			2.50%	10/01/36	-	35,000	3,937
			2.50%	10/01/37	-	35,000	3,063
			2.50%	10/01/38	-	35,000	2,187
			2.50%	10/01/39	-	35,000	1,313
			2.50%	10/01/40	-	35,000	437
					-	4,325,000	1,153,725
Capital Improvement Bonds of 2020 Series 2020B	11/12/2020	\$ 2,055,000	0.68%	10/01/21	-	85,000	46,124
			0.68%	10/01/22	-	85,000	45,546
			0.68%	10/01/23	-	90,000	44,951
Type of debt: limited G.O. bonds			1.35%	10/01/24	-	90,000	44,038
Revenue pledged: general revenues			1.35%	10/01/25	-	90,000	42,823
			1.35%	10/01/26	-	90,000	41,608
			2.00%	10/01/27	-	95,000	40,050
			2.00%	10/01/28	-	95,000	38,150
			2.00%	10/01/29	-	95,000	36,250
			2.00%	10/01/30	-	100,000	34,300
			2.60%	10/01/31	-	100,000	32,000
			2.60%	10/01/32	-	105,000	29,335
			2.60%	10/01/33	-	105,000	26,605
			2.60%	10/01/34	-	110,000	23,810
			3.20%	10/01/35	-	110,000	20,950
			3.20%	10/01/36	-	115,000	17,680
			3.20%	10/01/37	-	120,000	13,920
			3.20%	10/01/38	-	120,000	10,080
			3.20%	10/01/39	-	125,000	6,160
			3.20%	10/01/40	-	130,000	2,080
					-	2,055,000	596,459
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					\$ 26,103,804	\$ 29,670,000	\$ 14,641,852
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					\$ 32,711,760	\$ 38,726,453	\$ 15,865,383
Discretely Presented Component Unit Bonds and Loans Payable:							
Local Development Finance Authority Smartzone Refunding Bonds (\$27,248 unamortized premium)	3/20/2012	\$ 4,100,000	4.00%	11/01/20	\$ 395,000	\$ -	\$ -
			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
Type of debt: limited G.O. bond			3.00%	11/01/24	275,000	275,000	12,675
Revenue pledged: LDFA tax increments, general revenues			3.00%	11/01/25	285,000	285,000	4,275
					1,720,000	1,325,000	103,600
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					\$ 1,720,000	\$ 1,325,000	\$ 103,600
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					\$ 34,431,760	\$ 40,051,453	\$ 15,968,983

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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These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	130
Revenue Capacity	
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Debt Capacity	
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Demographic and Economic Information	
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Operating Information	
These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	148

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

City of Muskegon

NET ASSETS/NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019	2020	2021
Governmental Activities										
Net Investment in Capital Assets										
Restricted	\$ 66,862,806	\$ 63,842,092	\$ 63,731,255	\$ 63,514,691	\$ 64,326,891	\$ 62,520,466	\$ 61,267,518	\$ 66,734,006	\$ 70,274,679	\$ 72,200,515
Unrestricted	3,526,343	4,572,848	4,023,895	4,807,531	4,140,342	3,777,410	6,138,596	5,519,207	4,459,799	5,003,269
Total Governmental Net Assets/Net Position	\$ 12,836,573	\$ 13,299,523	\$ 12,811,852	\$ 491,914	\$ (4,142,119)	\$ (5,566,349)	\$ (8,350,634)	\$ (14,355,143)	\$ (28,084,776)	\$ (29,065,065)
	\$ 83,225,722	\$ 81,714,463	\$ 80,567,002	\$ 68,814,136	\$ 64,325,114	\$ 60,731,527	\$ 59,055,480	\$ 57,898,070	\$ 46,849,702	\$ 48,138,719
Business-type Activities										
Net Investment in Capital Assets										
Restricted	\$ 40,147,600	\$ 40,032,858	\$ 39,365,043	\$ 39,231,223	\$ 39,013,529	\$ 38,114,686	\$ 38,549,547	\$ 41,741,666	\$ 44,543,391	\$ 54,257,461
Unrestricted	672,000	599,500	599,500	599,500	599,500	599,500	599,500	599,500	599,500	822,000
Total Business-type Activities Net Assets/Net Position	\$ 8,961,713	\$ 8,491,848	\$ 8,377,093	\$ 6,423,540	\$ 5,762,272	\$ 6,382,906	\$ 6,041,091	\$ 2,424,616	\$ (2,353,801)	\$ (873,805)
	\$ 49,781,313	\$ 49,124,206	\$ 48,341,636	\$ 46,254,263	\$ 45,375,301	\$ 45,097,092	\$ 45,190,138	\$ 44,765,782	\$ 42,789,090	\$ 54,205,656
Primary Government										
Net Investment in Capital Assets										
Restricted	\$ 107,010,406	\$ 103,874,950	\$ 103,096,298	\$ 102,745,914	\$ 103,340,420	\$ 100,635,152	\$ 99,817,065	\$ 108,475,672	\$ 114,818,070	\$ 126,457,976
Unrestricted	4,198,343	5,172,348	4,623,395	5,407,031	4,739,842	4,376,910	6,738,096	6,118,707	5,059,299	5,825,269
Total Primary Government Net Assets/Net Position	\$ 21,798,286	\$ 21,791,371	\$ 21,188,945	\$ 6,915,454	\$ 1,620,153	\$ 816,557	\$ (2,309,543)	\$ (11,930,527)	\$ (30,438,577)	\$ (29,938,670)
	\$ 133,007,035	\$ 130,838,669	\$ 128,908,638	\$ 115,068,399	\$ 109,700,415	\$ 105,828,619	\$ 104,245,618	\$ 102,663,852	\$ 89,438,792	\$ 102,344,375

