

City of Muskegon,
Michigan

Comprehensive Annual Financial Report



For The Fiscal Year Ended June 30, 2015

[This page intentionally left blank.]

**CITY OF MUSKEGON,
MICHIGAN**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2015**

**Prepared By
FINANCIAL SERVICES DIVISION**

**Derrick Smith
Director of Finance**

**Elizabeth Lewis
Assistant Finance Director**

**Kenneth Grant
City Treasurer/Income Tax Administrator**

**James Maurer
Information Systems Director**

**Kathy Coleman
Finance & Payroll Coordinator**

Cover Photo: Muskegon Breakwalls and Channel courtesy of James Maurer

[This page intentionally left blank.]

City of Muskegon

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	5
Certificate of Achievement for Excellence in Financial Reporting	11
Organization Chart.....	12
List of Principal Officials.....	13

FINANCIAL SECTION

Independent Auditors' Report.....	17
Management's Discussion and Analysis.....	20
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	34
Statement of Activities	35
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Governmental Funds Balance Sheet	
to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes	
in Fund Balances.....	38
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures and Changes in Fund Balances to the Statement of	
Activities	39
Proprietary Funds	
Statement of Net Position.....	40
Statement of Revenues, Expenses and Changes in Net Position	41
Statement of Cash Flows.....	42
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities.....	43
Component Units	
Statement of Net Position	44
Statement of Activities	45
Notes to Financial Statements	46
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund.....	76
Budgetary Comparison Schedule—Major Street and Trunkline Fund.....	81
Schedule of Changes in Net Pension Liability and Related Ratios	82
Pension System Schedule of Contributions	83
Schedule of Funding Progress – Retiree Healthcare Plan	84

City of Muskegon

TABLE OF CONTENTS

Other Supplemental Information

Other Governmental Funds

Description of Other Governmental Funds 86

Combining Balance Sheet 88

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances 89

Other Special Revenue Funds

Combining Balance Sheet 90

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances 91

Budgetary Comparison Schedule—Other Special Revenue Funds 92

Other Capital Projects Funds

Combining Balance Sheet 94

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficits)..... 95

Internal Service Funds

Description of Internal Service Funds 97

Combining Statement of Net Position 98

Combining Statement of Revenues, Expenses and
Changes in Fund Net Position..... 99

Combining Statement of Cash Flows 100

Fiduciary Funds

Description of Fiduciary Funds 101

Agency Funds

Combining Statement of Assets and Liabilities 102

Statement of Changes in Assets and Liabilities 103

Component Units

Description of Component Units..... 105

Combining Balance Sheet 106

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position..... 107

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances (Deficits)..... 108

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances (Deficits) to the Statement
of Activities..... 109

Schedule of Indebtedness 111

City of Muskegon

TABLE OF CONTENTS

STATISTICAL SECTION

Financial Trends

Net Assets/Net Position by Component.....	116
Changes in Net Assets/Net Position	117
Fund Balances of Governmental Funds.....	119
Changes in Fund Balances of Governmental Funds	120

Revenue Capacity

Governmental Activities Revenues by Source	121
Taxable, Assessed and Equalized and Estimated Actual Valuation of Property	122
Principal Property Taxpayers	123
Property Tax Rates – Direct and Overlapping Government Units	124
Property Tax Levies and Collections.....	125
Segmented Data on Income Tax Filers, Rates and Liability	126

Debt Capacity

Ratio of Outstanding Debt by Type.....	127
Direct and Overlapping Debt.....	128
Legal Debt Margin Information.....	129
Revenue Bond Coverage	130

Demographic and Economic Information

Demographic and Economic Statistics	131
Principal Employers.....	132

Operation Information

Full-time Equivalent Government Employees	133
Operating Indicators by Function/Program	134
Capital Asset Statistics by Function/Program	135

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Independent Auditors’ Report on Internal Control over Financial

Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	138
---	-----

Independent Auditors’ Report on Compliance for Each Major

Program and on Internal Control over Compliance Required by OMB Circular A-133	140
---	-----

Schedule of Expenditures of Federal Awards.....	143
---	-----

Notes to Schedule of Expenditures of Federal Awards	145
---	-----

Schedule of Findings and Responses	146
--	-----

Client Documents

Summary Schedule of Prior Audit Findings	150
Corrective Action Plan.....	151

[This page intentionally left blank.]

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

Cemetery
(231)724-6783
FAX (231)726-
5617

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

Civil Service
(231)724-6716
FAX (231)724-
4405

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

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

Finance
(231)724-6713
FAX (231)724-
6768

Fire Department
(231)724-6792
FAX (231)724-
6985

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

Inspection
Services
(231)724-6715
FAX (231)728-
4371

Leisure Services
(231)724-6704
FAX (231)724-
1196

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

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



October 29, 2015

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, 2015.

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, 2015. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

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

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



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

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

Local economy

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

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

- Michigan Adventure, located north of the City, is the largest amusement park complex in Michigan. The City provides water to both the amusement park and the water park located on the site.
- Muskegon is the eastern terminus for the high speed cross-lake ferry. Connecting Muskegon with Milwaukee, Wisconsin, the *Lake Express* service ferries 100,000-plus passengers each season between the two cities. 2015 marks the ferry service's twelfth successful year of operations.
- Muskegon is home to the annual Miss Michigan pageant.
- Pere Marquette beach is nationally recognized as one of the best beaches in the nation and is the only beach in Michigan to receive and maintain the Blue Wave Certification by the Clean Beaches Council. The Blue Wave certification identifies the nation's cleanest, safest and most environmentally well-managed beaches.
- Muskegon is home to successful summertime festivals that attract thousands of visitors to the community. These include the *Unity Christian Music Festival* in August and *Irish Fest* in September. A new festival began in 2015, *Rebel Road*, which attracted motorcycle enthusiasts to the City in July.
- Muskegon is the cultural hub for west Michigan with numerous museums and live performances. The Muskegon Museum of Art has one of the best art collections in the Midwest, and the Muskegon

MUSKEGON



West Michigan's Shoreline City
www.shorelinecity.com

County Museum provides insight into the area's history. The former residences of Muskegon's lumber barons, Charles H. Hackley and Thomas Hume, proudly display the glory of the Victorian age. The Fire Barn Museum takes visitors back to an 1890's Muskegon Fire Station. The West Shore Symphony and Muskegon Civic Theater bring the stage of the Frauenthal Center for the Performing Arts to life throughout the year.

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

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

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

The local economy has seen a reduction in the unemployment rate which stood at 5.8 percent at the end of the second quarter of 2015 compared with 7.2 percent at the end of the second quarter of 2014. According to the September 2015 Business Outlook prepared by the *W.E. Upjohn Institute for Employment Research*:

"The area's economic indicators were mixed, suggesting continued soft employment conditions. The rate of new dwelling units increased, and initial claims for unemployment insurance also increased. Although an increase of unemployment insurance claims is unwelcome, it bears noting that claims remain at historic lows."

The City fully recognizes the magnitude of financial challenges it faces due to the pending loss of its largest property tax payer. Thus, we have attempted to position ourselves to be in as strong of a position as possible considering this impending challenge. For example, the City's General Fund balance is healthy, and both pension and retiree healthcare costs have been kept under control while debt has been reduced.



Long-term financial planning and major initiatives

Unrestricted fund balance (the total of the assigned and unassigned components of fund balance) in the general fund at year end was 30.5 percent of total general fund revenues. This amount was well above the policy guidelines set by the Commission for budgetary and planning purposes (i.e., 13% of total actual general fund revenue for the preceding year). Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns.

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

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

Among the City's major initiatives and accomplishments in fiscal year 2014-15 were the following:

- Construction was completed on the infrastructure and the first home of the proposed \$12 million Terrace Point Landing housing development that will consist of 70 new homes in downtown Muskegon on 10.75 acres of land adjacent to Muskegon Lake. 28 of the homes will be built on the lake with options for private boat docks;
- Construction of two new Heritage Square Townhomes was completed using \$500,000 in financing from the City. This was done to restart construction at a previously stalled private development;
- Muskegon Community College (MCC) purchased the former Muskegon Chronicle property in the City's downtown. MCC budgeted \$7.2 million for site acquisition, design and renovation. The renovation of the approximately 80,000 square foot building is in process which is planned to house MCC's Applied Technology, Entrepreneurial Studies and Experiential Learning departments;
- The City is actively participating in industrial port redevelopment efforts which have been underway with various partners. This is a collaborative effort in public private partnership involving a number of public organizations as well as some private businesses;



- Activity at the new Farmers' Market has continued to exceed expectations. The Farmers' Market Kitchen (Kitchen 242) held a Grand Opening in May 2015. The kitchen is for entrepreneurs looking to start their own food-related business as well as others who may need a big kitchen or want to host classes. The certified commercial-sized kitchen can be rented for the preparation and storage of packaged food;
- In June 2015, the City took over management operation of the L.C. Walker Arena in downtown Muskegon. The City took this as an opportunity to draw up an owner/tenant business model and entered into a lease agreement with the arena's anchor tenant, the Lumberjacks hockey team.

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, 2014. This was the 29th consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

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

MUSKEGON



West Michigan's Shoreline City
www.shorelinecity.com

The preparation of this report would not have been possible without the skill, effort, and dedication of the Finance Division, Assistant Finance Director Elizabeth Lewis 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", with a stylized flourish at the end.

Frank Peterson
City Manager

A handwritten signature in black ink, appearing to read "Derrick Smith", with a stylized flourish at the end.

Derrick Smith
Finance Director



Government Finance Officers Association

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

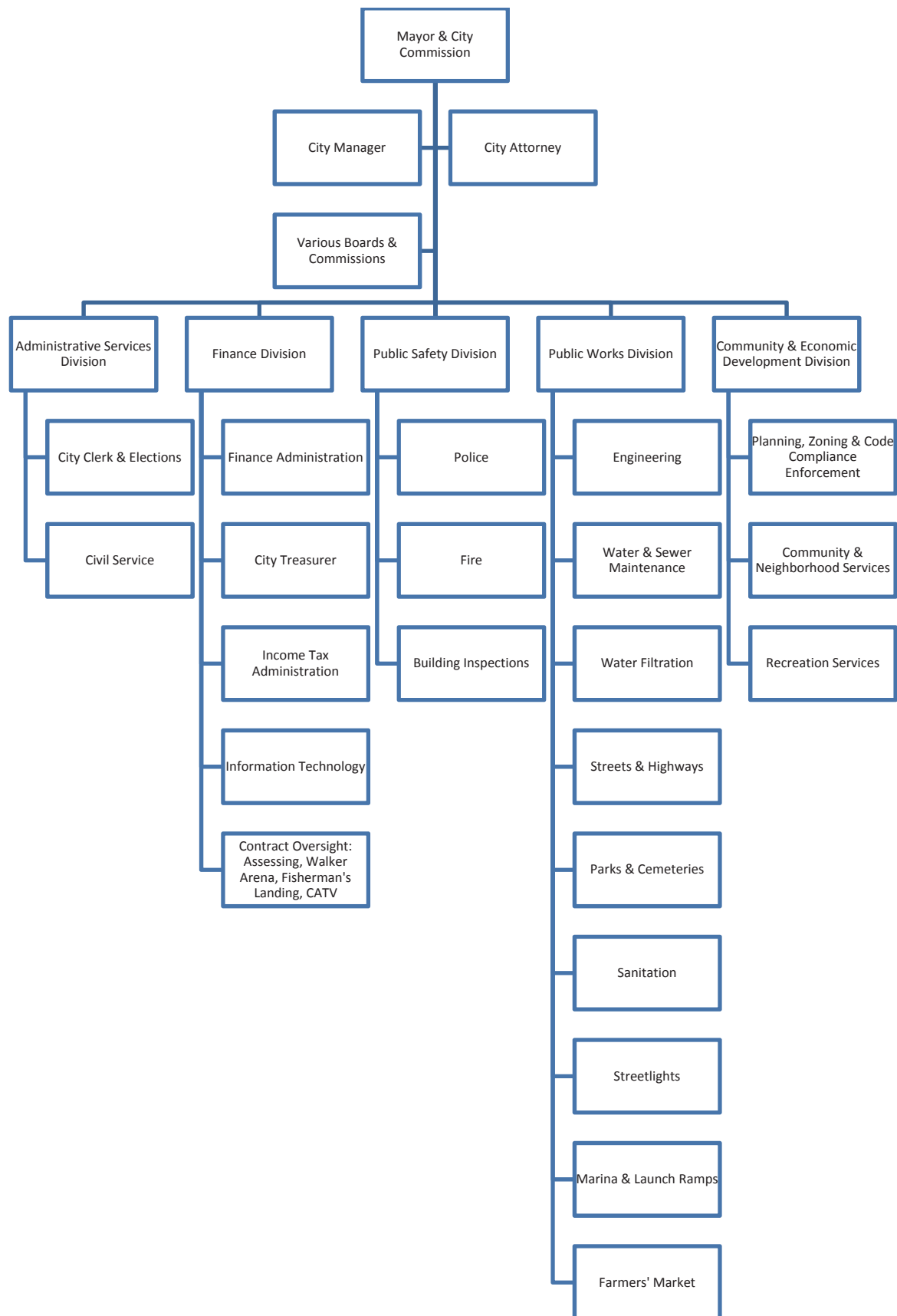
Presented to

**City of Muskegon
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



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

June 30, 2015

ELECTED OFFICIALS

Mayor. Stephen J. Gawron
At Large

Vice Mayor-Commissioner. Lawrence O. Spataro
Ward 3

Commissioner. Eric Hood
Ward 1

Commissioner. Willie German
Ward 2

Commissioner. Byron Turnquist
Ward 4

Commissioner. Ken Johnson
At Large

Commissioner. Dan Rinsema-Sybenga
At Large

APPOINTED OFFICIALS

City Manager. Frank Peterson

City Attorney. John C. Schrier

Director of Finance. Derrick Smith

[This page intentionally left blank.]

FINANCIAL SECTION

[This page intentionally left blank.]

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

October 29, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

678 Front Ave., NW Suite 230
Grand Rapids, MI 49504
PHONE (616) 742-1300
FAX (616) 742-1318

316 Morris Ave., Suite 500, P.O. Box 999
Muskegon, MI 49443
PHONE (231) 726-5800
FAX (231) 722-0260
www.brickleydelong.com

907 S. State St., P.O. Box 331
Hart, MI 49420
PHONE (231) 873-1040
FAX (231) 873-0602

City Commission
October 29, 2015
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan, as of June 30, 2015, 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.

Emphasis of Matter – Change in Accounting Principle

As described in Note K to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison schedules, schedule of changes in net pension liability and related ratios, pension system schedule of contributions, and schedule of funding progress – retiree healthcare plan on pages 20 through 32 and 76 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

City Commission
October 29, 2015
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.

Brickley De Long, P.C.

Muskegon, Michigan

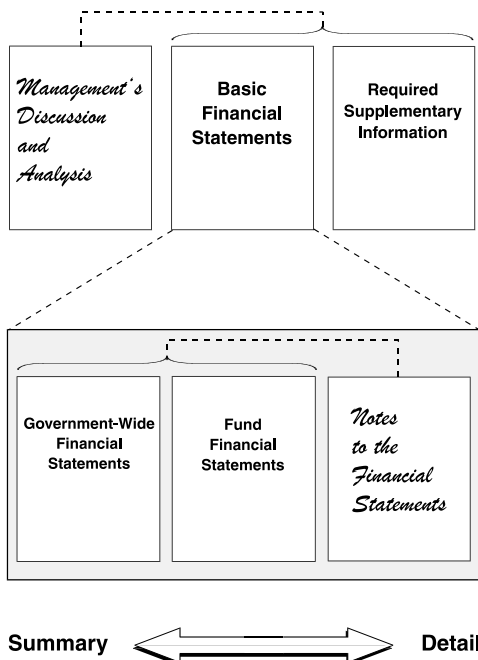
2015 MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. 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 \$115,068,399 as of June 30, 2015. Of the City's total net position, \$6,915,454 (6.0%) was unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total combined net position decreased by \$493,912 during the year ended June 30, 2015.
- The City's governmental funds reported combined ending fund balance of \$15,182,423, an increase of \$2,195,191 (16.9%) from the prior year.
- The City's General Fund reported a total fund balance of \$7,803,496, an increase of \$307,399 from the prior year balance of \$7,496,097. The favorable increase is primarily the result of higher than anticipated income taxes, conservative budgeting and tight budget controls.