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

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

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019	2020	2021
EXPENSES										
Governmental Activities										
Public representation	\$ 866,809	\$ 893,981	\$ 1,030,006	\$ 939,907	\$ 1,107,551	\$ 1,113,897	\$ 1,347,618	\$ 1,336,014	\$ 1,501,079	\$ 1,603,410
Administrative services	566,161	565,307	543,425	614,757	663,077	679,139	507,275	800,887	800,887	962,981
Financial services	2,399,147	2,241,061	2,171,958	2,547,766	2,331,236	2,483,519	1,995,426	2,700,775	3,007,018	3,007,018
Public safety	13,213,251	12,987,842	12,946,466	14,243,233	17,118,742	16,910,473	12,404,126	20,433,642	25,982,246	18,249,379
Public works	2,959,367	3,201,806	3,361,422	3,183,627	3,109,454	3,551,230	3,471,618	4,438,358	4,581,526	4,025,982
Highways, streets and bridges	6,565,448	6,672,374	7,053,326	7,165,703	7,251,862	6,996,540	6,917,260	7,185,642	7,583,019	6,662,862
Community and economic development	2,447,373	2,499,404	2,417,518	2,712,131	3,523,431	3,738,566	5,015,160	2,890,216	5,359,282	4,999,907
Culture and recreation	1,601,316	1,592,358	1,671,185	1,806,790	3,551,692	3,918,814	3,994,582	4,541,739	5,269,578	4,507,120
General administration	791,197	322,348	366,634	389,248	326,452	301,287	376,112	302,582	389,863	404,303
Interest on long-term debt	283,186	291,535	277,345	271,607	248,223	172,591	165,023	151,304	732,065	1,112,166
Total Governmental Activities Expenses	31,695,255	31,268,016	31,839,285	33,874,769	40,931,740	39,866,056	36,194,200	44,781,159	55,378,657	47,631,260
Business-type Activities										
Water	5,974,173	6,228,788	6,016,192	6,047,244	6,750,826	7,206,564	7,090,770	7,752,703	8,437,862	8,612,574
Sewer	6,202,359	7,226,839	7,582,602	8,460,509	8,669,469	8,876,690	8,093,752	9,119,941	9,902,515	8,084,729
Marina and launch ramp	310,174	426,553	503,987	305,990	327,832	336,912	377,614	430,431	529,007	515,025
Total Business-type Activities Expenses	12,486,706	13,886,180	14,102,781	14,813,743	15,748,127	16,420,166	15,562,136	17,303,075	18,869,384	17,212,328
Total Primary Government Expenses	\$ 44,181,961	\$ 45,154,196	\$ 45,942,076	\$ 48,688,512	\$ 56,679,867	\$ 56,286,222	\$ 51,756,336	\$ 62,084,234	\$ 74,248,041	\$ 64,843,588
PROGRAM REVENUES										
Governmental Activities										
Charges for Services	\$ 196,886	\$ 173,739	\$ 188,444	\$ 188,638	\$ 226,559	\$ 228,767	\$ 232,736	\$ 250,931	\$ 253,511	\$ 280,395
Public representation	270,886	268,535	325,937	415,308	474,737	572,739	539,178	604,290	538,791	504,281
Administrative services	881,229	830,919	871,632	823,547	925,474	895,924	903,322	921,748	913,968	988,501
Financial services	1,136,942	1,133,666	1,407,722	1,218,644	1,248,911	1,824,114	2,794,347	2,292,158	2,290,640	2,207,996
Public safety	480,487	671,494	796,739	571,426	379,877	646,876	743,110	691,312	835,149	828,088
Highways, streets and bridges	230,241	245,609	351,962	258,475	234,861	256,190	188,248	191,883	193,267	187,478
Community and economic development	617,379	432,240	477,486	576,863	444,632	708,195	348,933	786,120	769,860	912,247
Culture and recreation	315,010	606,818	535,211	368,168	1,229,067	1,463,839	1,651,304	1,853,547	2,124,968	1,976,029
General administration	116,690	287,729	50,728	48,764	52,512	37,892	38,549	40,400	59,537	65,592
Operating grants and contributions	4,651,576	4,681,345	4,664,098	5,071,239	5,330,825	5,208,818	6,478,526	6,892,530	7,398,202	9,839,245
Capital grants and contributions	1,568,005	886,108	1,408,424	3,496,623	3,804,656	862,074	2,305,620	4,015,097	4,064,216	2,901,176
Total Governmental Program Revenues	10,465,331	10,218,202	11,079,383	13,037,695	14,352,111	12,703,428	16,223,873	18,540,016	19,442,109	20,691,038
Business-type Activities										
Water	5,254,095	5,890,614	6,099,480	6,375,869	7,485,013	7,430,314	7,445,669	7,946,983	8,316,552	8,752,570
Sewer	6,455,634	7,058,315	6,633,911	6,363,808	6,305,554	7,620,208	8,217,497	8,098,828	8,397,838	9,298,156
Marina and launch ramp	208,370	234,229	228,339	255,638	287,547	278,753	325,917	298,312	74,659	178,706
Operating grants and contributions	-	6,188	-	-	2,436	-	42,531	510,533	94,462	-
Capital grants and contributions	-	88,046	327,240	474,681	765,363	784,969	-	-	-	10,354,544
Total Business-type program revenues	11,918,099	13,277,392	13,286,970	13,469,996	14,843,477	16,116,980	16,031,614	16,854,656	16,883,511	28,583,976
Total Primary Government program revenues	\$ 22,383,430	\$ 23,495,594	\$ 24,366,353	\$ 26,507,691	\$ 29,195,588	\$ 28,820,108	\$ 32,255,487	\$ 35,394,672	\$ 36,325,620	\$ 49,275,014
NET (EXPENSE) REVENUE										
Governmental Activities	\$ (21,228,924)	\$ (21,049,814)	\$ (20,759,902)	\$ (20,837,074)	\$ (26,579,629)	\$ (27,162,628)	\$ (19,970,327)	\$ (26,241,143)	\$ (35,936,548)	\$ (26,940,222)
Business-type Activities	(568,607)	(604,788)	(813,821)	(1,343,747)	(904,650)	(303,486)	469,478	(448,419)	(1,985,873)	11,371,648
Total Primary Government net expense	\$ (21,798,531)	\$ (21,654,602)	\$ (21,573,723)	\$ (22,180,821)	\$ (27,484,279)	\$ (27,466,114)	\$ (19,500,849)	\$ (26,689,562)	\$ (37,922,421)	\$ (15,568,574)

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)	2019	2020	2021
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION										
Governmental Activities										
Property taxes	\$ 8,383,224	\$ 7,592,847	\$ 7,383,236	\$ 7,894,189	\$ 8,366,212	\$ 8,389,243	\$ 8,450,103	\$ 8,230,573	\$ 8,466,886	\$ 8,813,155
Income taxes	7,663,534	8,057,145	7,762,719	8,478,231	8,386,775	8,707,279	8,995,294	8,939,887	9,437,451	9,609,218
Franchise fees	342,376	358,785	358,754	369,965	372,117	378,955	368,495	380,343	361,405	374,219
Grants and contributions not restricted for specific programs	3,577,848	3,700,871	3,813,221	3,989,178	4,051,050	4,630,111	4,955,168	5,102,602	5,276,036	6,427,138
Unrestricted investment earnings	100,073	73,157	146,590	99,733	189,408	106,653	92,771	546,533	568,408	229,177
Miscellaneous	154,531	102,388	124,065	805,432	626,014	512,738	545,536	550,381	577,677	370,268
Gain on sale of capital asset	34,496	44,899	23,836	20,302	99,031	844,062	712,415	1,333,414	317	2,641,064
Transfers	-	-	-	-	-	-	-	-	-	(35,000)
Total Governmental Program Revenues	20,256,082	19,930,092	19,612,441	21,657,030	22,090,607	23,569,041	24,119,782	25,083,733	24,688,180	28,429,239
Business-type Activities										
Unrestricted investment earnings	46,582	33,148	31,251	29,879	25,688	25,277	28,550	24,063	9,181	9,918
Transfers	-	-	-	-	-	-	-	-	-	35,000
Total Business-type program revenues	46,582	33,148	31,251	29,879	25,688	25,277	28,550	24,063	9,181	44,918
Total Primary Government program revenues	\$ 20,302,664	\$ 19,963,240	\$ 19,643,692	\$ 21,686,909	\$ 22,116,295	\$ 23,594,318	\$ 24,148,332	\$ 25,107,796	\$ 24,697,361	\$ 28,474,157
CHANGE IN NET ASSETS/NET POSITION										
Governmental Activities	\$ (973,842)	\$ (1,119,722)	\$ (1,147,461)	\$ 819,956	\$ (4,489,022)	\$ (3,593,587)	\$ 4,149,455	\$ (1,157,410)	\$ (11,248,368)	\$ 1,489,017
Business-type Activities	(522,025)	(571,640)	(782,570)	(1,313,868)	(878,962)	(278,209)	498,028	(424,356)	(1,976,692)	11,416,566
Total Primary Government	\$ (1,495,867)	\$ (1,691,362)	\$ (1,930,031)	\$ (493,912)	\$ (5,367,984)	\$ (3,871,796)	\$ 4,647,483	\$ (1,581,766)	\$ (13,225,060)	\$ 12,905,583