OVERVIEW OF THE FINANCIAL STATEMENTS



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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting individual City operations in greater detail than the government-wide statements.

- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains available for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about activities the City operates *like private businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

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

Government-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee and are intended to be self-supporting are generally reported in proprietary funds. The City uses three proprietary funds: water, sewer, and marina and launch ramp. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- The City uses *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

- *Component units* – Finally, the City of Muskegon's Comprehensive Annual Financial report includes five component units: the Downtown Development Authority (DDA), the Tax Increment Finance Authority (TIFA), the Local Development Finance Authority (LDFA) and, the Brownfield Redevelopment Authority (BRA 1 and BRA 2). Component units are separate legal entities for which the City of Muskegon has some level of financial accountability. The component units of the City exist primarily for the issuance and repayment of debt to finance projects in specific areas of the City. Accordingly, they are discussed below under the *Capital Assets and Debt Administration* heading.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The Statement of Net Position provides an overview of the City's assets/deferred outflows of resources, liabilities/deferred inflow of resources and net position. Over time this can provide a good indicator of the City's fiscal health. The total net position of the City was \$115,068,399 as of June 30, 2015. This is a decrease of \$493,912 from reported net position for the prior year. An overview of the City's net position follows:

City's Net Position (In Thousands of Dollars)							
	Governmental Activities		Business-Type Activities		Total		Percentage Change
	6/30/2015	6/30/2014*	6/30/2015	6/30/2014*	6/30/2015	6/30/2014*	
Current and other assets	\$24,046	\$18,801	\$9,160	\$10,038	\$33,206	\$28,839	15.14%
Capital assets	70,165	70,798	50,541	52,026	120,706	122,824	-1.72%
Deferred outflows of resources	1,575	486	109	34	1,684	520	223.85%
Total Assets and Deferred Outflows of Resources	95,786	90,085	59,810	62,098	155,596	152,183	2.24%
Long-term liabilities	20,897	19,184	10,990	12,249	31,887	31,433	1.44%
Other liabilities	6,075	2,907	2,566	2,281	8,641	5,188	66.56%
Total Liabilities	26,972	22,091	13,556	14,530	40,528	36,621	10.67%
Net Position							
Net investment in capital assets	63,515	63,731	39,231	39,365	102,746	103,096	-0.34%
Restricted	4,807	4,024	600	600	5,407	4,624	16.94%
Unrestricted	492	239	6,423	7,603	6,915	7,842	-11.82%
Total Net Position	\$68,814	\$67,994	\$46,254	\$47,568	\$115,068	\$115,562	-0.43%

*As restated

The bulk of the City's net position (\$102,745,914 or 89%) represents investments in capital assets net of accumulated depreciation, less the remaining balance of debt issued to acquire those assets. These infrastructure assets are used to provide public services to citizens and are not available for spending.

Another 4.7% (\$5,407,031) of the City's net position are legally restricted as to use. Unrestricted net position (\$6,915,454) represents assets that may be used to meet the

City's operating needs and ongoing obligations. The City's unrestricted net position decreased (\$927,164) during the year.

Effective July 1, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68 which is an accounting change that requires the recording of a net pension liability to be reported in the financial statements of state and local governmental employers. For the fiscal year ended June 30, 2015, the first year of the accounting change, the impact of GASB 68 on the City's financial statements was a total of \$14,607,785 being recorded as a net pension liability. See Note K of the notes to the basic financial statements for additional information on the impact of this accounting change on the City's financial statements.

Changes in net position. The City's total revenues were \$48,194,600 for the year ended June 30, 2015. This represents a 9.5% increase over total revenues collected during the prior fiscal year. About 36% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 11% came from grants from the state and federal governments and 34% 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, 2015 was \$48,688,512. This represents a 6% increase from reported expenses for the last fiscal year ended June 30, 2014. 70% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 30% 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 \$819,956 while net position for business-type activities decreased by \$1,313,868. For governmental activities, these changes represent the impact of the City seeing signs of economic recovery and receiving additional capital grants and contributions for projects that took place during the year. For business-type activities, the changes represent the impact of higher operational costs.

Changes in City's Net Position

(In thousands of dollars)

	Governmental		Business-Type		Total		Percentage
	Activities		Activities				
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014	Change
Program revenues							
Charges for services	\$4,470	\$5,007	\$12,995	\$12,962	\$17,465	\$17,969	-2.80%
Operating grants and contributions	5,071	4,664	-	-	5,071	4,664	8.73%
Capital grants and contributions	3,497	1,408	475	327	3,972	1,735	128.93%
General revenues							
Property taxes	7,894	7,383	-	-	7,894	7,383	6.92%
Income taxes	8,478	7,763	-	-	8,478	7,763	9.21%
State shared revenues	3,989	3,813	-	-	3,989	3,813	4.62%
All other	1,296	654	30	31	1,326	685	93.58%
Total revenues	34,695	30,692	13,500	13,320	48,195	44,012	9.50%
Governmental activities expenses							
Public representation	940	1,030	-	-	940	1,030	-8.74%
Administrative services	615	544	-	-	615	544	13.05%
Financial services	2,548	2,171	-	-	2,548	2,171	17.37%
Public safety	14,243	12,947	-	-	14,243	12,947	10.01%
Public works	3,184	3,361	-	-	3,184	3,361	-5.27%
Highways, streets and bridges	7,166	7,053	-	-	7,166	7,053	1.60%
Community and economic development	2,712	2,418	-	-	2,712	2,418	12.16%
Culture and recreation	1,807	1,671	-	-	1,807	1,671	8.14%
General administration	389	368	-	-	389	368	5.71%
Interest on long-term debt	271	277	-	-	271	277	-2.17%
Business-type activities expenses							
Sewer	-	-	8,461	7,582	8,461	7,582	11.59%
Water	-	-	6,047	6,016	6,047	6,016	0.52%
Marina and launch ramp	-	-	306	504	306	504	-39.29%
Total expenses	33,875	31,840	14,814	14,102	48,689	45,942	5.98%
Change in net position	820	(1,148)	(1,314)	(782)	(494)	(1,930)	-74.40%
Net position at beginning of year *	67,994	81,715	47,568	49,124	115,562	130,839	-11.68%
Net position at end of year	\$68,814	\$80,567	\$46,254	\$48,342	\$115,068	\$128,909	-10.74%

*As restated

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, 2015 was \$33,874,769.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was \$16,372,420, or about 48% of the total.
- The remaining cost was paid by user charges to those directly benefitting from the programs or by state and federal grants and contributions.

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

	Total Cost of Services			Net Cost of Services		
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>% Change</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>% Change</u>
Governmental activities						
Public safety	\$14,243	\$12,947	10.01%	\$12,926	\$11,344	13.95%
Public works	3,184	3,361	-5.27%	2,612	2,563	1.91%
Highways, streets and bridges	7,166	7,053	1.60%	(79)	2,292	-103.45%
Community and economic development	2,712	2,418	12.16%	997	561	77.72%
Culture and recreation	1,807	1,671	8.14%	1,424	1,123	26.80%
All other	4,763	4,389	8.52%	2,957	2,877	2.78%
Total governmental activities	\$33,875	\$31,839	6.39%	\$20,837	\$20,760	0.37%

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, 2015, the City's total business-type activities realized an overall decrease in net position of \$1,313,868.

Sewer Fund net position decreased \$1,568,507 primarily as result of increased County wastewater treatment rates. The Water Fund saw a net position increase of \$372,599. This is primarily attributable to managing costs while adding Fruitport Township and the City of Norton Shores as wholesale customers. Marina and Launch Ramp Fund net position decreased \$48,636 due to the higher costs of operations.

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, 2015 were the General Fund and the Major Street and Trunkline Fund.

General Fund Highlights

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

Year Ended	Year-End Fund Balance	Year-to-Year % Change	Prior Year's Revenues	Fund Balance as a % of Prior Year Revenues (Policy Target=13%)
6/30/2015	\$7,803,496	4.10%	\$23,960,758	32.57%
6/30/2014	7,496,097	1.94%	23,407,409	32.02%
6/30/2013	7,353,558	17.95%	24,122,760	30.48%
6/30/2012*	6,234,397	3.71%	24,027,329	25.95%
6/30/2011	6,011,382	-0.45%	23,472,251	25.61%

*As restated

For the year ended June 30, 2015, General Fund revenues were \$427,474 higher than the final amended budget estimate. This variance is primarily due to higher than expected local income tax revenues.

General Fund expenditures were \$608,522 lower than projected in the final amended budget. Most city departments spent less than expected due to a combination of 1) tight budget controls, 2) conservative budget projections and, 3) position turnover and the accompanying lag in replacement hiring time.

Major Street and Trunkline Fund Highlights

The Major Street and Trunkline Fund accounts for all of the City's street construction and maintenance activities on its primary road system. Primary funding comes from the State of Michigan. For the year ended June 30, 2015, the fund balance of the Major Street and Trunkline Fund increased \$899,796 which is attributable to an increase in federal and state funding for street projects during the year as well as a transfer of \$500,000 from the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the City had invested \$120,705,426 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is a decrease of \$2,118,685 from capital assets reported as of June 30, 2014. The decrease is due to normal depreciation of assets offset by current year additions. Note E of the notes to the basic financial statements provides detailed information on the City's capital asset investment.

Long-Term Debt

At June 30, 2015, the City had \$19,301,626 in bonds and other long-term obligations outstanding. This represents a 7.9% decrease from the prior year. The City did not issue any new debt during the fiscal year.

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

Bond Ratings

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

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

	Governmental		Business-Type				
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>		Percentage
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
Due w ithin one year	\$632	\$603	\$1,390	\$1,352	\$2,022	\$1,955	3.43%
Due in more than one year	<u>7,239</u>	<u>7,572</u>	<u>10,041</u>	<u>11,441</u>	<u>17,280</u>	<u>19,013</u>	<u>-9.11%</u>
Total bonds & other obligations	\$7,871	\$8,175	\$11,431	\$12,793	\$19,302	\$20,968	-7.95%

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 \$5,637,821 at year-end as shown in the table below. This represents a decrease of 10.3% 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 G to the basic financial statements and is summarized as follows:

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

	Downtown Development Authority		Local Development Finance Authority		Total		Percentage
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
Due within one year	\$300	\$285	\$335	\$320	\$635	\$605	4.96%
Due in more than one year	<u>1,655</u>	<u>1,960</u>	<u>3,348</u>	<u>3,718</u>	<u>5,003</u>	<u>5,678</u>	-11.89%
Total bonds & other obligations	\$1,955	\$2,245	\$3,683	\$4,038	\$5,638	\$6,283	-10.27%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2015-16 capital budget anticipates spending \$10,005,500 for capital projects, consisting of street improvements, water and sewer system improvements, scheduled equipment replacements, and a new market rate housing construction initiative. These improvements will be funded by anticipated grants (\$3,355,000), revenues generated from operations and fund balance. No new debt issuance is planned.

From an operating standpoint, the City's 2015-16 budget will be relatively stable while the City is striving to maintain a healthy fund balance in an attempt to allow time to plan for and address economic challenges with a long-term solution:

- The full-time personnel complement will be increased from 228 positions to 231 positions for a net gain of 3.
- 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).
- The City has budgeted \$1,011,800 from the Public Improvement Fund for use in constructing market rate houses as part of the neighborhood housing program to help improve housing stock and stabilize values.

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

Local Income Tax

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

Income tax revenues increased 5.7% from \$7,831,423 for the year ended June 30, 2014 to \$8,274,666 for the year ended June 30, 2015. For 2015-16, the City has conservatively estimated income tax revenue to be \$7,830,000.

Year	City Income Tax Revenues	Percent Change
6/30/2015	\$8,274,666	5.7%
6/30/2014	7,831,423	4.3%
6/30/2013	7,506,472	1.3%
6/30/2012	7,412,804	12.3%
6/30/2011	6,599,753	96.0%

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 2015-16, the City tax levy will be at 10 mills for general operations and 3 mills for sanitation service. We project that \$7,389,000 in total property tax revenue will be collected during fiscal year 2015-16.

Based on recent data from the County Equalization Department, there is a slight increase in taxable values for 2015. However, the B.C. Cobb Plant is scheduled to go out of service in April 2016 which could create a property tax decline in the future.

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 16% of total General Fund revenue. The City's state shared revenue allocation is made up of two parts. The constitutional component is a fixed percentage of total state sales tax collections that is allocated to cities on a per capita basis and that cannot be reduced by the legislature. The non-constitutional component is determined by a complex formula and is subject to adjustment through the State's annual budget process. Both components depend, of course, on overall state sales tax collections. The City's recent state shared revenue history is summarized below:

Year	State Shared Revenues	Percent Change
6/30/2015	\$3,889,178	2.0%
6/30/2014	3,813,221	3.0%
6/30/2013	3,700,971	3.4%
6/30/2012	3,577,848	-7.0%
6/30/2011	3,846,859	110.0%

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

For 2015-16, the City projects \$4,011,659 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
6/30/2015	\$3,592,756	1.0%
6/30/2014	3,556,507	10.8%
6/30/2013	3,208,769	1.0%
6/30/2012	3,176,984	-2.4%
6/30/2011	3,256,430	87.0%

The state legislature is currently considering a major overhaul of the transportation funding system. However, at this time, the City is not projecting any significant change in street revenues for fiscal year 2015-16.

Water and Sewer Fees

From a government-wide entity perspective, combined water and sewer fees represent one of the City's largest income streams, totaling \$12,350,163 during the year ended June 30, 2015. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. Water rates are currently

planned to remain unchanged. The City began providing treated water to the City of Norton Shores and Fruitport Charter Township in May 2015. The addition of these two new large municipal customers allows the spreading of water treatment costs over a larger customer base while remaining well within the plant's rated treatment capacity.