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

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

City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ 178,468	\$ 447,341	\$ 300,952	\$ 220,178	\$ 232,332	\$ 209,353	\$ 222,458	\$ 241,684	\$ 280,986	\$ 269,920
Restricted	-	-	-	-	-	-	-	-	-	66,965
Committed	-	-	-	-	-	-	-	-	-	39,000
Assigned	2,075,738	2,292,495	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Unassigned	4,265,839	4,613,722	5,495,145	5,883,318	6,098,977	6,148,292	6,469,108	6,563,511	5,920,869	9,121,955
Total general fund	\$ 6,520,045	\$ 7,353,558	\$ 7,496,097	\$ 7,803,496	\$ 8,031,309	\$ 8,057,645	\$ 8,391,566	\$ 8,505,195	\$ 7,901,855	\$ 11,197,840
All other governmental funds										
Nonspendable	\$ 1,568,318	\$ 1,547,793	\$ 1,556,347	\$ 2,073,747	\$ 1,597,371	\$ 1,716,825	\$ 1,589,699	\$ 1,624,737	\$ 1,663,979	\$ 1,709,000
Restricted	3,485,073	2,749,396	2,305,385	3,159,130	2,995,610	2,726,754	5,130,188	4,621,126	3,842,461	4,397,502
Assigned	2,055,904	2,087,359	1,729,457	2,146,050	1,373,669	3,510,747	2,619,342	1,823,959	9,764,600	1,907,590
Unassigned	(191,282)	(82,048)	(100,054)	-	-	-	-	-	(1,601,331)	(2,919,404)
Total all other governmental funds	\$ 6,918,013	\$ 6,302,500	\$ 5,491,135	\$ 7,378,927	\$ 5,966,650	\$ 7,954,326	\$ 9,339,229	\$ 8,069,822	\$ 13,669,709	\$ 5,094,688

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 15,506,668	\$ 14,832,027	\$ 14,954,904	\$ 15,830,137	\$ 16,178,761	\$ 16,667,272	\$ 16,877,055	\$ 16,582,030	\$ 17,253,857	\$ 17,700,658
Intergovernmental	9,899,379	9,403,554	9,945,065	12,301,594	11,711,788	10,743,434	13,488,014	15,776,333	16,777,402	18,131,093
Charges for services	2,596,328	2,769,227	2,569,335	2,468,889	3,468,938	3,918,217	4,229,797	4,430,419	4,563,652	4,896,325
Other	3,237,189	2,795,952	3,256,324	4,003,105	3,868,958	4,005,126	5,251,208	5,312,773	5,745,006	5,745,273
Total revenues	<u>31,239,564</u>	<u>29,800,760</u>	<u>30,725,628</u>	<u>34,603,725</u>	<u>35,228,445</u>	<u>35,334,049</u>	<u>39,846,074</u>	<u>42,101,555</u>	<u>44,339,917</u>	<u>46,475,349</u>
Expenditures										
Public representation	867,762	892,113	1,031,984	930,788	1,064,503	1,080,032	1,383,573	1,281,107	1,379,406	1,556,327
Administrative services	515,988	508,130	497,025	554,330	577,454	624,284	537,913	739,301	844,270	783,403
Financial services	2,407,131	2,196,917	2,197,651	2,476,740	2,068,208	2,236,941	2,191,245	2,394,866	2,358,848	4,810,339
Public safety	12,963,122	12,724,094	12,987,898	13,285,004	13,476,557	14,086,619	15,156,977	16,131,196	16,820,356	14,641,568
Public works	2,835,000	2,878,328	2,918,305	2,876,576	2,864,878	3,206,050	3,377,174	4,176,904	4,187,956	3,604,722
Highways, streets and bridges	2,756,010	2,815,337	3,011,611	2,986,909	3,102,391	3,096,875	4,554,968	2,963,498	2,965,598	2,666,529
Community and economic development	2,850,593	2,578,073	2,667,933	2,957,071	5,415,436	3,878,547	3,962,759	2,930,725	4,986,000	5,281,825
Culture and recreation	1,265,743	1,248,174	1,308,481	1,444,471	3,100,338	3,523,178	3,713,177	4,050,986	4,662,534	3,836,817
Other governmental functions	770,910	299,812	643,666	369,408	305,807	280,416	355,241	281,711	371,461	380,232
Debt service										
Principal	289,597	395,211	402,492	417,842	428,199	283,563	288,934	294,313	818,285	2,813,804
Interest	268,315	292,554	278,412	272,946	257,516	211,242	197,723	189,905	543,740	943,216
Issuance costs	-	-	-	-	97,578	-	-	-	-	70,525
Capital outlay	2,948,610	3,230,586	3,577,837	3,992,111	3,867,579	2,328,615	3,134,369	9,363,862	21,498,055	19,695,829
Total expenditure	<u>30,738,781</u>	<u>30,059,329</u>	<u>31,543,295</u>	<u>32,564,196</u>	<u>36,626,444</u>	<u>34,836,362</u>	<u>38,854,053</u>	<u>44,798,374</u>	<u>61,507,034</u>	<u>61,155,361</u>
Excess of revenues over (under) expenditures	500,783	(258,569)	(817,667)	2,039,529	(1,397,999)	497,687	992,021	(2,696,819)	(17,167,117)	(14,680,012)
Other financing sources (uses)										
Transfers in										
Transfers out	510,907	1,356,229	743,035	853,910	1,563,094	1,805,000	1,370,000	1,210,236	2,017,077	895,000
Bonds issued	(613,953)	(784,275)	(771,081)	(942,933)	(1,638,094)	(1,818,000)	(1,385,000)	(1,210,236)	(2,037,077)	(1,555,000)
Sale of capital assets	2,000,000	-	-	-	97,578	-	-	-	21,691,740	7,152,424
Total other financing sources (uses)	<u>113,981</u>	<u>190,263</u>	<u>176,887</u>	<u>244,685</u>	<u>190,957</u>	<u>1,529,325</u>	<u>741,803</u>	<u>1,541,041</u>	<u>491,924</u>	<u>2,908,552</u>
Net change in fund balances	<u>2,511,718</u>	<u>503,648</u>	<u>(668,826)</u>	<u>2,195,191</u>	<u>(1,184,464)</u>	<u>2,014,012</u>	<u>1,718,824</u>	<u>(1,155,778)</u>	<u>4,996,547</u>	<u>(5,279,036)</u>
Debt service as a percentage of noncapital expenditures	2.01%	2.56%	2.43%	2.42%	2.09%	1.52%	1.36%	1.37%	3.40%	9.06%

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

City of Muskegon

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Property Tax	% of Total	Income Tax	% of Total	Intergovernmental	% of Total	Charges for Service	% of Total	Licenses and Permits	% of Total	Fines and Fees	% of Total	Interest and Rent	% of Total	Other	% of Total	Total	% Change
2012	\$ 8,093,864	25.9%	\$ 7,412,804	23.7%	\$ 9,899,379	31.7%	\$ 2,596,328	8.3%	\$ 1,223,034	3.9%	\$ 459,401	1.5%	\$ 307,891	1.0%	1,246,863	4.0%	31,239,564	-5.1%
2013	7,325,555	24.6%	7,506,472	25.2%	9,403,554	31.6%	2,769,227	9.3%	1,238,285	4.2%	435,893	1.5%	267,397	0.9%	854,377	2.9%	29,800,760	-4.6%
2014	7,123,481	23.2%	7,831,423	25.5%	9,945,065	32.4%	2,569,335	8.4%	1,570,137	5.1%	418,691	1.4%	352,153	1.1%	915,343	3.0%	30,725,628	3.1%
2015	7,555,471	21.8%	8,274,666	23.9%	12,301,594	35.5%	2,468,889	7.1%	1,361,721	3.9%	452,004	1.3%	343,105	1.0%	1,846,275	5.3%	34,603,725	12.6%
2016	8,026,859	22.8%	8,151,902	23.1%	11,711,788	33.2%	3,468,938	9.8%	1,443,144	4.1%	459,181	1.3%	455,671	1.3%	1,510,962	4.3%	35,228,445	1.8%
2017	8,056,460	22.8%	8,610,812	24.4%	10,743,434	30.4%	3,918,217	11.1%	1,884,341	5.3%	494,369	1.4%	290,578	0.8%	1,335,838	3.8%	35,334,049	0.3%
2018	8,118,381	20.4%	8,758,674	22.0%	13,488,014	33.9%	4,229,797	10.6%	2,965,599	7.4%	457,172	1.1%	212,069	0.5%	1,616,368	4.1%	39,846,074	12.8%
2019	7,890,357	18.7%	8,691,673	20.6%	15,776,333	37.5%	4,430,419	10.5%	2,452,807	5.8%	488,578	1.2%	757,911	1.8%	1,613,477	3.8%	42,101,555	5.7%
2020	8,116,143	18.3%	9,137,714	20.6%	16,777,402	37.8%	4,563,652	10.3%	2,420,604	5.5%	412,575	0.9%	742,567	1.7%	2,169,260	4.9%	44,339,917	5.3%
2021	8,443,832	18.2%	9,256,826	19.9%	18,131,093	39.0%	4,898,325	10.5%	2,246,375	4.8%	594,813	1.3%	477,559	1.0%	2,426,526	5.2%	46,475,349	4.8%

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					Industrial and Commercial Facilities Assessment Roll					Total Taxable Valuation	Total City	Taxable Value As a Percent Actual		
	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property				Total IFT and CFT	
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	91,720,093	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	488,299,194	61,196,955	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	54,895,389	485,402,580	95,095,912	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	582,860,835	13,0905	93.60%
2017	319,768,625	-	113,497,599	50,381,292	483,647,516	67,760,237	551,407,753	3,692,357	4,627,400	-	-	8,319,757	559,727,510	13,0908	91.38%
2018	331,347,976	-	113,370,852	48,272,032	492,990,860	65,728,440	558,719,300	3,990,263	3,739,800	-	-	7,730,063	566,449,363	13,0899	89.69%
2019	346,233,797	-	120,836,165	48,156,907	515,226,869	61,993,800	577,220,669	6,561,033	3,146,800	-	-	9,707,833	586,928,502	13,0865	87.80%
2020	362,796,641	-	125,649,743	48,231,815	536,678,199	67,398,400	604,076,599	14,874,922	2,612,700	-	-	17,487,622	621,564,221	13,0865	83.40%

Assessed and Equalized Valuation of Property

Year	Ad Valorem Assessment Roll					Industrial and Commercial Facilities Assessment Roll					Total Assessed Valuation	Estimated Actual Value		
	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property			Total IFT and CFT	
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	-	141,238,634	84,084,000	552,548,634	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	328,690,900	-	120,803,800	63,704,200	511,198,900	91,004,400	602,203,300	3,877,300	6,512,600	-	-	10,389,900	612,593,200	1,225,186,400
2015	335,445,400	-	122,235,800	57,024,100	514,705,300	95,084,900	609,790,200	3,149,800	7,772,000	-	-	10,921,800	620,712,000	1,241,424,000
2016	342,767,600	-	122,574,300	52,323,600	517,665,500	74,140,100	591,805,600	3,851,200	5,690,600	-	-	9,541,800	601,347,400	1,202,694,800
2017	363,318,800	-	120,567,210	52,278,900	536,184,910	67,745,200	603,930,110	3,957,900	4,639,600	-	-	8,597,500	612,527,610	1,225,055,220
2018	382,994,200	-	124,938,600	50,130,470	558,063,270	65,713,100	623,776,370	4,017,100	3,739,800	-	-	7,756,900	631,533,270	1,263,066,540
2019	409,745,000	-	135,884,102	51,070,400	586,689,502	61,981,500	658,681,002	6,649,100	3,146,800	-	-	9,795,900	668,476,902	1,336,953,804
2020	461,026,400	-	146,950,200	52,388,900	660,365,500	67,388,800	727,754,300	14,929,600	2,612,700	-	-	17,542,300	745,296,600	1,490,593,200

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

Current Year and Ten Years Ago

Taxpayer	6/30/2021			6/30/2012		
	Taxable Valuation	Rank	Percent of Total Taxable Valuation	Taxable Valuation	Rank	Percent of Total Taxable Valuation
Consumers Energy	\$ 19,074,754	1	2.99%	\$ 53,088,067	1	7.9%
DTE Gas Company	12,833,825	2	2.01%	5,026,600	5	0.8%
James Street Capital Holdings	9,563,718	3	1.50%			
Muskegon SC Holdings LLC	6,066,243	4	0.95%	4,503,400	6	0.7%
Michigan Electric Transmission	4,871,200	5	0.76%	4,381,900	7	0.7%
Glen Oaks Apartments LLC	3,559,381	6	0.56%	4,280,600	8	0.6%
Mercy Health Partners	3,327,016	7	0.52%			
Core Sherman LLC	3,116,500	8	0.49%			
Verplank Port Facility LLC	2,770,017	9	0.43%			
Hinman Lake LLC	2,886,824	10	0.45%			
Adac Plastics				5,648,200	4	0.8%
Esco Company				6,793,300	2	1.0%
GE Aviation				6,695,200	3	1.0%
Sappi (S.D. Warren Co.)				3,943,179	9	0.6%
Lorin Industries				3,825,278	10	0.6%
Total - 10 Largest	68,069,478		10.67%	98,185,724		14.7%
Total - All Other	570,103,144		89.33%	571,318,953		85.3%
	\$ 638,172,622		100.0%	\$ 669,504,677		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
2011	9.5000	0.0749	2.5000	12.0749	2.4000	-
2012	9.5000	0.0789	2.5000	12.0789	2.4000	-
2013	9.5000	0.0865	2.5000	12.0865	2.4000	-
2014	10.0000	0.0875	3.0000	13.0875	2.4000	-
2015	10.0000	0.0869	3.0000	13.0869	2.4000	0.5611
2016	10.0000	0.0905	3.0000	13.0905	2.4000	0.4962
2017	10.0000	0.0908	3.0000	13.0908	2.4000	0.4999
2018	10.0000	0.0899	3.0000	13.0899	2.4000	0.4866
2019	10.0000	0.0865	3.0000	13.0865	2.4000	0.4522
2020	9.9930	0.0824	2.9979	13.0733	2.3997	0.4532

Overlapping - County-Wide Rates

Year	Muskegon County	Intermediate School	Special Education	Vocational Education	Community College	MAISD Gen Ed	Community College Debt
2011	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2012	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2013	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2014	6.6557	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2015	6.6357	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2016	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2017	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2018	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2019	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2020	6.8947	0.4593	2.2968	0.9988	2.2034	0.9992	0.3400

Overlapping - School District

Grand Total

Year	Operating	Debt	Total	State Education	Homestead	Non-Homestead
2011	18.0000	6.2500	24.2500	6.0000	39.3823	57.3823
2012	18.0000	7.1000	25.1000	6.0000	40.2363	58.2363
2013	18.0000	7.1000	25.1000	6.0000	40.2439	58.2439
2014	18.0000	7.6000	25.6000	6.0000	43.0449	61.0449
2015	18.0000	6.8000	24.8000	6.0000	42.7854	60.7854
2016	18.0000	6.3500	24.3500	6.0000	42.5341	60.5341
2017	18.0000	7.6800	25.6800	6.0000	43.8681	61.8681
2018	18.0000	8.3600	26.3600	6.0000	44.5339	62.5339
2019	18.0000	8.3600	26.3600	6.0000	44.4961	62.4961
2020	17.9838	8.3581	26.3419	6.0000	44.4765	62.4603