Due to the impact of continued increases in wastewater treatment charges from the Muskegon County Wastewater Treatment System, the City Commission passed a resolution effective July 1, 2015, 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, 2015

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and investments	\$ 17,329,533	\$ 5,262,750	\$ 22,592,283	\$ 188,830
Assets managed by others	1,010,789	-	1,010,789	-
Receivables	2,557,172	1,708,256	4,265,428	-
Due from other governmental units	1,766,381	166,431	1,932,812	-
Internal balances	(1,169,526)	1,169,526	-	-
Inventories	24,160	152,455	176,615	-
Prepaid items	526,594	101,323	627,917	-
Total current assets	22,045,103	8,560,741	30,605,844	188,830
Noncurrent assets				
Restricted cash and investments	-	599,500	599,500	-
Advances to component units	1,336,201	-	1,336,201	-
Special assessments receivable, less amounts due within one year	67,763	-	67,763	-
Notes receivable, less amounts due within one year	597,186	-	597,186	-
Capital assets, net				
Nondepreciable	16,166,256	605,360	16,771,616	400,000
Depreciable	53,998,579	49,935,231	103,933,810	1,798,418
Total noncurrent assets	72,165,985	51,140,091	123,306,076	2,198,418
Total assets	94,211,088	59,700,832	153,911,920	2,387,248
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	1,574,591	109,463	1,684,054	-
Total assets and deferred outflows of resources	95,785,679	59,810,295	155,595,974	2,387,248
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	3,378,597	606,656	3,985,253	22,327
Due to other governmental units	32,095	568,696	600,791	18,058
Unearned revenues - unused Farmers Market tokens	95,019	-	95,019	-
Unearned revenues - expenditure-driven grants	1,937,101	-	1,937,101	-
Bonds and other obligations, due within one year	631,599	1,390,300	2,021,899	635,000
Total current liabilities	6,074,411	2,565,652	8,640,063	675,385
Noncurrent liabilities				
Advances from primary government	-	-	-	1,336,201
Bonds and other obligations, less amounts due within one year	7,238,853	10,040,874	17,279,727	5,002,821
Net pension liability	13,658,279	949,506	14,607,785	-
Total noncurrent liabilities	20,897,132	10,990,380	31,887,512	6,339,022
Total liabilities	26,971,543	13,556,032	40,527,575	7,014,407
NET POSITION				
Net investment in capital assets	63,514,691	39,231,223	102,745,914	(1,484,228)
Restricted				
Highways, streets and bridges	3,121,296	-	3,121,296	-
Debt service	-	599,500	599,500	-
Law enforcement	158,321	-	158,321	-
Perpetual care				
Expendable	65,945	-	65,945	-
Non-expendable	1,460,607	-	1,460,607	-
Other purposes	1,362	-	1,362	-
Unrestricted	491,914	6,423,540	6,915,454	(3,142,931)
Total net position	\$ 68,814,136	\$ 46,254,263	\$ 115,068,399	\$ (4,627,159)

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
Public representation services	\$ 939,907	\$ 188,638	\$ -	\$ -	\$ (751,269)	\$ -	\$ (751,269)	\$ -
Administrative services	614,757	415,308	12,600	-	(186,849)	-	(186,849)	-
Financial services	2,547,766	823,547	316,323	-	(1,407,896)	-	(1,407,896)	-
Public safety	14,243,233	1,218,644	98,842	-	(12,925,747)	-	(12,925,747)	-
Public works	3,183,627	571,426	-	222	(2,611,979)	-	(2,611,979)	-
Highways, streets and bridges	7,165,703	258,475	3,554,261	3,432,126	79,159	-	79,159	-
Community and economic development	2,712,131	576,863	1,074,444	64,275	(996,549)	-	(996,549)	-
Culture and recreation	1,806,790	368,168	14,769	-	(1,423,853)	-	(1,423,853)	-
General administration	389,248	48,764	-	-	(340,484)	-	(340,484)	-
Interest on long-term debt	271,607	-	-	-	(271,607)	-	(271,607)	-
Total governmental activities	33,874,769	4,469,833	5,071,239	3,496,623	(20,837,074)	-	(20,837,074)	-
Business-type activities								
Sewer	8,460,509	6,363,808	-	474,681	-	(1,622,020)	(1,622,020)	-
Water	6,047,244	6,375,869	-	-	-	328,625	328,625	-
Marina and launch ramp	305,990	255,638	-	-	-	(50,352)	(50,352)	-
Total business-type activities	14,813,743	12,995,315	-	474,681	-	(1,343,747)	(1,343,747)	-
Total primary government	<u>\$ 48,688,512</u>	<u>\$ 17,465,148</u>	<u>\$ 5,071,239</u>	<u>\$ 3,971,304</u>	(20,837,074)	(1,343,747)	(22,180,821)	-
Component units								
Local Development Finance Authority - SmartZone	\$ 256,203	\$ -	\$ -	\$ 327,000	-	-	-	70,797
Downtown Development Authority	39,214	-	-	70,000	-	-	-	30,786
Tax Increment Finance Authority	38,000	-	-	-	-	-	-	(38,000)
Brownfield Redevelopment Authority I	53,953	-	-	-	-	-	-	(53,953)
Brownfield Redevelopment Authority II	132,180	-	-	-	-	-	-	(132,180)
Total component units	<u>\$ 519,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,000</u>	-	-	-	(122,550)
General revenues								
Property taxes					7,894,189	-	7,894,189	623,579
Income taxes					8,478,231	-	8,478,231	-
Cable franchise agreement					369,965	-	369,965	-
Grants and contributions not restricted to specific programs					3,989,178	-	3,989,178	-
Unrestricted investment earnings					99,733	29,879	129,612	1,211
Miscellaneous					805,432	-	805,432	-
Gain on sale of capital asset					20,302	-	20,302	-
Total general revenues					21,657,030	29,879	21,686,909	624,790
Change in net position					819,956	(1,313,868)	(493,912)	502,240
Net position at July 1, 2014, as restated					67,994,180	47,568,131	115,562,311	(5,129,399)
Net position at June 30, 2015					<u>\$ 68,814,136</u>	<u>\$ 46,254,263</u>	<u>\$ 115,068,399</u>	<u>\$ (4,627,159)</u>

The accompanying notes are an integral part of this statement.

City of Muskegon
BALANCE SHEET
 Governmental Funds
 June 30, 2015

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 6,980,164	\$ 4,649,428	\$ 2,667,929	\$ 14,297,521
Assets managed by others	-	-	1,010,789	1,010,789
Receivables				
Accounts and loans (net of allowance for uncollectibles)	133,763	796	980,021	1,114,580
Property taxes	73,027	-	-	73,027
Income taxes	1,630,462	-	-	1,630,462
Special assessments	-	99,474	69,289	168,763
Due from other governmental units	654,631	516,305	595,445	1,766,381
Due from other funds	330,910	-	-	330,910
Advances to component units	-	-	445,401	445,401
Prepaid items	210,178	20,871	5,022	236,071
Total assets	\$ 10,013,135	\$ 5,286,874	\$ 5,773,896	\$ 21,073,905
LIABILITIES				
Accounts payable	\$ 1,104,296	\$ 1,032,164	\$ 183,720	\$ 2,320,180
Accrued liabilities	308,229	8,437	12,332	328,998
Due to other governmental units	32,095	-	-	32,095
Due to other funds	-	-	330,910	330,910
Unearned revenues - unused Farmers Market tokens	95,019	-	-	95,019
Unearned revenues - expenditure-driven grants	-	1,894,081	43,020	1,937,101
Total liabilities	1,539,639	2,934,682	569,982	5,044,303
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - income taxes	670,000	-	-	670,000
Unavailable revenues - special assessments	-	99,474	69,289	168,763
Unavailable revenues - other long-term receivables	-	-	8,416	8,416
Total deferred inflows of resources	670,000	99,474	77,705	847,179
FUND BALANCES				
Nonspendable				
Prepaid items	210,178	20,871	5,022	236,071
Long-term loans receivable	-	-	597,247	597,247
Perpetual care	10,000	-	1,450,607	1,460,607
Restricted				
Highways, streets and bridges	-	2,231,847	701,655	2,933,502
Law enforcement	-	-	158,321	158,321
Perpetual care	-	-	65,945	65,945
Other purposes	-	-	1,362	1,362
Assigned for capital projects and public improvements	1,700,000	-	2,146,050	3,846,050
Unassigned	5,883,318	-	-	5,883,318
Total fund balances	7,803,496	2,252,718	5,126,209	15,182,423
Total liabilities, deferred inflows of resources and fund balances	\$ 10,013,135	\$ 5,286,874	\$ 5,773,896	\$ 21,073,905

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, 2015

Total fund balance—governmental funds \$ 15,182,423

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	\$ 131,404,866	
Accumulated depreciation	<u>(63,561,734)</u>	67,843,132

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	670,000	
Special assessments	168,763	
Other long-term receivables	<u>8,416</u>	847,179

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	(56,833)	
Bonds and notes payable	(6,650,144)	
Compensated absences	(1,130,893)	
Net pension liability and related deferred outflows of resources	<u>(11,566,739)</u>	(19,404,609)

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

Net position of the internal service funds	5,515,537	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(1,169,526)</u>	<u>4,346,011</u>
Net position of governmental activities		<u><u>\$ 68,814,136</u></u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2015

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 15,830,137	\$ -	\$ -	\$ 15,830,137
Licenses and permits	1,361,721	-	-	1,361,721
Intergovernmental revenues				
Federal	84,296	1,475,093	1,053,915	2,613,304
State	3,903,724	4,913,598	832,968	9,650,290
Local	38,000	-	-	38,000
Charges for services	2,339,632	-	129,257	2,468,889
Fines and forfeitures	451,299	-	705	452,004
Interest and rental income	286,191	16,712	40,013	342,916
Income (loss) from assets managed by others	-	-	189	189
Other	595,399	81,585	1,169,291	1,846,275
Total revenues	24,890,399	6,486,988	3,226,338	34,603,725
EXPENDITURES				
Current				
Public representation services	930,788	-	-	930,788
Administrative services	554,330	-	-	554,330
Financial services	2,369,826	-	-	2,369,826
Public safety	13,283,624	-	1,380	13,285,004
Public works	2,876,576	-	-	2,876,576
Highways, streets and bridges	-	5,855,308	1,210,467	7,065,775
Community and economic development	1,670,825	-	-	1,670,825
Culture and recreation	1,312,716	-	-	1,312,716
Other governmental functions	369,408	-	-	369,408
Debt service				
Principal	70,000	185,000	162,842	417,842
Interest and fees	211,935	46,884	14,127	272,946
Capital outlay	75,298	-	1,362,862	1,438,160
Total expenditures	23,725,326	6,087,192	2,751,678	32,564,196
Excess of revenues over (under) expenditures	1,165,073	399,796	474,660	2,039,529
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	244,685	244,685
Transfers in	31,349	500,000	322,561	853,910
Transfers out	(889,023)	-	(53,910)	(942,933)
Total other financing sources (uses)	(857,674)	500,000	513,336	155,662
Net change in fund balances	307,399	899,796	987,996	2,195,191
Fund balances at July 1, 2014	7,496,097	1,352,922	4,138,213	12,987,232
Fund balances at June 30, 2015	\$ 7,803,496	\$ 2,252,718	\$ 5,126,209	\$ 15,182,423

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, 2015

Net change in fund balances—total governmental funds \$ 2,195,191

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	\$ (4,646,659)	
Capital outlay	<u>3,992,111</u>	(654,548)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(113,926)
--	--	-----------

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		417,842
--	--	---------

Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	2,240	
Amortization of premiums and discounts	<u>(901)</u>	1,339

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	(106,178)	
Change in net pension liability and related deferred outflows of resources	<u>(916,173)</u>	(1,022,351)

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	(72,915)	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>69,324</u>	<u>(3,591)</u>
Change in net position of governmental activities		<u><u>\$ 819,956</u></u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
ASSETS					
Current assets					
Cash and investments	\$ 2,339,749	\$ 2,547,013	\$ 375,988	\$ 5,262,750	\$ 3,032,012
Accounts receivable	867,045	817,115	24,096	1,708,256	235,289
Due from other governmental units	114,883	50,939	609	166,431	-
Inventories	37,399	115,056	-	152,455	24,160
Prepaid items	42,696	56,463	2,164	101,323	290,523
Total current assets	3,401,772	3,586,586	402,857	7,391,215	3,581,984
Noncurrent assets					
Restricted cash and investments	-	599,500	-	599,500	-
Advances to component units	-	-	-	-	890,800
Capital assets					
Land	16,188	103,500	22,562	142,250	65,000
Land improvements	-	-	1,888,965	1,888,965	301,715
Buildings, improvements and systems	21,429,041	67,745,969	2,322,488	91,497,498	1,559,334
Machinery and equipment	83,643	2,842,951	-	2,926,594	8,290,881
Construction in progress	4,578	458,532	-	463,110	-
Less accumulated depreciation	(9,307,714)	(34,269,416)	(2,800,696)	(46,377,826)	(7,895,227)
Net capital assets	12,225,736	36,881,536	1,433,319	50,540,591	2,321,703
Total noncurrent assets	12,225,736	37,481,036	1,433,319	51,140,091	3,212,503
Total assets	15,627,508	41,067,622	1,836,176	58,531,306	6,794,487
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	25,261	84,202	-	109,463	67,363
Total assets and deferred outflows of resources	15,652,769	41,151,824	1,836,176	58,640,769	6,861,850
LIABILITIES					
Current liabilities					
Accounts payable	130,209	351,201	23,120	504,530	648,550
Accrued liabilities	9,311	92,430	385	102,126	24,036
Due to other governmental units	568,696	-	-	568,696	-
Bonds and other obligations, due within one year	7,900	1,382,100	300	1,390,300	14,900
Total current liabilities	716,116	1,825,731	23,805	2,565,652	687,486
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	39,566	10,000,007	1,301	10,040,874	74,515
Net pension liability	219,117	730,389	-	949,506	584,312
Total noncurrent liabilities	258,683	10,730,396	1,301	10,990,380	658,827
Total liabilities	974,799	12,556,127	25,106	13,556,032	1,346,313
NET POSITION					
Net investment in capital assets	12,225,736	25,572,168	1,433,319	39,231,223	2,321,703
Restricted for debt service	-	599,500	-	599,500	-
Unrestricted	2,452,234	2,424,029	377,751	5,254,014	3,193,834
Total net position	<u>\$ 14,677,970</u>	<u>\$ 28,595,697</u>	<u>\$ 1,811,070</u>	45,084,737	<u>\$ 5,515,537</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				1,169,526	
Net position of business-type activities				<u>\$ 46,254,263</u>	

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Proprietary Funds
For the year ended June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
OPERATING REVENUES					
Charges for services	\$ 6,237,327	\$ 6,112,836	\$ 240,329	\$ 12,590,492	\$ 7,972,296
Other	126,481	263,033	15,309	404,823	253,265
Total operating revenues	6,363,808	6,375,869	255,638	12,995,315	8,225,561
OPERATING EXPENSES					
Administration	297,397	525,923	5,787	829,107	323,181
Insurance premiums and claims	-	-	-	-	4,252,436
Wastewater treatment	6,210,557	-	-	6,210,557	-
Wastewater maintenance	1,465,445	-	-	1,465,445	-
Filtration plant operations	-	1,512,052	-	1,512,052	-
Water distribution	-	1,736,533	-	1,736,533	-
Other operations	-	-	187,673	187,673	3,448,294
Depreciation	449,703	1,949,279	111,982	2,510,964	417,625
Total operating expenses	8,423,102	5,723,787	305,442	14,452,331	8,441,536
Operating income (loss)	(2,059,294)	652,082	(49,804)	(1,457,016)	(215,975)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	16,106	12,605	1,168	29,879	45,240
Gain on sale of capital assets	-	-	-	-	8,797
Interest expense	-	(292,088)	-	(292,088)	-
Total nonoperating revenue (expenses)	16,106	(279,483)	1,168	(262,209)	54,037
Income (loss) before contributions and transfers	(2,043,188)	372,599	(48,636)	(1,719,225)	(161,938)
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital contributions	474,681	-	-	474,681	-
Transfers in	-	-	-	-	89,023
Total capital contributions and transfers	474,681	-	-	474,681	89,023
Change in net position	(1,568,507)	372,599	(48,636)	(1,244,544)	(72,915)
Net position at July 1, 2014, as restated	16,246,477	28,223,098	1,859,706		5,588,452
Net position at June 30, 2015	<u><u>\$ 14,677,970</u></u>	<u><u>\$ 28,595,697</u></u>	<u><u>\$ 1,811,070</u></u>		<u><u>\$ 5,515,537</u></u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(69,324)	
Change in net position of business-type activities				<u><u>\$ (1,313,868)</u></u>	