City of Muskegon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

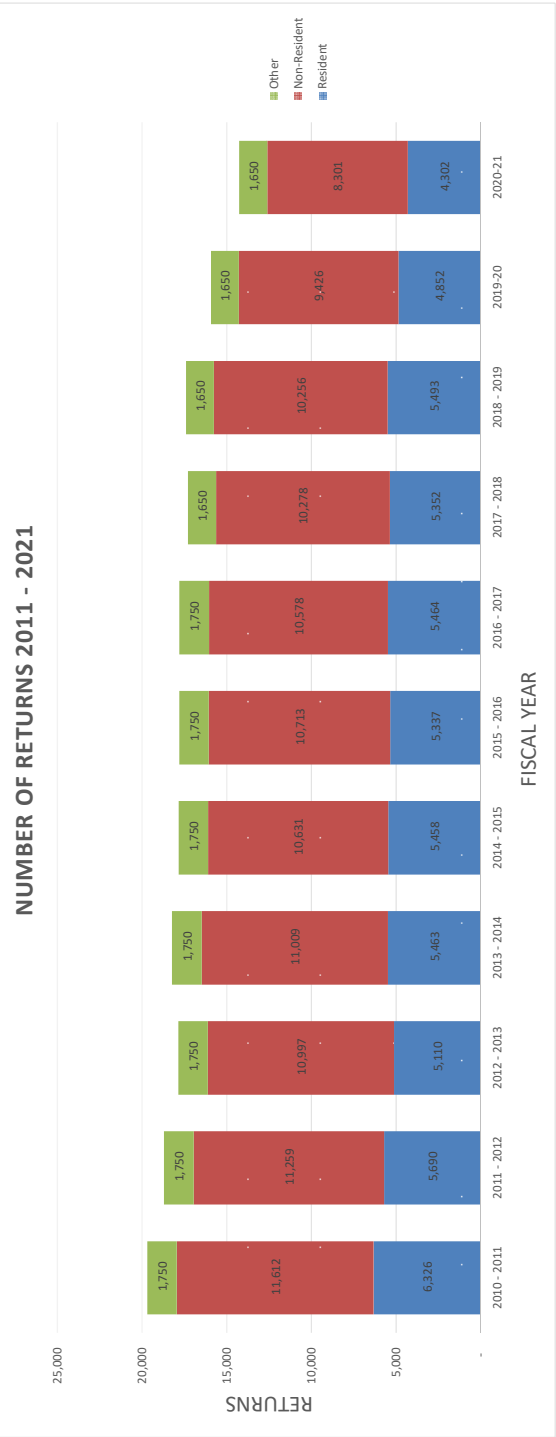
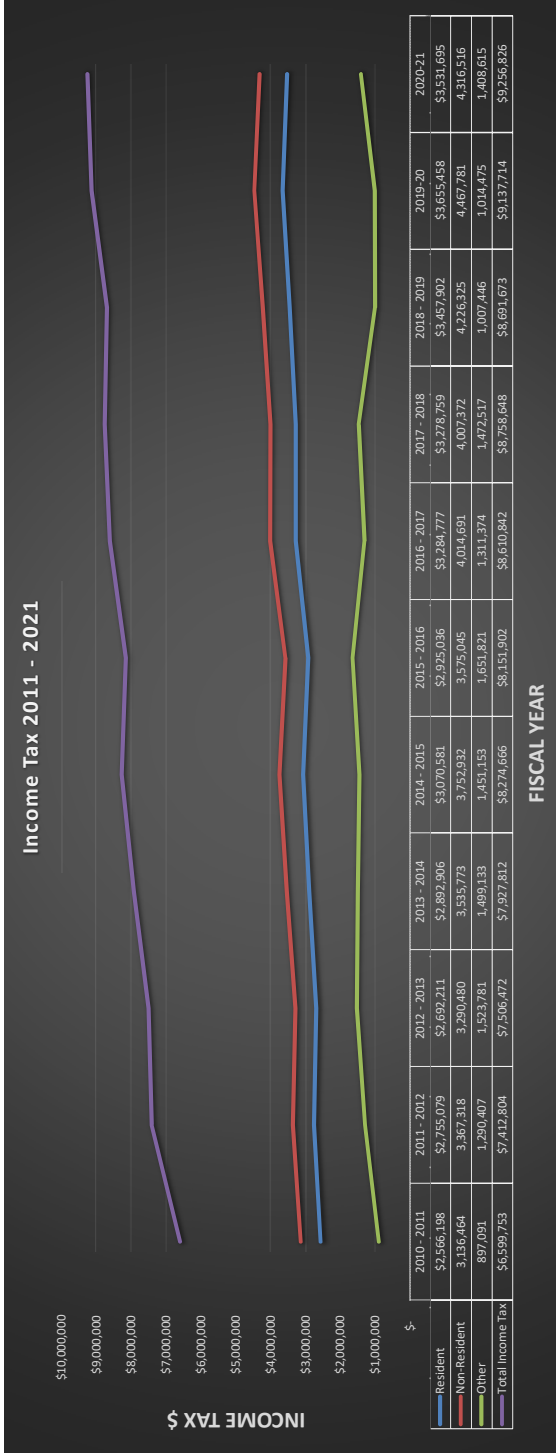
Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as % of Levy	Charge backs			Outstanding Delinquent Specific	Outstanding Delinquent Personal	Percent of Delinquent Taxes to Levy
							On Uncollected Delinquent Taxes	Outstanding Delinquent Taxes	Outstanding Delinquent Specific			
2011	\$ 8,583,284	\$ 7,457,610	86.9%	\$ 1,030,902	\$ 8,488,512	98.9%	\$ 54,707	\$ 80,068	\$ 12,935	1.72%		
2012	7,872,541	6,882,534	87.4%	915,950	7,798,484	99.1%	27,163	68,945	5,113	1.29%		
2013	7,668,166	6,703,147	87.4%	912,362	7,615,509	99.3%	102,713	45,361	7,296	2.03%		
2014	8,032,955	7,069,804	88.0%	917,806	7,987,610	99.4%	57,680	41,074	2,788	1.26%		
2015	8,132,782	7,247,701	89.1%	848,266	8,095,967	99.5%	62,345	33,407	1,862	1.20%		
2016	7,719,829	6,828,816	88.5%	853,639	7,682,455	99.5%	42,063	23,671	1,365	0.87%		
2017	7,633,290	6,776,856	88.8%	795,164	7,572,020	99.2%	51,584	43,665	11,728	1.40%		
2018	9,545,232	8,631,502	90.4%	839,208	9,470,710	99.2%	-	53,873	13,529	0.71%		
2019	9,737,757	8,873,258	91.1%	821,601	9,694,859	99.6%	-	20,987	15,355	0.37%		
2020	9,943,231	9,114,832	91.7%	749,195	9,864,027	99.2%	-	35,111	31,560	0.67%		

SOURCE: City of Muskegon Treasurer' Office

City of Muskegon

TOTAL INCOME TAX COLLECTED AND NUMBER OF RETURNS FILED - GRAPHICAL

Last Ten Fiscal Years



City of Muskegon

TOTAL INCOME TAX COLLECTED AND NUMBER OF RETURNS FILED - DATA

Last Ten Fiscal Years

Income Tax 2011 - 2021

Year	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019-20	2020-21
Resident	\$2,566,198	\$2,755,079	\$2,692,211	\$2,892,906	\$3,070,581	\$2,925,036	\$3,284,777	\$3,278,759	\$3,457,902	\$3,655,458	\$3,531,695
Non-Resident	3,136,464	3,367,318	3,290,480	3,535,773	3,752,932	3,575,045	4,014,691	4,007,372	4,226,325	4,467,781	4,316,516
Other	897,091	1,290,407	1,523,781	1,499,133	1,451,153	1,651,821	1,311,374	1,472,517	1,007,446	1,014,475	1,408,615
Total Income Tax	\$6,599,753	\$7,412,804	\$7,506,472	\$7,927,812	\$8,274,666	\$8,151,902	\$8,610,842	\$8,758,648	\$8,691,673	\$9,137,714	\$9,256,826

Number of Returns 2010-2020

Year	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019-20	2020-21
Resident	6,326	5,690	5,110	5,463	5,458	5,337	5,464	5,352	5,493	4,852	4,302
Non-Resident	11,612	11,259	10,997	11,009	10,631	10,713	10,578	10,278	10,256	9,426	8,301
Other	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,650	1,650	1,650	1,650
Total Returns	19,688	18,699	17,857	18,222	17,839	17,800	17,792	17,280	17,399	15,928	14,253

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Year	Governmental Activities				Business-Type Activities				Total Primary Government	Per Capita
	General Obligation Limited Tax Bonds	Installment Purchase Agreements	State Loans	Total Governmental Activities	Revenue Bonds	State Loans	Total Business-Type Activities	Total Business-Type Activities		
2012	\$ 7,725,000	\$ -	\$ 150,253	\$ 7,875,253	\$ 4,815,000	\$ 10,325,000	\$ 15,140,000	\$ 23,015,253	599	
2013	7,350,000	-	130,042	7,480,042	4,205,000	9,685,000	13,890,000	21,370,042	577	
2014	6,954,535	-	112,550	7,067,085	3,630,728	9,030,000	12,660,728	19,727,813	533	
2015	6,555,436	-	94,708	6,650,144	2,949,368	8,360,000	11,309,368	17,959,512	483	
2016	6,243,903	-	76,509	6,320,412	2,246,962	7,675,000	9,921,962	16,242,374	436	
2017	5,940,903	-	57,946	5,998,849	1,523,661	6,980,000	8,503,661	14,502,510	378	
2018	5,633,903	-	39,012	5,672,915	774,614	6,270,000	7,044,614	12,717,529	331	
2019	5,322,903	-	19,699	5,342,602	-	5,545,000	5,545,000	10,887,602	284	
2020	24,059,753	2,123,804	-	26,183,557	-	6,607,956	6,607,956	32,791,513	854	
2021	30,496,677	-	-	30,496,677	-	9,056,453	9,056,453	39,553,130	1,051	

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, 2021

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	Debt Supported by City General Revenues
Direct Debt			
City of Muskegon:			
Revenue Bonds	\$ 9,056,453	\$ 9,056,453	\$ -
Capital Improvement Bonds	30,496,677	-	30,496,677
Component Unit Debt:			
Local Development Finance Authority	1,352,248	1,352,248	-
Total City Direct Debt	\$ 40,905,378	\$ 10,408,701	\$ 30,496,677

	Gross	City Share as Percent of Gross	Net
Overlapping Debt			
Muskegon School District	\$ 4,965,000	95.65%	\$ 4,749,023
Orchard View School District	37,410,784	17.29%	6,468,325
Reeth's Puffer School District	62,747,604	0.91%	571,003
Hackley Public Library	1,960,000	95.65%	1,874,740
Muskegon County	113,756,041	12.60%	14,333,261
Muskegon Community College	30,230,000	12.66%	3,827,118
Total Overlapping Debt	\$ 251,069,429		31,823,469
Total City Direct and Overlapping Debt			\$ 62,320,146

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

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

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

City of Muskegon
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	\$ 73,585,150	\$ 68,555,700	\$ 61,706,477	\$ 61,510,980	\$ 60,962,090	\$ 61,333,841	\$ 64,124,907	\$ 101,083,635	\$ 108,732,428	\$ 128,830,259
Total net debt applicable to limit	14,375,253	13,655,042	12,847,550	11,969,708	11,313,794	10,290,785	9,240,855	8,510,021	27,943,934	31,848,925
Legal debt margin	\$ 59,209,897	\$ 54,900,658	\$ 48,858,927	\$ 49,541,272	\$ 49,648,296	\$ 51,043,056	\$ 54,884,052	\$ 92,573,614	\$ 80,788,494	\$ 96,981,334
	19.54%	19.92%	20.82%	19.46%	18.56%	16.78%	14.41%	8.42%	25.70%	24.72%
Total net debt applicable to the limit as a percentage of debt limit										
Legal Debt Margin Calculation for 2021:										
Assessed Valuation:										
Legal Debt Limit (10%)	\$ 1,288,302,587									
Total Indebtedness:										
Debt not Subject to Limitation:										
Paid by Special Assessment	\$ 40,905,378									
Revenue Bonds	-									
Debt Subject to Limitation	(9,056,453)									
Legal Debt Margin	<u>31,848,925</u>									
	<u>\$ 96,981,334</u>									

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	
2011	\$ 5,467,785	\$ 3,294,530	\$ 2,173,255	\$ 1,195,000	\$ 451,323	\$ 1,646,323	1.32
2012	5,273,720	3,441,078	1,832,642	1,230,000	410,187	1,640,187	1.12
2013	5,907,784	3,729,276	2,178,508	1,250,000	384,694	1,634,694	1.33
2014	6,109,144	3,511,477	2,597,667	1,295,000	352,634	1,647,634	1.58
2015	6,388,474	3,774,508	2,613,966	1,330,000	320,857	1,650,857	1.58
2016	7,498,376	4,460,076	3,038,300	1,370,000	283,360	1,653,360	1.84
2017	7,449,646	4,997,912	2,451,734	1,405,000	246,434	1,651,434	1.48
2018	7,507,323	4,949,807	2,557,516	1,450,000	203,106	1,653,106	1.55
2019	8,472,413	5,672,522	2,799,891	1,495,000	158,260	1,653,260	1.69
2020	8,417,771	6,374,033	2,043,738	745,000	109,916	854,916	2.39
2021	8,762,308	6,481,996	2,280,312	760,000	107,860	867,860	2.63

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	
2011				No Direct System Indebtedness			
2012				No Direct System Indebtedness			
2013				No Direct System Indebtedness			
2014				No Direct System Indebtedness			
2015				No Direct System Indebtedness			
2016				No Direct System Indebtedness			
2017				No Direct System Indebtedness			
2018				No Direct System Indebtedness			
2019				No Direct System Indebtedness			
2020	\$ 8,399,047	\$ 9,307,397	\$ (908,350)	\$ -	\$ -	\$ -	#DIV/0!
2021	9,298,294	7,481,042	1,817,252	-	3,151	3,151	576.72

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		Building Permits		Unemployment
					Enrollment	Number	Value	Number	
2012	38,225	\$ 752,622,470	\$ 19,689	34.1	5,428	891	\$ 21,932,738	8.5%	
2013	37,046	747,644,037	20,182	34.1	4,367	826	24,613,938	12.0%	
2014	37,213	769,789,707	20,686	34.1	4,808	1,108	54,065,115	9.6%	
2015	37,213	789,034,450	21,203	35.8	4,387	1,102	46,541,966	10.3%	
2016	37,213	808,760,311	21,733	35.8	4,206	1,112	58,924,856	8.3%	
2017	38,349	854,285,543	22,277	35.8	3,985	1,075	78,271,395	4.8%	
2018	38,401	876,830,025	22,834	35.4	3,732	1,202	171,523,877	4.1%	
2019	38,401	898,750,775	23,404	35.4	3,589	1,295	94,667,004	4.2%	
2020	38,401	921,219,545	23,989	36.3	3,625	1,233	92,319,998	17.7%	
2021	37,633	925,365,524	24,589	35.8	3,472	1,266	53,810,437	5.0%	

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

City of Muskegon

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

Employer	2021			2012		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Mercy General Health Partners	4,003	1	34.26%	3,657	1	24.7%
ADAC Automotive	1,168	2	10.00%	592	5	4.0%
County of Muskegon	990	3	8.47%	980	3	6.6%
G.E. Aviation (formerly Johnson Technology Inc.)	624	4	5.34%	327	10	
Port City Group Companies	421	5	3.60%			
KL Outdoors	375	6	3.21%			
Muskegon Public School District	360	7	3.08%	1,570	2	10.6%
Muskegon Area Intermediate School District	355	8	3.04%			
Knoll Inc	270	9	2.31%	450	6	3.0%
Muskegon Community College	214	10	1.83%	446	7	3.0%
State of Michigan				772	4	5.2%
Baker College				400	8	2.7%
SAF Holland USA				335	9	2.3%