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended June 30, 2015

	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	\$ 6,384,387	\$ 6,376,434	\$ 397,595	\$ 13,158,416	\$ 148,341
Receipts from interfund services provided	18,994	159,641	-	178,635	6,921,509
Other receipts	-	-	-	-	1,031,218
Payments to suppliers	(7,129,280)	(1,377,218)	(159,377)	(8,665,875)	(5,696,991)
Payments to employees	(417,252)	(1,375,405)	(19,383)	(1,812,040)	(1,220,028)
Payments for interfund services used	(433,158)	(749,850)	(11,656)	(1,194,664)	(889,994)
Net cash provided by (used for) operating activities	(1,576,309)	3,033,602	207,179	1,664,472	294,055
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	89,023
Advances to component units	-	-	-	-	74,288
Net cash provided by noncapital financing activities	-	-	-	-	163,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	474,681	-	-	474,681	-
Purchases of capital assets	(120,336)	(905,448)	-	(1,025,784)	(438,668)
Principal paid on capital debt	-	(1,330,000)	-	(1,330,000)	-
Interest paid on capital debt	-	(320,857)	-	(320,857)	-
Proceeds from sale of capital assets	-	-	-	-	8,797
Net cash provided by (used for) capital and related financing activities	354,345	(2,556,305)	-	(2,201,960)	(429,871)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	16,106	12,605	1,168	29,879	45,240
Net increase (decrease) in cash and investments	(1,205,858)	489,902	208,347	(507,609)	72,735
Cash and investments July 1, 2014	3,545,607	2,656,611	167,641	6,369,859	2,959,277
Cash and investments at June 30, 2015	\$ 2,339,749	\$ 3,146,513	\$ 375,988	\$ 5,862,250	\$ 3,032,012
Reconciliation of cash and investments to the Statement of Net Position					
Cash and investments	\$ 2,339,749	\$ 2,547,013	\$ 375,988	\$ 5,262,750	\$ 3,032,012
Restricted cash and investments	-	599,500	-	599,500	-
	\$ 2,339,749	\$ 3,146,513	\$ 375,988	\$ 5,862,250	\$ 3,032,012
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (2,059,294)	\$ 652,082	\$ (49,804)	\$ (1,457,016)	\$ (215,975)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	449,703	1,949,279	111,982	2,510,964	417,625
Bad debt expense	16,215	10,800	-	27,015	-
Change in assets and liabilities					
Receivables	23,358	149,406	141,957	314,721	(124,493)
Inventories	(9,656)	(24,451)	-	(34,107)	(11,058)
Prepaid items	(1,739)	(4,534)	(78)	(6,351)	(7,480)
Accounts payable	(14,643)	258,820	3,022	247,199	185,559
Accrued liabilities	19,747	42,200	100	62,047	49,877
Net cash provided by (used for) operating activities	\$ (1,576,309)	\$ 3,033,602	\$ 207,179	\$ 1,664,472	\$ 294,055

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,014,470
Accounts receivable	<u>1,867</u>
Total assets	<u>\$ 1,016,337</u>
 LIABILITIES	
Accounts payable	\$ 222,443
Due to other governmental units	713,717
Deposits held for others	<u>80,177</u>
Total liabilities	<u>\$ 1,016,337</u>

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2015

	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Total
ASSETS						
Current assets						
Cash and investments	\$ 33,521	\$ 51,442	\$ 2,051	\$ 91,451	\$ 10,365	\$ 188,830
Noncurrent assets						
Capital assets, net						
Nondepreciable	400,000	-	-	-	-	400,000
Depreciable	1,798,418	-	-	-	-	1,798,418
Total noncurrent assets	2,198,418	-	-	-	-	2,198,418
Total assets	2,231,939	51,442	2,051	91,451	10,365	2,387,248
LIABILITIES						
Current liabilities						
Accrued liabilities	19,383	2,944	-	-	-	22,327
Due to other governmental units	-	-	-	7,803	10,255	18,058
Bonds and other obligations, due within one year	335,000	300,000	-	-	-	635,000
Total current liabilities	354,383	302,944	-	7,803	10,255	675,385
Noncurrent liabilities						
Advances from primary government	-	-	-	1,336,201	-	1,336,201
Bonds and other obligations, less amounts due within one year	3,347,646	1,655,175	-	-	-	5,002,821
Total noncurrent liabilities	3,347,646	1,655,175	-	1,336,201	-	6,339,022
Total liabilities	3,702,029	1,958,119	-	1,344,004	10,255	7,014,407
NET POSITION						
Net investment in capital assets	(1,484,228)	-	-	-	-	(1,484,228)
Unrestricted	14,138	(1,906,677)	2,051	(1,252,553)	110	(3,142,931)
Total net position	\$ (1,470,090)	\$ (1,906,677)	\$ 2,051	\$ (1,252,553)	\$ 110	\$ (4,627,159)

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, 2015

		Program Revenue	Net (Expense) Revenue and Changes in Net Position					
			Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Total
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Capital Grants and Contributions</u>						
Local Development Finance Authority - SmartZone								
Community and economic development	\$ 172,648	\$ -	\$ (172,648)	\$ -	\$ -	\$ -	\$ -	\$ (172,648)
Interest on long-term debt	83,555	327,000	243,445	-	-	-	-	243,445
Total Local Development Finance Authority - SmartZone	256,203	327,000	70,797	-	-	-	-	70,797
Downtown Development Authority								
Interest on long-term debt	39,214	70,000	-	30,786	-	-	-	30,786
Tax Increment Finance Authority								
Community and economic development	38,000	-	-	-	(38,000)	-	-	(38,000)
Brownfield Redevelopment Authority I								
Economic development	7,803	-	-	-	-	(7,803)	-	(7,803)
Interest on long-term debt	46,150	-	-	-	-	(46,150)	-	(46,150)
Total Brownfield Redevelopment Authority I	53,953	-	-	-	-	(53,953)	-	(53,953)
Brownfield Redevelopment Authority II								
Community and economic development	132,180	-	-	-	-	-	(132,180)	(132,180)
Total discretely presented component units	\$ 519,550	\$ 397,000	70,797	30,786	(38,000)	(53,953)	(132,180)	(122,550)
General revenues								
Property taxes			103,045	216,686	39,216	132,452	132,180	623,579
Unrestricted investment income			129	565	6	401	110	1,211
Total general revenues			103,174	217,251	39,222	132,853	132,290	624,790
Change in net position			173,971	248,037	1,222	78,900	110	502,240
Net position at July 1, 2014			(1,644,061)	(2,154,714)	829	(1,331,453)	-	(5,129,399)
Net position at June 30, 2015			\$ (1,470,090)	\$ (1,906,677)	\$ 2,051	\$ (1,252,553)	\$ 110	\$ (4,627,159)

The accompanying notes are an integral part of this statement.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, 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, 2013, the date of its latest audited financial statements is as follows:

Total assets	\$ 4,931,987
Total liabilities	<u>(269,723)</u>
Total net position	<u>\$ 4,662,264</u>
Total operating income	\$ 1,081,092
Total operating expenses	(1,748,583)
Total nonoperating revenues	1,212
Capital contributions	<u>394,200</u>
Change in net assets	<u>\$ (272,079)</u>

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements

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

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

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

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

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

The City reports the following major governmental funds:

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

The City reports the following three major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Measurement Focus and Basis of Accounting

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

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

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

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

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

Cash and Investments

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

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Cash and Investments—Continued

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Municipal Employees Retirement System (MERS) of Michigan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Fund Balance Policies

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

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and 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 2014 state taxable value for real/personal property of the City totaled approximately \$573,175,000 of which approximately \$10,262,000 was captured by the component units. The ad valorem taxes levied consisted of 10.0, 3.0 and .0875 mills for the City's general operating, sanitation and community promotion purposes. These amounts are recognized in the General Fund with captured amounts shown in the TIFA, LDFA SmartZone, DDA, BRA I, and BRA II component units.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentation of prior year's totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. Also, certain items in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations

During the year ended June 30, 2015, actual expenditures exceeded appropriations for:

	<u>Final Budget</u>	<u>Actual</u>
General Fund		
Public safety		
Fire department	\$ 3,777,507	\$ 3,886,325
Community and economic development		
Environmental services	874,130	1,000,167
Other financing sources		
Transfers out	128,046	889,023
Major Street and Trunkline Fund		
Highways, streets and bridges	5,271,896	5,855,308

These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2015, the City had the following investments:

	<u>Fair value</u>	<u>Weighted Average Maturity (Months)</u>	<u>S&P</u>	<u>Percent</u>
Investment Type				
Money market funds	\$ 1,262,692	1	AA+	17.6 %
Negotiable certificates of deposit	1,252,025	44	not rated	17.5
US Agency obligations	4,385,939	85	AA+	61.3
Local units of government obligations	<u>257,865</u>	11	SP-1+	<u>3.6</u>
Total fair value	<u>\$ 7,158,521</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>60</u>		

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks

Interest rate risk

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

Credit risk

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

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The City has a concentration of credit risk policy that limits investment in commercial paper, eligible bankers' acceptances and time certificates of deposit to 25 percent each of the total portfolio. More than 5 percent of the City's investments are in various U.S. Agency obligations including Financial Home Loan Mortgage Corporation, Federal Home Loan Bank System, and Government National Mortgage Association obligations. These investments are 30 percent, 21 percent, and 6 percent, respectively, of the City's investments.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2015, \$16,751,524 of the City's bank balance of \$17,251,524 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City's investment policy sets certain credit requirements that a bank must meet for the City to deposit funds in it.

Custodial credit risk - investments

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

Foreign currency risk

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

Restricted Assets

Restrictions are placed on assets by bond ordinance and City Commission action. At June 30, 2015, restricted cash and investments in the Water Fund of \$599,500 were restricted by bond ordinance.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 two 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.

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.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE D—ASSETS MANAGED BY OTHERS—Continued

Summary of the Community Foundation Funds

A summary of revenues, expenses, and changes in the assets at fair value of the funds for the year ended June 30, 2015 follows:

	Lakeshore Trails Improvement Fund	Cemetery Perpetual Care Fund	Totals
Revenues			
Contributions	\$ 1,509	\$ -	\$ 1,509
City contributions	1,082	1,000,000	1,001,082
Dividends and interest	970	-	970
Realized and unrealized loss on investments	(94)	-	(94)
	<u>3,467</u>	<u>1,000,000</u>	<u>1,003,467</u>
Expenses			
Administration fees	<u>188</u>	<u>-</u>	<u>188</u>
Revenues over expenses	3,279	1,000,000	1,003,279
Total assets at beginning of year	<u>35,883</u>	<u>-</u>	<u>35,883</u>
Total assets at end of year	39,162	1,000,000	1,039,162
Less assets recorded as those of the Foundation	<u>(28,373)</u>	<u>-</u>	<u>(28,373)</u>
Assets reported on the Balance Sheet/ Statement of Net Position	<u><u>\$ 10,789</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 1,010,789</u></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, 2015

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,179,985	\$ -	\$ -	\$ 12,179,985
Construction in progress	1,790,742	3,992,111	1,796,582	3,986,271
Total capital assets, not being depreciated	13,970,727	3,992,111	1,796,582	16,166,256
Capital assets, being depreciated:				
Land improvements	4,444,376	59,310	-	4,503,686
Leasehold improvements	534,821	-	-	534,821
Buildings and improvements	22,186,477	-	-	22,186,477
Furniture, vehicle and equipment	13,653,302	438,668	194,746	13,897,224
Infrastructure	83,182,879	1,737,272	6,521,628	78,398,523
Shared improvements	5,934,809	-	-	5,934,809
Total capital assets, being depreciated	129,936,664	2,235,250	6,716,374	125,455,540
Less accumulated depreciation:				
Land improvements	1,301,933	151,425	-	1,453,358
Leasehold improvements	359,136	42,818	-	401,954
Buildings and improvements	15,462,548	486,525	-	15,949,073
Furniture, vehicle and equipment	10,448,758	520,653	194,746	10,774,665
Infrastructure	42,363,901	3,566,122	6,521,628	39,408,395
Shared improvements	3,172,775	296,741	-	3,469,516
Total accumulated depreciation	73,109,051	5,064,284	6,716,374	71,456,961
Total capital assets, being depreciated, net	56,827,613	(2,829,034)	-	53,998,579
Capital assets, net	\$ 70,798,340	\$ 1,163,077	\$ 1,796,582	\$ 70,164,835
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 142,250	\$ -	\$ -	\$ 142,250
Construction in progress	1,076,486	1,025,784	1,639,160	463,110
Total capital assets, not being depreciated	1,218,736	1,025,784	1,639,160	605,360
Capital assets, being depreciated:				
Land improvements	1,888,965	-	-	1,888,965
Buildings, improvements and systems	89,858,338	1,639,160	-	91,497,498
Machinery and equipment	2,926,594	-	-	2,926,594
Total capital assets, being depreciated	94,673,897	1,639,160	-	96,313,057
Less accumulated depreciation:				
Land improvements	1,760,168	19,009	-	1,779,177
Buildings, improvements and systems	39,706,028	2,397,741	-	42,103,769
Machinery and equipment	2,400,666	94,214	-	2,494,880
Total accumulated depreciation	43,866,862	2,510,964	-	46,377,826
Total capital assets, being depreciated, net	50,807,035	(871,804)	-	49,935,231
Capital assets, net	\$ 52,025,771	\$ 153,980	\$ 1,639,160	\$ 50,540,591

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE E—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

Administrative services	\$ 52,455
Financial services	33,106
Public safety	139,993
Public works	2,126
Highways, streets and bridges	3,999,060
Community and economic development	75,717
Culture and recreation	324,362
General administration	19,840
Internal Service Fund depreciation	417,625
	<u><u>\$ 5,064,284</u></u>

Business-type activities:

Sewer	\$ 449,703
Water	1,949,279
Marina and Launch Ramp	111,982
	<u><u>\$ 2,510,964</u></u>

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
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	1,827,192	172,648	-	1,999,840
Total capital assets, being depreciated, net	1,971,066	(172,648)	-	1,798,418
Capital assets, net	<u><u>\$ 2,371,066</u></u>	<u><u>\$ (172,648)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,198,418</u></u>

Depreciation

Depreciation expense was charged to economic development.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Fund	<u><u>\$ 330,910</u></u>

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

Component Unit Advance:

The Cemetery Perpetual Care Fund, Equipment Fund, and General Insurance Fund advanced the BRA I \$1,336,201 to enable the BRA I to retire a redevelopment commitment early. The advance will be repaid with future tax captures.

Interfund Transfers:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
		Nonmajor Governmental Funds	
General Fund	\$ 31,349	Criminal Forfeiture Fund	\$ 31,349
Major Street and Trunkline Fund	500,000	General Fund	500,000
Nonmajor Governmental Funds			
Local Streets	300,000	General Fund	300,000
Nonmajor Governmental Funds		Nonmajor Governmental Funds	
Neighborhood Stabilization Fund	11,053	Community Development Fund	22,561
Home Rehabilitation Fund	11,508		
	<u>22,561</u>		<u>22,561</u>
Internal Service Funds			
Engineering Services Fund	75,000	General Fund	89,023
General Insurance Fund	14,023		
	<u>89,023</u>		<u>89,023</u>
	<u><u>\$ 942,933</u></u>		<u><u>\$ 942,933</u></u>

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE G—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, 2015.

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
General obligation debt	\$ 6,965,000	\$ -	\$ 400,000	\$ 6,565,000	\$ 410,000
Discount	(10,465)	-	(901)	(9,564)	-
Intergovernmental obligations	112,550	-	17,842	94,708	18,199
Compensated absences	1,107,547	1,451,320	1,338,559	1,220,308	203,400
Governmental activities long-term liabilities	\$ 8,174,632	\$ 1,451,320	\$ 1,755,500	\$ 7,870,452	\$ 631,599
Business-type activities:					
Revenue obligations	\$ 12,595,000	\$ -	\$ 1,330,000	\$ 11,265,000	\$ 1,370,000
Premium	65,728	-	21,360	44,368	-
Compensated absences	132,762	150,183	161,139	121,806	20,300
Business-type activities long-term liabilities	\$ 12,793,490	\$ 150,183	\$ 1,512,499	\$ 11,431,174	\$ 1,390,300
Component units:					
Intergovernmental obligations	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
General obligation debt	5,065,000	-	605,000	4,460,000	635,000
Premium	217,300	-	39,479	177,821	-
Component unit long- term liabilities	\$ 6,282,300	\$ -	\$ 644,479	\$ 5,637,821	\$ 635,000

General Obligation Debt

The City has issued general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt is a direct obligation and pledges the full faith and credit of the City. This debt is generally issued as serial bonds with varying amounts of principal maturing each year. Certain debt issued by the City's component units is also backed by the full faith and credit of the City if there is a shortfall in tax increment revenues. General obligation debt outstanding as of June 30, 2015 is as follows:

	Original Borrowing	Interest Rate	Date of Maturity	Balance
General obligation debt:				
Governmental activities:				
2003 Capital Improvement Bonds	\$ 1,575,000	4.05%	June 2016	\$ 150,000
2006 Limited Tax General Obligation Bonds	5,400,000	4% - 4.2%	October 2032	4,955,000
2011 Capital Improvement Bonds	2,000,000	2.98%	September 2021	1,460,000
				\$ 6,565,000
Component units:				
2011 DDA Tax Increment Refunding Bonds	\$ 2,045,000	3.5% - 4%	June 2018	\$ 940,000
2012 LDFA Tax Increment Refunding Bonds	4,100,000	3% - 4%	November 2025	3,520,000
				\$ 4,460,000

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE G—LONG-TERM DEBT—Continued

General Obligation Debt—Continued

The LDFA Tax Increment Refunding Bonds are partially guaranteed by the Community Foundation for Muskegon County. If LDFA tax increment revenues are not sufficient to cover debt service costs in any year, the Foundation has agreed to pay one-half of such shortfalls, up to \$75,000 annually. This commitment extends through December 31, 2016.

Intergovernmental Obligations

The City has long-term contractual obligations with other governmental entities for program purposes. Intergovernmental contractual obligations outstanding as of June 30, 2015 are as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Intergovernmental Contractual Obligations:				
Governmental activities:				
2008 State of Michigan Brownfield Redevelopment Loan	\$ 500,000	2%	March 2020	<u>\$ 94,708</u>
Component units:				
1989 DDA Promissory Note to Muskegon County	\$ 1,000,000	0%	August 2019	<u>\$ 1,000,000</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, 2015 are as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Business-type activities:				
Revenue obligations:				
2004 Drinking Water State Revolving Fund	\$ 13,900,000	2.13%	October 2025	\$ 8,360,000
2010 Water Supply System Refunding Bonds	5,995,000	3.25% - 4.25%	May 2019	<u>2,905,000</u>
				<u>\$ 11,265,000</u>

The City has pledged future water customer revenues, net of specified operating expenses, to repay the 2004 Drinking Water State Revolving Fund Loan and 2010 Water Supply System Refunding Bonds. Proceeds from both issuances were used to make improvements to the City's water supply system. The bonds are payable solely from water customer net revenues and are payable through 2025 and 2019, respectively. Annual principal and interest payments on the bonds are expected to require less than 63 percent of net revenues through 2019 and less than 33 percent after 2019 through 2025. The total principal and interest remaining to be paid on the bonds is \$12,578,133. Principal and interest paid for the year ended June 30, 2015 and total customer net revenues were \$1,650,857 and \$2,613,966, respectively.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2015.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE G—LONG-TERM DEBT—Continued

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

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on June 30, 2015 was approximately \$4,106,000. The City is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2015 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 428,199	\$ 248,591	\$ 1,370,000	\$ 283,360	\$ 635,000	\$ 148,276
2017	283,563	233,616	1,405,000	246,434	655,000	129,251
2018	288,934	224,559	1,450,000	203,106	685,000	107,125
2019	299,313	215,271	1,495,000	158,259	375,000	81,100
2020	529,699	201,253	745,000	109,916	1,390,000	65,800
2021-2025	2,045,000	748,784	3,960,000	303,133	1,435,000	149,425
2026-2030	1,735,000	398,263	840,000	8,925	285,000	4,275
2031-2033	1,050,000	66,150	-	-	-	-
	\$ 6,659,708	\$ 2,336,487	\$ 11,265,000	\$ 1,313,133	\$ 5,460,000	\$ 685,252

Annual debt service requirements to maturity by type of debt as of June 30, 2015 follow:

Year Ending June 30,	General Obligation Debt		Revenue	Intergovernmental	
	Governmental Activities	Component Units	Obligations Business-type Activities	Governmental Activities	Component Units
2016	\$ 656,697	\$ 783,276	\$ 1,653,360	\$ 20,093	\$ -
2017	497,086	784,251	1,651,434	20,093	-
2018	493,400	792,125	1,653,106	20,093	-
2019	494,491	456,100	1,653,259	20,093	-
2020	710,859	455,800	854,916	20,093	1,000,000
2021-2025	2,793,784	1,584,425	4,263,133	-	-
2026-2030	2,133,263	289,275	848,925	-	-
2031-2033	1,116,150	-	-	-	-
	\$ 8,895,730	\$ 5,145,252	\$ 12,578,133	\$ 100,465	\$ 1,000,000

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE H—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 2015 and 2014 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, 2015	\$ 104,900	\$ 158,000	\$ 124,998	\$ 137,902
June 30, 2014	65,972	67,645	28,717	104,900

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, 2015, the claims liability including incurred but not reported claims was \$49,144. 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 2015 and 2014 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, 2015	\$ 47,960	\$ 1,186,633	\$ 1,185,449	\$ 49,144
June 30, 2014	12,005	1,100,557	1,064,602	47,960

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE H—OTHER INFORMATION—Continued

Contingencies

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

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

Commitments

The City has various contract agreements for street projects and related water and sewer improvements as of June 30, 2015 of approximately \$3,810,000. Approximately \$2,135,000 of these costs is being financed by grants, with approximately \$1,000,000 being paid by the Sewer and Water funds and approximately \$675,000 being paid by the Major Street and Trunkline Fund.

Leases

The City leases an office facility under a noncancelable operating lease that expires June 2017 with the option by the tenant to renew the term of the lease for four successive periods of five years each. The City received rental income (including pro-rata utility usage) of \$46,666 for the year ended June 30, 2015. The future minimum rental income for this lease is as follows:

Year Ending June 30,	Amount
2016	\$ 34,179
2017	33,841
	<u>\$ 68,020</u>

NOTE I—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.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

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.

Benefits provided are based on the following by employee division:

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

Final average compensation is calculated based on 3 years.

Employees Covered by Benefit Terms

At December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	311
Inactive employees entitled to but not yet receiving benefits	30
Active employees	150
Total employees covered by MERS	<u><u>491</u></u>

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, 2015, the City had a flat-dollar employer contribution to the Plan of \$1,293,996 in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. Member contributions range from 5 percent to 6.5 percent.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2014, 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, 2015

NOTE I—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 - 4 percent
Salary increases	4.5 percent, in the long-term (1 percent, 2 percent and 3 percent for the calendar years 2014, 2015, and 2016, respectively)
Investment rate of return	8 percent, net of administrative and investment expenses

Although no specific price inflation assumptions are needed for the valuation, the 4.5 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent for 2014 and will be 8 percent in 2015 and thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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, 2015

NOTE I—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension	Plan	Net Pension
	Liability (a)	Fiduciary	Liability
		Position (b)	(a)-(b)
Balance at December 31, 2013	\$ 97,366,329	\$ 84,946,601	\$ 12,419,728
Changes for the year			
Service costs	1,190,507	-	1,190,507
Interest	7,817,503	-	7,817,503
Contributions - employer	-	1,166,652	(1,166,652)
Contributions - employee	-	564,409	(564,409)
Net investment income	-	5,282,031	(5,282,031)
Administrative expenses	-	(193,139)	193,139
Benefit payments including refund of employee contributions	(6,407,932)	(6,407,932)	-
Net changes	2,600,078	412,021	2,188,057
Balance at December 31, 2014	<u><u>\$ 99,966,407</u></u>	<u><u>\$ 85,358,622</u></u>	<u><u>\$ 14,607,785</u></u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25 percent) or 1-percentage-point higher (9.25 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(7.25%)	Discount Rate	(9.25%)
		(8.25%)	
City's net pension liability	\$25,415,242	\$ 14,607,785	\$ 5,409,028

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I—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, 2015, the City recognized pension expense of \$1,293,996. At June 30, 2015, 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
Excess (deficit) investment returns	\$ 1,037,056	\$ -
Contributions subsequent to the measurement date*	646,998	-
Total	\$ 1,684,054	\$ -

*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, 2015.

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
2016	\$ 259,264
2017	259,264
2018	259,264
2019	259,264

Payables to the Pension Plan

At June 30, 2015, the City reported a payable of \$150,002 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Contribution Pension Plan

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

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the City Commission as determined by negotiated labor contracts. The City is required to contribute 3 percent to 10 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, 2015, City and employee contributions were \$255,591 and \$139,644, 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, 2015, forfeitures reduced the City's pension expense by \$1,948.

Deferred Compensation Plan

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

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

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE J—OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

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

City of Muskegon
933 Terrace Street
Muskegon, MI 49443

Funding Policy

Plan members are not required to contribute to the Plan. The City is required to contribute the annual required contribution of the employer (ARC) at an actuarially-determined rate which varies upon employee group from 3.82 to 7.44 percent of covered wages. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The contribution requirements of plan members and the City are established and may be amended by MERS depending on the benefits program adopted by the City.

Annual OPEB Cost

For the year ended June 30, 2015, the City's OPEB cost (expense) of \$659,451 was equal to the City's ARC and actual contribution.

Trend Information

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 728,863	100 %	\$ -
June 30, 2014	696,634	100	-
June 30, 2015	659,451	100	-

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE J—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Methods and Assumptions

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

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

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after 10 years. Both rates include a 4 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 is 24 years.

Prior to the December 2013 valuation, assumptions used in the actuarial valuation included (a) 8 percent investment rate of return (net of administrative expenses), (b) an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years.

Funded Status and Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 87 percent funded. The actuarial accrued liability for benefits was approximately \$21,102,000, and the actuarial value of assets was approximately \$18,261,000, resulting in an unfunded actuarial liability (UAAL) of approximately \$2,841,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,005,000, and the ratio of the UAAL to the covered payroll was 28 percent.

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

Healthcare Saving Plan

The City also maintains a defined contribution Health Care Savings Plan offered by MERS. In this plan, post-employment healthcare benefits depend solely on amounts contributed to the plan plus investment earnings. Depending on employee group, the Plan covers all City employees hired after January 2009 to December 2012 in lieu of the traditional retiree healthcare plan. The authority for establishing or amending the Plan's provisions and for establishing or amending contribution requirements rests with the City Commission as determined by negotiated labor contracts. The City is required to contribute 1 or 2 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are also required to contribute 1 or 2 percent of annual compensation. Additionally, some employees, regardless of hire date, may make voluntary contributions to the HCSP. For the year ended June 30, 2015, City and employee contributions were \$29,315 and \$145,034, respectively.

City of Muskegon
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE K—CHANGE IN ACCOUNTING PRINCIPLE

The net position of the governmental activities, business-type activities and also the Water, Sewer, Public Service, and Equipment funds were restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 changed how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plan after the measurement date for the year in which GASB Statement No. 68 is implemented.

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

	Governmental Activities	Business-type Activities
Net position at July 1, 2014	\$ 80,567,002	\$ 48,341,636
Net pension asset	(1,446,253)	-
Deferred outflows of resources - related to pension	485,876	33,778
Net pension liability	(11,612,445)	(807,283)
Net position at July 1, 2014, as restated	<u>\$ 67,994,180</u>	<u>\$ 47,568,131</u>

	Sewer Fund	Water Fund	Public Service Building Fund	Equipment Fund
Net position at July 1, 2014	\$ 16,424,978	\$ 28,818,102	\$ 1,086,025	\$ 3,053,075
Deferred outflows of resources - related to pension	7,795	25,983	12,991	7,795
Net pension liability	(186,296)	(620,987)	(310,493)	(186,296)
Net position at July 1, 2014, as restated	<u>\$ 16,246,477</u>	<u>\$ 28,223,098</u>	<u>\$ 788,523</u>	<u>\$ 2,874,574</u>

The effect on the change in net position of the prior year is undeterminable.

NOTE L—UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2015
 (with comparative actual amounts for the year ended June 30, 2014)

	2015			2014	
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
REVENUES					
Taxes					
City income taxes	\$ 7,650,000	\$ 7,830,000	\$ 8,274,666	\$ 444,666	\$ 7,831,423
Property taxes	7,694,000	7,413,322	7,357,107	(56,215)	6,938,304
Industrial facilities taxes	82,000	82,000	104,247	22,247	91,292
Payments in lieu of taxes	95,000	95,000	94,117	(883)	93,885
Total taxes	15,521,000	15,420,322	15,830,137	409,815	14,954,904
Licenses and permits					
Business licenses	29,500	45,000	62,495	17,495	38,200
Liquor licenses	60,000	61,720	63,136	1,416	63,084
Cable TV fees	350,000	350,000	369,965	19,965	358,754
Rental property registration	158,000	150,000	145,777	(4,223)	196,269
Burial permits	90,000	90,000	83,922	(6,078)	89,459
Building permits	405,000	350,000	333,370	(16,630)	488,041
Electrical permits	86,000	86,000	88,524	2,524	108,657
Plumbing permits	47,000	40,000	29,269	(10,731)	48,221
Mechanical permits	61,000	70,000	67,930	(2,070)	72,051
Vacant building fees	125,000	125,000	117,258	(7,742)	105,751
Police gun registration	1,500	1,500	75	(1,425)	1,650
Total licenses and permits	1,413,000	1,369,220	1,361,721	(7,499)	1,570,137
Intergovernmental revenues					
Federal grants	46,370	84,296	84,296	-	83,324
State					
Grants	15,000	15,000	14,546	(454)	14,557
State shared revenue	3,941,715	3,917,141	3,889,178	(27,963)	3,813,221
Total intergovernmental revenues - State	3,956,715	3,932,141	3,903,724	(28,417)	3,827,778
Local	38,000	38,000	38,000	-	50,000