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration	0.40	0.40	0.40	-	-	-	-	-	-	-
Affirmative Action	1.10	1.10	1.10	1.30	1.30	1.46	0.40	1.00	1.00	1.00
Cemeteries	1.75	1.25	1.25	1.25	1.25	1.25	1.25	1.25	2.25	2.25
City Clerk & Elections	3.00	3.00	3.00	3.00	3.00	3.54	3.80	3.80	4.80	5.80
City Commission	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Hall Maintenance	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	1.05	1.00
City Manager's Office	2.25	2.25	2.25	2.05	2.05	1.75	2.75	2.75	2.75	3.30
City Treasurer's Office	5.00	5.00	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.30
Civil Service	-	-	-	-	-	-	-	-	-	-
Environmental Services	5.00	5.00	5.00	2.00	2.00	2.00	2.00	-	-	-
Farmers Market	0.05	0.05	0.05	0.05	0.05	-	0.20	1.20	1.20	0.70
Finance Administration	3.00	2.00	2.00	3.00	3.00	3.00	3.60	3.00	3.45	3.70
Fire	35.00	28.00	28.83	32.00	35.00	35.00	35.00	26.00	29.00	29.50
Fire Safety Inspections	6.00	6.00	0.83	-	-	-	-	-	-	-
General Recreation	-	-	-	-	-	-	-	-	-	-
Income Tax Administration	5.00	5.00	4.50	3.50	3.50	3.50	3.50	3.50	3.50	3.70
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.50	3.50	3.50	3.50
Parks	6.05	6.05	6.00	6.00	6.00	7.05	7.05	10.05	10.05	10.05
Planning, Zoning & Economic Development	3.00	3.00	3.00	3.40	3.40	3.45	3.45	5.45	6.00	7.00
Police	88.00	88.00	87.34	88.00	88.00	88.00	88.00	89.00	89.00	91.00
Sanitation	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Senior Transit	0.05	0.05	0.05	-	-	-	-	-	-	-
MVH-Major Streets	11.70	10.70	10.70	10.70	10.70	10.70	10.70	12.20	12.20	13.20
MVH-Local Streets	6.70	6.70	6.70	6.70	6.70	6.70	6.70	7.20	7.20	7.20
Community Development	4.00	4.00	4.00	4.00	4.00	4.00	3.55	3.55	4.30	5.30
Home Program	-	-	-	-	-	-	-	-	-	-
Lead Program	-	-	-	-	-	-	-	-	-	-
Sewer Maintenance	9.75	9.75	9.80	9.80	9.80	9.80	9.80	9.80	10.80	10.95
Water Filtration	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00	12.15
Water Maintenance	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75	12.75	14.90
Hartshorn Marina Fund	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Mercy Health Arena	-	-	-	-	-	-	-	-	3.00	6.00
Public Service Building	7.95	8.45	8.45	8.50	8.50	8.50	8.50	8.50	8.75	8.75
Engineering	4.95	4.95	4.95	4.95	4.95	4.95	4.95	5.95	5.20	4.25
Equipment	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
	241.00	233.00	227.00	228.00	231.00	232.45	233.50	232.50	245.25	257.50

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administrative Services										
Elections										
Number of registered voters	26,324	26,098	26,025	24,014	24,005	24,612	26,136	25,182	28,127	27,889
Number of votes cast:										
Last general election	1,933	13,487	3,029	7,763	2,547	13,179	15,271	11,407	3,105	15,156
Last city election	1,933	2,131	3,029	7,763	2,547	13,179	2,254	1,938	3,105	2,968
Percentage of registered voters voting:										
Last general election	7%	52%	12%	32%	11%	54%	58%	45%	11%	67%
Last city election	7%	8%	12%	32%	11%	54%	9%	8%	11%	12%
Financial Services										
Property Tax Bills	15,261	15,291	15,211	14,528	14,611	14,243	14,229	14,180	15,090	15,117
Income Tax Returns	18,699	17,857	18,222	17,839	17,800	17,792	17,280	17,399	15,928	14,253
Paper Check Issued to Vendors	3,746	1,677	1,404	1,527	1,608	1,675	1,782	1,863	1,946	1,676
Electronic Payments to Vendors	1,334	1,251	1,579	1,471	1,849	1,998	2,104	2,307	2,494	2,465
Public Safety										
Fire Protection										
Number of firefighter and officer positions	36	41	38	35	35	35	23	29	26	29
Number of emergency calls	4,676	4,563	4,354	4,881	4,938	4,895	4,948	5,106	5,147	4,203
Police Protection										
Number of sworn officer positions	79	79	76	76	76	75	79	80	80	89
Part I (Major) Crimes	2,772	2,647	2,240	2,107	1,989	2,816	2,357	1,728	1,621	1,442
Public Works										
Refuse Collected (Tons per Year)	10,153	9,958	10,217	10,512	10,994	11,009	10,801	10,753	11,534	12,289
Recyclables Collected (Tons per Year)	-	-	-	-	-	-	-	-	160	224
Water & Sewer										
Number of consumers	13,109	13,144	13,086	13,223	13,307	13,248	13,104	13,343	13,422	12,660
Average daily water consumption (GPD)	7,700,000	7,651,000	7,666,000	8,293,570	11,027,945	10,947,233	9,559,304	10,867,590	10,674,712	7,570,000
Water main breaks repaired	5	11	30	15	16	12	15	11	17	13
Sewer flows (Millions Gallons per Year)	1,695	1,777	1,833	2,013	1,794	1,815	1,832	2,048	2,138	1,596
Sewer Service Calls	522	508	532	501	521	462	451	443	475	541

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety										
Fire Protection										
Number of stations	3	3	3	3	3	3	3	3	3	3
Police Protection										
Number of stations	1	1	1	1	1	1	1	1	1	1
Highways, Streets and Bridges										
Miles of Streets	196.95	196.95	196.95	196.95	196.95	196.95	196.95	197.19	187.34	187.34
Number of streetlights	2,838	2,838	2,838	2,838	2,900	2,984	2,967	2,930	2,995	2,995
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	2
Sewer										
Sanitary sewers (miles)	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04	176.69
Storm sewers (miles)	184.35	184.35	184.25	184.35	184.35	184.35	184.35	184.35	184.35	147.58
Water										
Water mains (miles)	195.40	195.95	195.95	195.95	195.95	195.95	195.95	195.27	195.27	213.92

SOURCE: City of Muskegon Departments

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

City Commission
City of Muskegon
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muskegon as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Muskegon's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

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

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

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

City Commission
City of Muskegon
Page 2

Compliance and Other Matters

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

Purpose of this Report

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



Muskegon, Michigan
December 9, 2021

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

City Commission
City of Muskegon
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

We have audited City of Muskegon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Muskegon's major federal programs for the year ended June 30, 2021. City of Muskegon's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

City Commission
City of Muskegon
Page 2

Opinion on Each Major Federal Program

In our opinion, City of Muskegon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



Muskegon, Michigan
December 9, 2021

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	CFDA/ Assistance Listing Number	Program or Award Amount	Accrued (Uncearned) Revenue July 1, 2020	Adjustments and Transfers	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Uncearned) Revenue June 30, 2021	Passed Through to Subrecipients	Notes
<i>U.S. Department of Housing and Urban Development</i>									
Direct programs									
CDBG - Entitlement Grants Cluster									
Community Development Block Grants/Entitlement Grants									
B-14-MC-26-0026	14-218	\$ 897,025	-	\$ -	-	\$ 17,403	\$ 17,403	\$ -	
B-16-MC-26-0026		886,662	-	-	1,125	1,125	-	-	
B-17-MC-26-0026		871,542	-	-	3,626	3,626	-	-	
B-18-MC-26-0026		937,658	-	-	126,527	126,527	-	-	
B-19-MC-26-0026		973,451	11,131	-	42,179	39,452	8,404	-	
B-20-MC-26-0026		994,698	-	-	644,566	698,971	54,405	-	
COVID-19 - B-20-MW-26-0026		794,564	-	-	154,883	182,738	27,855	150,000	
Program Income		58,212	-	-	58,212	-	-	-	
Total CDBG - Entitlement Grants Cluster		6,413,812	11,131	-	1,031,118	1,128,054	108,067	150,000	
Home Investment Partnerships Program									
M-15-MC-26-0215	14-239	268,639	-	-	4,334	4,334	-	-	
M-17-MC-26-0215		249,537	-	-	5,343	5,343	-	-	
M-18-MC-26-0215		327,681	-	-	12,421	12,421	-	-	
M-19-MC-26-0215		334,818	7,417	-	22,026	14,609	-	-	
M-20-MC-26-0215		343,362	-	-	16,580	18,361	1,781	-	
Program Income		300,092	-	-	300,092	300,092	-	-	
Total Home Investment Partnerships Program		1,824,129	7,417	-	360,796	355,160	1,781	-	
Total U.S. Department of Housing and Urban Development		8,237,941	18,548	-	1,391,914	1,483,214	109,848	150,000	

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	CFDA/ Assistance Listing Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2020	Adjustments and Transfers	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2021	Passed Through to Subrecipients	Notes
U.S. Department of Justice									
Direct programs									
Coronavirus Emergency Supplemental Funding Program COVID-19 - 2020-YD-BX-1081	16.034	\$ 65,931	\$ 32,602	\$ -	\$ 65,931	\$ 33,329	\$ -	\$ -	
Bulletproof Vest Partnership Program 2018 Grant	16.607	8,876	5,513	-	5,513	-	-	-	
2019 Grant		6,944	-	-	1,838	1,838	-	-	
Edward Byrne Memorial Justice Assistance Grant Program 2018-DJ-BX-0619	16.738	15,820	5,513	-	7,351	1,838	-	-	
2019-DJ-BX-0927		37,971	11,507	-	11,507	-	-	-	
2020-DJ-BX-0470		35,195	463	-	12,795	12,332	-	-	
		32,996	-	-	-	17,866	17,866	-	
		106,162	11,970	-	24,302	30,198	17,866	-	
Criminal and Juvenile Justice and Mental Health Collaboration Program 2019-MO-BX-0006	16.745	100,000	2,221	-	31,185	33,801	4,837	-	
Total direct programs		287,913	52,306	-	128,769	99,166	22,703	-	
Passed through Michigan Department of Health and Human Services Violence Against Women Formula Grants E20203703-00	16.588	73,100	5,108	-	5,108	-	-	-	
E20211656-002		177,934	-	-	61,455	71,420	9,965	-	
		251,034	5,108	-	66,563	71,420	9,965	-	
Passed through Ottawa County Edward Byrne Memorial Justice Assistance Grant Program 2019-MU-BX-0061	16.738	15,000	15,000	-	15,000	-	-	-	
Total U.S. Department of Justice		553,947	72,414	-	210,332	170,586	32,668	-	
U.S. Department of Transportation, National Highway Safety Administration									
Passed through Michigan State Police Highway Safety Cluster National Priority Safety Programs Bicycle and Pedestrian Safety Initiative Grant	20.616	19,944	1,772	-	5,743	3,971	-	-	
U.S. Department of Treasury									
Passed through Michigan Department of Treasury Coronavirus Relief Fund COVID-19 - Coronavirus Relief Local Government Grants COVID-19 - Public Safety and Public Health Payroll Reimbursement Program COVID-19 - First Responder Hazard Pay Premiums Program	21.019	303,760	-	-	303,760	303,760	-	-	
		1,089,599	-	-	1,089,599	1,089,599	-	-	
		100,000	-	-	100,000	100,000	-	-	
Total U.S. Department of Treasury		1,493,359	-	-	1,493,359	1,493,359	-	-	

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	CFDA/ Assistance Listing Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2020	Adjustments and Transfers	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2021	Passed Through to Subrecipients	Notes
<i>Environmental Protection Agency</i>									
Passed through Department of Environment, Great Lakes, and Energy									
Clean Water State Revolving Fund Cluster	66-458	\$ 11,500,000	\$ -	\$ -	\$ 8,592,794	\$ 9,090,488	\$ 497,694	\$ -	3
Capitalization Grants for Clean Water State Revolving Funds		4,715,000	-	-	971,531	1,203,721	232,190	-	
5675-01		16,215,000	-	-	9,564,325	10,294,209	729,884	-	
5679-01									
<i>Drinking Water State Revolving Fund Cluster</i>									
Capitalization Grants for Drinking Water State Revolving Funds									
7449-01	66-468	2,000,000	-	-	848,418	848,418	-	-	3
7446-01		4,225,000	-	-	380,250	380,250	-	-	
		6,225,000	-	-	1,228,668	1,228,668	-	-	
<i>Total Environmental Protection Agency</i>									
		22,440,000	-	-	10,792,993	11,522,877	729,884	-	
<i>U.S. Department of Health and Human Services</i>									
Passed through Michigan Department of Health and Human Services									
Children's Health Insurance Program	93-767	880,005	84,579	-	292,580	208,001	-	-	
E20202333-00		943,785	-	-	416,824	473,114	56,290	-	
E20211485-002									
<i>Total Department of Health and Human Services</i>									
		1,823,790	84,579	-	709,404	681,115	56,290	-	
<i>Department of Homeland Security</i>									
Passed through Federal Emergency Management Agency									
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97-036	27,600	-	-	5,535	5,535	-	-	
TOTAL FEDERAL ASSISTANCE									
		\$ 34,596,581	\$ 177,313	\$ -	\$ 14,609,280	\$ 15,360,657	\$ 928,690	\$ 150,000	

The accompanying notes are an integral part of this statement.

City of Muskegon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2021

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, 2021. 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. Amounts expended reflect drawdown for both the year ended June 30, 2021 and June 30, 2020 in accordance with guidance from the Michigan Department of Environment, Great Lakes, and Energy.
4. 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, 2021 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	\$ 1,667,916
General Fund	1,811,560
Other governmental funds	3,479,476
	11,522,877
Plus drawdowns on federal loans	358,304
Plus program income	358,304
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 15,360,657

City of Muskegon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2021

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? _____ yes X 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:

<u>CFDA/Assistance Listing Number(s)</u>	<u>Name of Federal Program/Cluster</u>
	U.S. Department of Treasury
21.019	• Coronavirus Relief Fund
	Environmental Protection Agency
66.458	• Capitalization Grants for Clean Water State Revolving Funds
66.468	• Capitalization Grants for Drinking Water State Revolving Funds

5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? _____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

CLIENT DOCUMENTS

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

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

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FAX (231)722-1214

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FAX (231)724-4178

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FAX (231)724-6985

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MUSKEGON



West Michigan's Shoreline City
www.shorelinecity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 9, 2021

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

City of Muskegon respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2020 dated December 22, 2020.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: MATERIAL WEAKNESS—Budgetary Process

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

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

Current Status: This recommendation was implemented during the year ended June 30, 2021. No similar finding was reported during the single audit for the year ended June 30, 2021.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Grant', is written over a horizontal line.

Ken Grant
Finance Director

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

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CORRECTIVE ACTION PLAN

December 9, 2021

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

City of Muskegon respectfully submits the following Corrective Action Plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2021

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2021 provided **no** findings in either Section II or Section III. Accordingly, there are **no** matters requiring corrective action as shown below.

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

Sincerely,

Ken Grant
Finance Director

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