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2015
 (with comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Charges for services					
Tax administration fees	\$ 289,276	\$ 289,276	\$ 338,718	\$ 49,442	\$ 259,755
Utility administration fees	250,000	250,000	250,000	-	250,000
Reimbursement for elections	300	31,000	14,796	(16,204)	13,341
Brownfield authority admin fee	106,500	106,500	121,925	15,425	79,922
Indirect cost reimbursements	965,889	965,889	958,040	(7,849)	983,104
Site plan review fee	3,500	3,500	4,600	1,100	2,700
Sale of cemetery lots	26,000	26,000	21,108	(4,892)	28,817
Police miscellaneous	87,525	112,525	127,981	15,456	109,104
Police impound fees	35,000	35,000	43,850	8,850	34,700
Fire protection-state property	82,500	85,000	80,227	(4,773)	82,526
Zoning fees	11,000	11,000	11,680	680	12,515
Muskegon Heights zoning	1,600	1,600	4,900	3,300	2,958
Clerk fees	2,800	3,400	4,219	819	2,445
Clerk fees - passport fees	3,500	11,000	12,025	1,025	5,565
Tax abatement application fees	6,000	6,000	3,822	(2,178)	750
Treasurer fees	65,000	65,000	54,289	(10,711)	62,639
False alarm fees	11,500	10,000	10,020	20	14,220
Miscellaneous cemetery income	15,000	15,000	15,462	462	16,288
Fire miscellaneous	6,500	8,000	8,610	610	10,191
Sanitation stickers	73,300	73,300	80,521	7,221	75,938
Lot cleanup fees	10,000	10,000	80,019	70,019	27,826
Reimbursements - lot mowing and demolitions	20,000	20,000	18,185	(1,815)	47,760
Special events reimbursements	75,000	75,000	69,791	(5,209)	90,233
Recreation program fees	6,500	6,500	4,844	(1,656)	6,601
Total charges for services	2,154,190	2,220,490	2,339,632	119,142	2,219,898
Fines and forfeitures					
Income tax - penalty and interest	170,000	190,000	198,995	8,995	173,321
Late fees on current taxes	30,000	30,000	14,570	(15,430)	47,975
Interest on late invoices	2,000	2,000	3,769	1,769	2,086
Parking fines	62,000	75,000	98,052	23,052	75,451
Court fines	130,000	120,000	126,913	6,913	102,465
Civil infractions	25,000	10,000	9,000	(1,000)	1,450
Total fines and forfeitures	419,000	427,000	451,299	24,299	402,748
Interest and rental income					
Interest income	50,000	50,000	19,477	(30,523)	27,049
Net increase (decrease) in the fair value of investments	-	-	(12,892)	(12,892)	15,907
Flea market	35,000	35,000	27,352	(7,648)	26,410
Farmers' market	40,000	40,000	77,197	37,197	58,440
City right of way rental	6,800	6,800	6,800	-	6,800
Fire station lease - Central Dispatch	45,000	45,000	46,666	1,666	46,782
Great Lakes Naval Memorial lease	15,000	15,000	15,000	-	15,000
McGraft park rentals	46,000	46,000	51,051	5,051	47,651
Other park rentals	64,200	64,200	55,540	(8,660)	46,195
Total interest and rental income	302,000	302,000	286,191	(15,809)	290,234

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2015
 (with comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Other					
Sale of land and assets	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Police sale and auction proceeds	2,000	2,000	1,676	(324)	-
CDBG program reimbursements	354,706	354,706	352,332	(2,374)	330,129
Fisherman's Landing reimbursement	16,500	13,900	13,951	51	18,196
Contributions	190,000	191,350	119,400	(71,950)	11,355
Contributions - Veteran's Park maintenance	16,500	16,500	19,081	2,581	64,387
Community Foundation for Muskegon County	54,000	40,000	17,969	(22,031)	30,198
Miscellaneous and sundry	51,000	51,000	70,990	19,990	105,470
Total other	684,706	669,456	595,399	(74,057)	561,735
Total revenues	24,534,981	24,462,925	24,890,399	427,474	23,960,758
EXPENDITURES					
Current					
Public representation services					
City commission	97,461	97,461	72,039	25,422	101,102
City promotions and public relations	800	800	40,059	(39,259)	9,252
City manager	349,728	254,728	232,984	21,744	300,159
Contributions to outside agencies	269,010	274,614	270,749	3,865	233,109
City attorney	347,000	347,000	314,957	32,043	388,362
Total public representation services	1,063,999	974,603	930,788	43,815	1,031,984
Administrative services					
Administration	-	-	-	-	12
City clerk	343,658	374,358	378,948	(4,590)	332,828
Civil service	88,350	103,350	97,499	5,851	91,492
Affirmative action	86,378	86,378	77,883	8,495	72,693
Total administrative services	518,386	564,086	554,330	9,756	497,025
Financial services					
Finance administration	402,813	402,965	410,688	(7,723)	358,074
Assessing	323,000	323,000	298,290	24,710	302,478
Arena administration	374,550	374,550	373,613	937	283,572
Income tax administration	312,590	312,590	315,390	(2,800)	404,230
Information systems	394,219	397,971	414,218	(16,247)	415,115
City treasurer	567,257	567,257	557,627	9,630	434,182
Total financial services	2,374,429	2,378,333	2,369,826	8,507	2,197,651
Public safety					
Police department	9,222,503	9,115,503	8,942,447	173,056	8,605,479
Fire department	3,654,059	3,777,507	3,886,325	(108,818)	3,794,247
Fire safety inspections	599,000	450,000	454,852	(4,852)	588,172
Total public safety	13,475,562	13,343,010	13,283,624	59,386	12,987,898

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2015
 (with comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
	Original	Final			
Public works					
Street lighting	\$ 670,000	\$ 650,000	\$ 623,463	\$ 26,537	\$ 647,680
Community event support	21,200	31,200	24,335	6,865	22,370
Senior citizen transit	-	-	-	-	8,379
General sanitation	1,718,309	1,622,000	1,590,080	31,920	1,608,483
Storm water management	10,000	10,000	13,365	(3,365)	11,444
City hall maintenance	288,182	288,182	226,704	61,478	233,120
Cemeteries maintenance	353,548	368,180	398,629	(30,449)	386,829
Total public works	3,061,239	2,969,562	2,876,576	92,986	2,918,305
Community and economic development					
Planning, zoning and economic development	390,442	368,157	373,658	(5,501)	335,127
Environmental services	824,130	874,130	1,000,167	(126,037)	676,164
Edison Landing subsidy	227,000	227,000	227,000	-	160,000
Downtown Development Authority subsidy	-	70,000	70,000	-	-
Total community and economic development	1,441,572	1,539,287	1,670,825	(131,538)	1,171,291
Culture and recreation					
Parks maintenance	1,143,120	1,117,657	1,007,912	109,745	1,066,259
McGraft park maintenance	47,749	57,749	43,975	13,774	51,232
General and inner city recreation programs	95,900	100,500	97,212	3,288	105,498
Forestry	-	-	26	(26)	-
Graffiti removal	8,861	8,861	3,794	5,067	2,162
Parking operations	5,800	12,800	12,612	188	6,282
Farmers' market and flea market	97,904	158,500	147,185	11,315	76,718
Total culture and recreation	1,399,334	1,456,067	1,312,716	143,351	1,308,151
Other governmental functions					
Insurance premiums	240,000	248,000	289,370	(41,370)	244,653
Other	358,550	218,550	80,038	138,512	99,013
Additional contribution to MERS pension plan	-	-	-	-	300,000
Total other governmental functions	598,550	466,550	369,408	97,142	643,666
Debt service					
Principal	70,000	70,000	70,000	-	70,000
Interest and fees	203,000	212,000	211,935	65	206,257
Total debt service	273,000	282,000	281,935	65	276,257
Capital outlay	499,500	360,350	75,298	285,052	20,980
Total expenditures	24,705,571	24,333,848	23,725,326	608,522	23,053,208
Excess of revenues over (under) expenditures	(170,590)	129,077	1,165,073	1,035,996	907,550

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
 General Fund
 For the year ended June 30, 2015
 (with comparative actual amounts for the year ended June 30, 2014)

	2015				2014
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 199,000	\$ 23,000	\$ 31,349	\$ 8,349	\$ 3,035
Transfers out	(28,046)	(128,046)	(889,023)	(760,977)	(768,046)
Total other financing sources (uses)	170,954	(105,046)	(857,674)	(752,628)	(765,011)
Net change in fund balance	\$ 364	\$ 24,031	307,399	\$ 283,368	142,539
Fund balance at beginning of year			7,496,097		7,353,558
Fund balance at end of year			\$ 7,803,496		\$ 7,496,097

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal	\$ 1,298,000	\$ 1,298,000	\$ 1,475,093	\$ 177,093
State	2,621,844	5,566,844	4,913,598	(653,246)
Investment earnings	20,000	20,000	16,712	(3,288)
Other	125,000	125,000	81,585	(43,415)
Total revenues	4,064,844	7,009,844	6,486,988	(522,856)
EXPENDITURES				
Current				
Highways, streets and bridges	4,146,311	5,271,896	5,855,308	(583,412)
Debt service				
Principal	185,000	185,000	185,000	-
Interest	46,265	47,000	46,884	116
Total expenditures	4,377,576	5,503,896	6,087,192	(583,296)
Excess of revenues over (under) expenditures	(312,732)	1,505,948	399,796	(1,106,152)
OTHER FINANCING SOURCES				
Transfers in	-	-	500,000	500,000
Net change in fund balance	<u>\$ (312,732)</u>	<u>\$ 1,505,948</u>	899,796	<u>\$ (606,152)</u>
Fund balance at July 1, 2014			<u>1,352,922</u>	
Fund balance at June 30, 2015			<u>\$ 2,252,718</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)

	<u>2014</u>
TOTAL PENSION LIABILITY	
Service cost	\$ 1,190,507
Interest	7,817,503
Benefit payments, including refunds of employee contributions	<u>(6,407,932)</u>
Net change in total pension liability	2,600,078
Total pension liability at beginning of year	<u>97,366,329</u>
Total pension liability at end of year (a)	<u>\$ 99,966,407</u>
PLAN FIDUCIARY NET POSITION	
Contributions-employer	\$ 1,166,652
Contributions-employee	564,409
Net investment income	5,282,031
Benefit payments, including refunds or employee contributions	(6,407,932)
Administrative expense	<u>(193,139)</u>
Net change in plan fiduciary net position	412,021
Plan fiduciary net position at beginning of year	<u>84,946,601</u>
Plan fiduciary net position at end of year (b)	<u>\$ 85,358,622</u>
City's net pension liability at end of year (a)-(b)	<u>\$ 14,607,785</u>
Plan fiduciary net position as a percentage of the total pension liability	85.39%
Covered employee payroll	\$ 9,171,511
City's net pension liability as a percentage of covered employee payroll	159.27%

Notes to Schedule

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

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

	Year Ended June 30					Period Ended June 30	Year Ended December 31			
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,293,996	\$1,043,040	\$ 1,035,772	\$ 1,160,870	\$ 1,211,612	\$ 688,832	\$ 801,898	\$ 1,067,853	\$ 819,258	\$ 1,078,452
Contributions in relation to the actuarially determined contribution	1,293,996	1,543,040	1,035,772	1,160,870	2,211,612	688,832	801,898	1,067,853	819,258	1,078,452
Contribution deficiency (excess)	\$ -	\$ (500,000)	\$ -	\$ -	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 9,171,511	\$9,198,938	\$10,185,425	\$10,650,990	\$ 11,533,186	\$12,613,654	\$13,107,179	\$12,684,083	\$12,684,000	\$12,969,000
Contributions as percentage of covered employee payroll	14.1%	16.8%	10.2%	10.9%	19.2%	5.5%	6.1%	8.4%	6.5%	8.3%

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	11 years
Asset valuation method	10-year smoothed market
Inflation	3 - 4 percent
Salary increases	4.50 percent in the long-term (wage inflation); 0 - 13 percent merit and longevity
Investment rate of return	8 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	50 percent Female/50 percent Male 1994 Group Annuity Mortality Table

City of Muskegon
Required Supplemental Information
SCHEDULE OF FUNDING PROGRESS – RETIREE HEALTHCARE PLAN
For the year ended June 30, 2015

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	\$ 13,260	\$ 24,024	\$ 10,764	55 %	\$ 13,293	81 %
12/31/11	15,331	20,168	4,837	76	12,365	39
12/31/13	18,261	21,102	2,841	87	10,005	28

OTHER SUPPLEMENTAL INFORMATION

DESCRIPTION OF OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

Capital Projects Funds

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

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

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

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

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

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

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

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

**DESCRIPTION OF
OTHER GOVERNMENTAL FUNDS—CONTINUED**

Capital Projects Funds—Continued

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

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

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

Permanent Funds

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

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

City of Muskegon
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2015

	Total Other Governmental Funds	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	\$ 2,667,929	\$ 678,466	\$ 1,920,519	\$ 68,944
Assets managed by others	1,010,789	-	10,789	1,000,000
Receivables				
Accounts and loans (net of allowance for uncollectibles)	980,021	8,885	968,929	2,207
Special assessments	69,289	62,427	6,862	-
Due from other governmental units	595,445	229,774	365,671	-
Advances to component units	445,401	-	-	445,401
Prepaid items	5,022	5,022	-	-
Total assets	\$ 5,773,896	\$ 984,574	\$ 3,272,770	\$ 1,516,552
LIABILITIES				
Accounts payable	\$ 183,720	\$ 48,659	\$ 135,061	\$ -
Accrued liabilities	12,332	7,128	5,204	-
Due to other funds	330,910	-	330,910	-
Unearned revenues - expenditure-driven grants	43,020	-	43,020	-
Total liabilities	569,982	55,787	514,195	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - special assessments	69,289	62,427	6,862	-
Unavailable revenues - other long-term receivables	8,416	-	8,416	-
Total deferred inflows of resources	77,705	62,427	15,278	-
FUND BALANCES				
Nonspendable				
Prepaid items	5,022	5,022	-	-
Long-term loans receivable	597,247	-	597,247	-
Perpetual care	1,450,607	-	-	1,450,607
Restricted				
Highways, streets and bridges	701,655	701,655	-	-
Law enforcement	158,321	158,321	-	-
Perpetual care	65,945	-	-	65,945
Other purposes	1,362	1,362	-	-
Assigned for capital projects and public improvements	2,146,050	-	2,146,050	-
Total fund balances	5,126,209	866,360	2,743,297	1,516,552
Total liabilities, deferred inflows of resources and fund balances	\$ 5,773,896	\$ 984,574	\$ 3,272,770	\$ 1,516,552

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Governmental Funds
For the year ended June 30, 2015

	Total Other Governmental Funds	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	\$ 1,053,915	\$ -	\$ 1,053,915	\$ -
State	832,968	816,152	16,816	-
Charges for services	129,257	22,117	85,732	21,408
Fines and forfeitures	705	705	-	-
Investment earnings	40,013	8,625	11,127	20,261
Income (loss) from assets managed by others	189	-	189	-
Other	1,169,291	33,880	1,135,411	-
Total revenues	3,226,338	881,479	2,303,190	41,669
EXPENDITURES				
Current				
Public safety	1,380	1,380	-	-
Highways, streets and bridges	1,210,467	1,210,467	-	-
Debt service				
Principal	162,842	-	162,842	-
Interest and fees	14,127	-	14,127	-
Capital outlay	1,362,862	-	1,362,862	-
Total expenditures	2,751,678	1,211,847	1,539,831	-
Excess of revenues over (under) expenditures	474,660	(330,368)	763,359	41,669
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	244,685	-	244,685	-
Transfers in	322,561	300,000	22,561	-
Transfers out	(53,910)	(31,349)	(22,561)	-
Total other financing sources (uses)	513,336	268,651	244,685	-
Net change in fund balances	987,996	(61,717)	1,008,044	41,669
Fund balances at July 1, 2014	4,138,213	928,077	1,735,253	1,474,883
Fund balances at June 30, 2015	\$ 5,126,209	\$ 866,360	\$ 2,743,297	\$ 1,516,552

City of Muskegon
COMBINING BALANCE SHEET
Other Special Revenue Funds
June 30, 2015

	Total Other Special Revenue Funds	Local Street	Criminal Forfeitures	Tree Replacement
ASSETS				
Cash and investments	\$ 678,466	\$ 518,783	\$ 158,321	\$ 1,362
Receivables				
Accounts	8,885	8,885	-	-
Special assessments	62,427	62,427	-	-
Due from other governmental units	229,774	229,774	-	-
Prepaid items	5,022	5,022	-	-
Total assets	\$ 984,574	\$ 824,891	\$ 158,321	\$ 1,362
LIABILITIES				
Accounts payable	\$ 48,659	\$ 48,659	\$ -	\$ -
Accrued liabilities	7,128	7,128	-	-
Total liabilities	55,787	55,787	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - special assessments	62,427	62,427	-	-
FUND BALANCES				
Nonspendable - prepaid items	5,022	5,022	-	-
Restricted				
Highways, streets and bridges	701,655	701,655	-	-
Law enforcement	158,321	-	158,321	-
Other purposes	1,362	-	-	1,362
Total fund balances	866,360	706,677	158,321	1,362
Total liabilities, deferred inflows of resources and fund balances	\$ 984,574	\$ 824,891	\$ 158,321	\$ 1,362

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Other Special Revenue Funds
For the year ended June 30, 2015

	Total Other Special Revenue Funds	Local Street	Criminal Forfeitures	Tree Replacement
REVENUES				
Intergovernmental revenues - State	\$ 816,152	\$ 816,152	\$ -	\$ -
Charges for services	22,117	21,917	-	200
Fines and forfeitures	705	-	705	-
Investment earnings	8,625	7,684	935	6
Other	33,880	33,880	-	-
Total revenues	881,479	879,633	1,640	206
EXPENDITURES				
Current				
Public safety	1,380	-	1,380	-
Highways, streets and bridges	1,210,467	1,210,467	-	-
Total expenditures	1,211,847	1,210,467	1,380	-
Excess of revenues over (under) expenditures	(330,368)	(330,834)	260	206
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	-	-
Transfers out	(31,349)	-	(31,349)	-
Total other financing sources (uses)	268,651	300,000	(31,349)	-
Net change in fund balances	(61,717)	(30,834)	(31,089)	206
Fund balances at July 1, 2014	928,077	737,511	189,410	1,156
Fund balances at June 30, 2015	\$ 866,360	\$ 706,677	\$ 158,321	\$ 1,362

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
Other Special Revenue Funds
For the year ended June 30, 2015

	Local Street			Criminal Forfeitures		
	Final Budget	Actual	Variance - Positive (Negative)	Final Budget	Actual	Variance - Positive (Negative)
REVENUES						
Intergovernmental revenues						
Federal	\$ 32,000	\$ -	\$ (32,000)	\$ -	\$ -	\$ -
State	897,838	816,152	(81,686)	-	-	-
Charges for services	-	21,917	21,917	-	-	-
Fines and forfeitures	-	-	-	18,000	705	(17,295)
Investment earnings	17,000	7,684	(9,316)	700	935	235
Other	50,000	33,880	(16,120)	-	-	-
Total revenues	996,838	879,633	(117,205)	18,700	1,640	(17,060)
EXPENDITURES						
Current						
Public safety	-	-	-	5,000	1,380	3,620
Highways, streets and bridges	1,499,390	1,210,467	288,923	-	-	-
Total expenditures	1,499,390	1,210,467	288,923	5,000	1,380	3,620
Excess of revenues over (under) expenditures	(502,552)	(330,834)	171,718	13,700	260	(13,440)
OTHER FINANCING SOURCES						
Transfers in	100,000	300,000	200,000	-	-	-
Transfers out	-	-	-	(16,350)	(31,349)	(14,999)
Total other financing sources (uses)	100,000	300,000	200,000	(16,350)	(31,349)	(14,999)
Net change in fund balances	<u><u>\$ (402,552)</u></u>	(30,834)	<u><u>\$ 371,718</u></u>	<u><u>\$ (2,650)</u></u>	(31,089)	<u><u>\$ (28,439)</u></u>
Fund balances at July 1, 2014		<u>737,511</u>			<u>189,410</u>	
Fund balances at June 30, 2015		<u><u>\$ 706,677</u></u>			<u><u>\$ 158,321</u></u>	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
Other Special Revenue Funds
For the year ended June 30, 2015

	Tree Replacement		
	Final Budget	Actual	Variance - Positive (Negative)
REVENUES			
Charges for services	\$ 1,500	\$ 200	\$ (1,300)
Investment earnings	50	6	(44)
Total revenues	1,550	206	(1,344)
EXPENDITURES			
Current			
Culture and recreation	1,000	-	1,000
Net change in fund balances	<u><u>\$ 550</u></u>	206	<u><u>\$ (344)</u></u>
Fund balance at July 1, 2014		<u>1,156</u>	
Fund balance at June 30, 2015		<u><u>\$ 1,362</u></u>	

City of Muskegon
COMBINING BALANCE SHEET
Other Capital Projects Funds
June 30, 2015

	Total Other Capital Projects Funds	Public Improvement	Sidewalk Replacement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Arena Capital Improvements	Neighborhood Stabilization	Economic Development - Sappi
ASSETS											
Cash and investments	\$ 1,920,519	\$ 1,055,336	\$ 191,353	\$ 220,826	\$ 277,510	\$ -	\$ 8,250	\$ 96,222	\$ 57,257	\$ -	\$ 13,765
Assets managed by others	10,789	10,789	-	-	-	-	-	-	-	-	-
Receivables											
Accounts and loans (net of allowance for uncollectibles)	968,929	9,316	-	-	28,477	84,334	68,770	-	278,032	-	500,000
Special assessments	6,862	-	6,862	-	-	-	-	-	-	-	-
Due from other governmental units	365,671	-	-	-	-	308,563	55,358	1,750	-	-	-
Total assets	\$ 3,272,770	\$ 1,075,441	\$ 198,215	\$ 220,826	\$ 305,987	\$ 392,897	\$ 132,378	\$ 97,972	\$ 335,289	\$ -	\$ 513,765
LIABILITIES											
Accounts payable	\$ 135,061	\$ 647	\$ -	\$ -	\$ -	\$ 57,248	\$ -	\$ 21,709	\$ 55,457	\$ -	\$ -
Accrued liabilities	5,204	-	-	-	-	4,739	-	465	-	-	-
Due to other funds	330,910	-	-	-	-	330,910	-	-	-	-	-
Unearned revenues - expenditure-driven grants	43,020	-	-	-	-	-	43,020	-	-	-	-
Total liabilities	514,195	647	-	-	-	392,897	43,020	22,174	55,457	-	-
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenues - special assessments	6,862	-	6,862	-	-	-	-	-	-	-	-
Unavailable revenues - other long-term receivables	8,416	8,416	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	15,278	8,416	6,862	-	-	-	-	-	-	-	-
FUND BALANCES											
Nonspendable - long-term loans receivable	597,247	-	-	-	28,477	-	68,770	-	-	-	500,000
Assigned for capital projects and public improvements	2,146,050	1,066,378	191,353	220,826	277,510	-	20,588	75,798	279,832	-	13,765
Total fund balances	2,743,297	1,066,378	191,353	220,826	305,987	-	89,358	75,798	279,832	-	513,765
Total liabilities, deferred inflows of resources and fund balances	\$ 3,272,770	\$ 1,075,441	\$ 198,215	\$ 220,826	\$ 305,987	\$ 392,897	\$ 132,378	\$ 97,972	\$ 335,289	\$ -	\$ 513,765

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
Other Capital Projects Funds
For the year ended June 30, 2015

	<u>Total Other Capital Projects Funds</u>	<u>Public Improvement</u>	<u>Sidewalk Replacement</u>	<u>Michcon Remediation</u>	<u>EDC Revolving Loan</u>	<u>Community Development Block Grant</u>	<u>State Grants</u>	<u>HOME Rehabilitation</u>	<u>Arena Capital Improvements</u>	<u>Neighborhood Stabilization</u>	<u>Economic Development - Sappi</u>
REVENUES											
Intergovernmental revenues											
Federal	\$ 1,053,915	\$ -	\$ -	\$ -	\$ -	\$ 898,841	\$ -	\$ 155,074	\$ -	\$ -	\$ -
State	16,816	-	-	-	-	-	752	-	-	16,064	-
Charges for services	85,732	-	-	-	5,500	-	-	-	80,232	-	-
Investment earnings	11,127	2,648	1,885	1,100	1,252	714	1,475	-	179	-	1,874
Income (loss) from assets managed by others	189	189	-	-	-	-	-	-	-	-	-
Other	1,135,411	695,637	4,522	-	63,523	20,469	-	-	278,323	72,937	-
Total revenues	2,303,190	698,474	6,407	1,100	70,275	920,024	2,227	155,074	358,734	89,001	1,874
EXPENDITURES											
Debt service											
Principal	162,842	-	145,000	-	-	-	17,842	-	-	-	-
Interest and fees	14,127	-	11,875	-	-	-	2,252	-	-	-	-
Capital outlay	1,362,862	17,162	1,935	-	17,965	945,636	752	272,498	106,914	-	-
Total expenditures	1,539,831	17,162	158,810	-	17,965	945,636	20,846	272,498	106,914	-	-
Excess of revenues over (under) expenditures	763,359	681,312	(152,403)	1,100	52,310	(25,612)	(18,619)	(117,424)	251,820	89,001	1,874
OTHER FINANCING SOURCES (USES)											
Proceeds from sale of capital assets	244,685	14,798	-	-	-	48,173	-	181,714	-	-	-
Transfers in	22,561	-	-	-	-	-	-	11,508	-	11,053	-
Transfers out	(22,561)	-	-	-	-	(22,561)	-	-	-	-	-
Total other financing sources (uses)	244,685	14,798	-	-	-	25,612	-	193,222	-	11,053	-
Net change in fund balances	1,008,044	696,110	(152,403)	1,100	52,310	-	(18,619)	75,798	251,820	100,054	1,874
Fund balances (deficits) at July 1, 2014	1,735,253	370,268	343,756	219,726	253,677	-	107,977	-	28,012	(100,054)	511,891
Fund balances at June 30, 2015	<u>\$ 2,743,297</u>	<u>\$ 1,066,378</u>	<u>\$ 191,353</u>	<u>\$ 220,826</u>	<u>\$ 305,987</u>	<u>\$ -</u>	<u>\$ 89,358</u>	<u>\$ 75,798</u>	<u>\$ 279,832</u>	<u>\$ -</u>	<u>\$ 513,765</u>

[This page intentionally left blank.]

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, 2015

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
ASSETS					
Current assets					
Cash and investments	\$ 3,032,012	\$ 27,862	\$ 617,235	\$ 1,694,944	\$ 691,971
Accounts receivable	235,289	13,813	75	96,424	124,977
Inventories	24,160	-	24,160	-	-
Prepaid items	290,523	2,322	62,536	219,644	6,021
Total current assets	3,581,984	43,997	704,006	2,011,012	822,969
Noncurrent assets					
Advances to component units	890,800	-	445,400	445,400	-
Capital assets					
Land	65,000	-	-	-	65,000
Land improvements	301,715	-	-	-	301,715
Buildings and improvements	1,559,334	-	-	-	1,559,334
Machinery and equipment	8,290,881	26,355	8,191,052	-	73,474
Less accumulated depreciation	(7,895,227)	(26,355)	(6,366,946)	-	(1,501,926)
Net capital assets	2,321,703	-	1,824,106	-	497,597
Total noncurrent assets	3,212,503	-	2,269,506	445,400	497,597
Total assets	6,794,487	43,997	2,973,512	2,456,412	1,320,566
DEFERRED OUFLOWS OF RESOURCES					
Related to pension	67,363	-	25,261	-	42,102
Total assets and deferred outflows of resources	6,861,850	43,997	2,998,773	2,456,412	1,362,668
LIABILITIES					
Current liabilities					
Accounts payable	648,550	2,236	80,506	413,100	152,708
Accrued liabilities	24,036	1,978	7,556	733	13,769
Bonds and other obligations, due within one year	14,900	1,500	4,100	500	8,800
Total current liabilities	687,486	5,714	92,162	414,333	175,277
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	74,515	7,770	20,362	2,300	44,083
Net pension liability	584,312	-	219,117	-	365,195
Total noncurrent liabilities	658,827	7,770	239,479	2,300	409,278
Total liabilities	1,346,313	13,484	331,641	416,633	584,555
NET POSITION					
Net investment in capital assets	2,321,703	-	1,824,106	-	497,597
Unrestricted	3,193,834	30,513	843,026	2,039,779	280,516
Total net position	\$ 5,515,537	\$ 30,513	\$ 2,667,132	\$ 2,039,779	\$ 778,113

City of Muskegon
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Internal Service Funds
For the year ended June 30, 2015

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	\$ 7,972,296	\$ 204,848	\$ 2,208,802	\$ 4,473,357	\$ 1,085,289
Other	253,265	31,926	79,949	12,420	128,970
Total operating revenues	8,225,561	236,774	2,288,751	4,485,777	1,214,259
OPERATING EXPENSES					
Administration	323,181	66,919	87,184	46,643	122,435
Insurance premiums and claims	4,252,436	-	-	4,252,436	-
Other operations	3,448,294	280,257	2,096,285	43,321	1,028,431
Depreciation	417,625	-	340,749	-	76,876
Total operating expenses	8,441,536	347,176	2,524,218	4,342,400	1,227,742
Operating income (loss)	(215,975)	(110,402)	(235,467)	143,377	(13,483)
NONOPERATING REVENUES					
Investment earnings	45,240	229	19,228	22,710	3,073
Gain on sale of capital assets	8,797	-	8,797	-	-
Total nonoperating revenues	54,037	229	28,025	22,710	3,073
Income (loss) before transfers	(161,938)	(110,173)	(207,442)	166,087	(10,410)
TRANSFERS					
Transfers in	89,023	75,000	-	14,023	-
Change in net position	(72,915)	(35,173)	(207,442)	180,110	(10,410)
Net position at July 1, 2014, as restated	5,588,452	65,686	2,874,574	1,859,669	788,523
Net position at June 30, 2015	\$ 5,515,537	\$ 30,513	\$ 2,667,132	\$ 2,039,779	\$ 778,113

City of Muskegon
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended June 30, 2015

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 148,341	\$ 35,116	\$ 100,805	\$ 12,420	\$ -
Receipts from interfund services provided	6,921,509	204,848	2,208,802	3,422,570	1,085,289
Other receipts	1,031,218	-	-	1,027,225	3,993
Payments to suppliers	(5,696,991)	(155,235)	(1,130,405)	(4,070,067)	(341,284)
Payments to employees	(1,220,028)	(123,814)	(309,941)	(276,305)	(509,968)
Payments for interfund services used	(889,994)	(87,489)	(681,514)	(3,790)	(117,201)
Net cash provided by (used for) operating activities	294,055	(126,574)	187,747	112,053	120,829
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	89,023	75,000	-	14,023	-
Collections on advances to component units	74,288	-	37,144	37,144	-
Net cash provided by noncapital financing activities	163,311	75,000	37,144	51,167	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(438,668)	-	(438,668)	-	-
Proceeds from sale of capital assets	8,797	-	8,797	-	-
Net cash used for capital and related financing activities	(429,871)	-	(429,871)	-	-
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	45,240	229	19,228	22,710	3,073
Net increase (decrease) in cash and investments	72,735	(51,345)	(185,752)	185,930	123,902
Cash and investments at July 1, 2014	2,959,277	79,207	802,987	1,509,014	568,069
Cash and investments at June 30, 2015	\$ 3,032,012	\$ 27,862	\$ 617,235	\$ 1,694,944	\$ 691,971
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ (215,975)	\$ (110,402)	\$ (235,467)	\$ 143,377	\$ (13,483)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	417,625	-	340,749	-	76,876
Change in assets and liabilities					
Receivables	(124,493)	3,190	20,856	(23,562)	(124,977)
Inventories	(11,058)	-	(11,058)	-	-
Prepaid items	(7,480)	170	(452)	(6,707)	(491)
Accounts payable	185,559	(11,032)	54,046	(1,901)	144,446
Accrued liabilities	49,877	(8,500)	19,073	846	38,458
Net cash provided by (used for) operating activities	\$ 294,055	\$ (126,574)	\$ 187,747	\$ 112,053	\$ 120,829

DESCRIPTION OF FIDUCIARY FUNDS

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

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

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

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

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

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

City of Muskegon
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 Agency Funds
 June 30, 2015

	Total Agency Funds	Collector	Current Tax	Rehab Loan Escrow
ASSETS				
Cash and investments	\$ 1,014,470	\$ 1,013,889	\$ -	\$ 581
Accounts receivable	1,867	1,867	-	-
Total assets	\$ 1,016,337	\$ 1,015,756	\$ -	\$ 581
LIABILITIES				
Accounts payable	\$ 222,443	\$ 221,862	\$ -	\$ 581
Due to other governmental units	713,717	713,717	-	-
Deposits held for others	80,177	80,177	-	-
Total liabilities	\$ 1,016,337	\$ 1,015,756	\$ -	\$ 581

City of Muskegon
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the year ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>COLLECTOR FUND</u>				
ASSETS				
Cash and investments	\$ 395,193	\$ 7,725,240	\$ 7,106,544	\$ 1,013,889
Accounts receivable	1,867	283,087	283,087	1,867
Total assets	\$ 397,060	\$ 8,008,327	\$ 7,389,631	\$ 1,015,756
LIABILITIES				
Accounts payable	\$ 96,463	\$ 3,499,012	\$ 3,373,613	\$ 221,862
Due to other governmental units	245,855	1,525,313	1,057,451	713,717
Deposits held for others	54,742	2,376,355	2,350,920	80,177
Total liabilities	\$ 397,060	\$ 7,400,680	\$ 6,781,984	\$ 1,015,756
<u>CURRENT TAX FUND</u>				
ASSETS				
Cash and investments	\$ -	\$ 20,734,768	\$ 20,734,768	\$ -
LIABILITIES				
Due to other governmental units	\$ -	\$ 19,828,200	\$ 19,828,200	\$ -
Due to component units	-	568,601	568,601	-
Deposits held for others	-	163,424	163,424	-
Total liabilities	\$ -	\$ 20,560,225	\$ 20,560,225	\$ -
<u>REHAB LOAN ESCROW FUND</u>				
ASSETS				
Cash and investments	\$ -	\$ 18,334	\$ 17,753	\$ 581
LIABILITIES				
Accounts payable	\$ -	\$ 18,334	\$ 17,753	\$ 581
<u>ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 395,193	\$ 28,478,342	\$ 27,859,065	\$ 1,014,470
Accounts receivable	1,867	283,087	283,087	1,867
Total assets	\$ 397,060	\$ 28,761,429	\$ 28,142,152	\$ 1,016,337
LIABILITIES				
Accounts payable	\$ 96,463	\$ 3,517,346	\$ 3,391,366	\$ 222,443
Due to other governmental units	245,855	21,353,513	20,885,651	713,717
Due to component units	-	568,601	568,601	-
Deposits held for others	54,742	2,539,779	2,514,344	80,177
Total liabilities	\$ 397,060	\$ 27,979,239	\$ 27,359,962	\$ 1,016,337

[This page intentionally left blank.]

DESCRIPTION OF DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

City of Muskegon
COMBINING BALANCE SHEET
Discretely Presented Component Units
June 30, 2015

	Total Discretely Presented Component Units	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II
ASSETS						
Cash and investments	\$ 188,830	\$ 33,521	\$ 51,442	\$ 2,051	\$ 91,451	\$ 10,365
LIABILITIES						
Due to other governmental units	\$ 18,058	\$ -	\$ -	\$ -	\$ 7,803	\$ 10,255
Advances from primary government	1,336,201	-	-	-	1,336,201	-
Total liabilities	1,354,259	-	-	-	1,344,004	10,255
FUND BALANCES (DEFICITS)						
Unassigned	(1,165,429)	33,521	51,442	2,051	(1,252,553)	110
Total liabilities and fund balances (deficits)	\$ 188,830	\$ 33,521	\$ 51,442	\$ 2,051	\$ 91,451	\$ 10,365

City of Muskegon
**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**
Discretely Presented Component Units
June 30, 2015

Total fund balances (deficits)—governmental funds	\$ (1,165,429)
---	----------------

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

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

Cost of capital assets	\$ 4,198,258	
Accumulated depreciation	<u>(1,999,840)</u>	2,198,418

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	(22,327)	
Bonds and notes payable	<u>(5,637,821)</u>	<u>(5,660,148)</u>

Net position of governmental activities		<u><u>\$ (4,627,159)</u></u>
---	--	------------------------------

City of Muskegon
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
Discretely Presented Component Units
For the year ended June 30, 2015

	Total Discretely Presented Component Units	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II
REVENUES						
Property taxes	\$ 623,579	\$ 103,045	\$ 216,686	\$ 39,216	\$ 132,452	\$ 132,180
Intergovernmental revenues - Local	297,000	227,000	70,000	-	-	-
Investment earnings	1,211	129	565	6	401	110
Other	100,000	100,000	-	-	-	-
Total revenues	1,021,790	430,174	287,251	39,222	132,853	132,290
EXPENDITURES						
Current						
Community and economic development	177,983	-	-	38,000	7,803	132,180
Debt service						
Principal	605,000	320,000	285,000	-	-	-
Interest and fees	210,237	119,500	44,587	-	46,150	-
Total expenditures	993,220	439,500	329,587	38,000	53,953	132,180
Net change in fund balances (deficits)	28,570	(9,326)	(42,336)	1,222	78,900	110
Fund balances (deficits) at July 1, 2014	(1,193,999)	42,847	93,778	829	(1,331,453)	-
Fund balances (deficits) at June 30, 2015	\$ (1,165,429)	\$ 33,521	\$ 51,442	\$ 2,051	\$ (1,252,553)	\$ 110

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, 2015

Net change in fund balances—total governmental funds	\$ 28,570
--	-----------

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	605,000
--	---------

Changes in accrual of interest and amortization of premiums and discounts

Change in accrued interest payable	\$ 1,839	
Amortization of premiums	39,479	41,318

Change in net position of governmental activities	\$ 502,240	502,240
---	------------	---------

[This page intentionally left blank.]

SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2015

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2014	6/30/2015	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Water supply system bonds	4/1/2010	\$ 5,995,000	3.50%	05/01/15	\$ 660,000	\$ -	\$ -
(\$44,368 unamortized premium)			3.25%	05/01/16	685,000	685,000	112,988
			4.00%	05/01/17	710,000	710,000	90,725
Type of debt: revenue bond			4.00%	05/01/18	740,000	740,000	62,325
Revenue pledged: water system net revenues			4.25%	05/01/19	770,000	770,000	32,725
					3,565,000	2,905,000	298,763
Drinking Water State Revolving Fund	3/2/2004	\$ 13,900,000	2.13%	10/01/14	\$ 670,000	\$ -	\$ -
			2.13%	10/01/15	685,000	685,000	170,372
			2.13%	10/01/16	695,000	695,000	155,709
Type of debt: state loan			2.13%	10/01/17	710,000	710,000	140,781
Revenue pledged: water system net revenues			2.13%	10/01/18	725,000	725,000	125,534
			2.13%	10/01/19	745,000	745,000	109,916
			2.13%	10/01/20	760,000	760,000	93,925
			2.13%	10/01/21	775,000	775,000	77,616
			2.13%	10/01/22	790,000	790,000	60,988
			2.13%	10/01/23	810,000	810,000	43,988
			2.13%	10/01/24	825,000	825,000	26,616
			2.13%	10/01/25	840,000	840,000	8,925
					9,030,000	8,360,000	1,014,370
TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE					\$ 12,595,000	\$ 11,265,000	\$ 1,313,133

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2015

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2014	6/30/2015	Annual Interest Payable
Governmental Activities Bonds and Loans Payable:							
Capital improvement bonds of 2003 (sidewalks)	3/1/2003	\$ 1,575,000	4.00%	06/01/15	\$ 145,000	\$ -	\$ -
			4.05%	06/01/16	150,000	150,000	6,075
					<u>295,000</u>	<u>150,000</u>	<u>6,075</u>
Type of debt: limited G.O. bond							
Revenue pledged: special assessments, general revenues							
	10/24/2006	\$ 5,400,000	4.00%	10/01/14	\$ 70,000	\$ -	\$ -
			4.00%	10/01/15	70,000	70,000	199,945
			4.00%	10/01/16	70,000	70,000	197,145
			4.00%	10/01/17	70,000	70,000	194,345
Capital improvement bonds of 2006 (fire station, recreation) (\$9,564 unamortized discount)			4.00%	10/01/18	70,000	70,000	191,545
			4.00%	10/01/19	295,000	295,000	184,245
			4.00%	10/01/20	305,000	305,000	172,245
			4.00%	10/01/21	315,000	315,000	159,845
Type of debt: limited G.O. bond							
Revenue pledged: general revenues							
			4.00%	10/01/22	315,000	315,000	147,245
			4.00%	10/01/23	320,000	320,000	134,545
			4.00%	10/01/24	340,000	340,000	121,345
			4.00%	10/01/25	345,000	345,000	107,645
			4.00%	10/01/26	345,000	345,000	93,845
			4.10%	10/01/27	345,000	345,000	79,873
			4.10%	10/01/28	350,000	350,000	65,625
			4.10%	10/01/29	350,000	350,000	51,275
			4.20%	10/01/30	350,000	350,000	36,750
			4.20%	10/01/31	350,000	350,000	22,050
			4.20%	10/01/32	350,000	350,000	7,350
					<u>5,025,000</u>	<u>4,955,000</u>	<u>2,166,863</u>
Capital improvement bonds of 2011 (streets)	9/30/2011	\$ 2,000,000	2.98%	09/01/14	\$ 185,000	\$ -	\$ -
			2.98%	09/01/15	190,000	190,000	40,677
			2.98%	09/01/16	195,000	195,000	34,941
			2.98%	09/01/17	200,000	200,000	29,055
			2.98%	09/01/18	210,000	210,000	22,946
Type of debt: limited G.O. bond							
Revenue pledged: gas tax, general revenues							
			2.98%	09/01/19	215,000	215,000	16,614
			2.98%	09/01/20	220,000	220,000	10,132
			2.98%	09/01/21	230,000	230,000	3,427
					<u>1,645,000</u>	<u>1,460,000</u>	<u>157,792</u>
State of Michigan environmental assessment loan	6/18/2010	\$ 500,000	2.00%	03/18/15	\$ 17,842	\$ -	\$ -
			2.00%	03/18/16	18,199	18,199	1,894
			2.00%	03/18/17	18,563	18,563	1,530
			2.00%	03/18/18	18,934	18,934	1,159
Type of debt: state loan							
Revenue pledged: general revenues							
			2.00%	03/18/19	19,313	19,313	780
			2.00%	03/18/20	19,699	19,699	394
					<u>112,550</u>	<u>94,708</u>	<u>5,757</u>
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					<u>\$ 7,077,550</u>	<u>\$ 6,659,708</u>	<u>\$ 2,336,487</u>
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					<u>\$ 19,672,550</u>	<u>\$ 17,924,708</u>	<u>\$ 3,649,620</u>

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2015

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2014	6/30/2015	Annual Interest Payable
Discretely Presented Component Unit Bonds and Loans Payable:							
Downtown Development Authority promissory note to Muskegon County	8/10/1989	\$ 1,000,000	0.00%	08/30/19	\$ 1,000,000	\$ 1,000,000	\$ -
					1,000,000	1,000,000	-
Type of debt: intergovernmental note Revenue pledged: DDA tax increments							
Downtown Development Authority refunding bonds (\$15,175 unamortized premium)	3/22/2011	\$ 2,045,000	3.25%	06/01/15	\$ 285,000	\$ -	\$ -
			3.50%	06/01/16	300,000	300,000	35,326
			3.75%	06/01/17	310,000	310,000	24,826
			4.00%	06/01/18	330,000	330,000	13,200
Type of debt: limited G.O. bond Revenue pledged: DDA tax increments, general revenues					1,225,000	940,000	73,352
Local Development Finance Authority Smartzone Refunding Bonds (\$162,646 unamortized premium)	3/20/2012	\$ 4,100,000	2.00%	11/01/14	\$ 320,000	\$ -	\$ -
			2.00%	11/01/15	335,000	335,000	112,950
			3.00%	11/01/16	345,000	345,000	104,425
			3.00%	11/01/17	355,000	355,000	93,925
			4.00%	11/01/18	375,000	375,000	81,100
Type of debt: limited G.O. bond Revenue pledged: LDFA tax increments, general revenues					390,000	390,000	65,800
			4.00%	11/01/19	395,000	395,000	50,100
			4.00%	11/01/20	245,000	245,000	37,300
			3.00%	11/01/21	255,000	255,000	28,575
			3.00%	11/01/22	265,000	265,000	20,775
			3.00%	11/01/23	275,000	275,000	12,675
			3.00%	11/01/24	285,000	285,000	4,275
				11/01/25	3,840,000	3,520,000	611,900
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					\$ 6,065,000	\$ 5,460,000	\$ 685,252
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					\$ 25,737,550	\$ 23,384,708	\$ 4,334,872

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.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	121
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	127
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	131
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.	133

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

City of Muskegon

NET ASSETS/NET POSITION BY COMPONENT

Last Ten Fiscal Years

	December 31				June 30					
	2006	2007	2008	2009	2010	2011	2012	2013 (a)	2014	2015 (b)
Governmental Activities										
Net Investment in Capital Assets	\$ 68,189,021	\$ 68,059,626	\$ 69,564,935	\$ 69,064,800	\$ 67,809,630	\$ 67,944,957	\$ 66,862,806	\$ 63,842,092	\$ 63,731,255	\$ 63,514,691
Restricted	5,378,669	5,485,703	3,557,678	2,956,449	3,059,208	3,656,410	3,526,343	4,572,848	4,023,895	4,807,531
Unrestricted	8,778,786	10,162,425	10,708,529	8,920,621	13,828,231	12,598,197	12,836,573	13,299,523	12,811,852	491,914
Total Governmental Net Assets/Net Position	\$ 82,346,476	\$ 83,707,754	\$ 83,831,142	\$ 80,941,870	\$ 84,697,069	\$ 84,199,564	\$ 83,225,722	\$ 81,714,463	\$ 80,567,002	\$ 68,814,136
Business-type Activities										
Net Investment in Capital Assets	\$ 39,441,912	\$ 39,356,966	\$ 40,876,621	\$ 41,876,507	\$ 41,105,739	\$ 40,419,728	\$ 40,147,600	\$ 40,032,858	\$ 39,365,043	\$ 39,231,223
Restricted	822,559	822,559	822,559	672,000	672,000	672,000	672,000	599,500	599,500	599,500
Unrestricted	6,910,247	7,980,823	6,775,508	5,983,935	7,630,396	9,211,610	8,961,713	8,491,848	8,377,093	6,423,540
Total Business-type Activities Net Assets/Net Position	\$ 47,174,718	\$ 48,160,348	\$ 48,474,688	\$ 48,532,442	\$ 49,408,135	\$ 50,303,338	\$ 49,781,313	\$ 49,124,206	\$ 48,341,636	\$ 46,254,263
Primary Government										
Net Investment in Capital Assets	\$ 107,630,933	\$ 107,416,592	\$ 110,441,556	\$ 110,941,307	\$ 108,915,369	\$ 108,364,685	\$ 107,010,406	\$ 103,874,950	\$ 103,096,298	\$ 102,745,914
Restricted	6,201,228	6,308,262	4,380,237	3,628,449	3,731,208	4,328,410	4,198,343	5,172,348	4,623,395	5,407,031
Unrestricted	15,689,033	18,143,248	17,484,037	14,904,556	21,458,627	21,809,807	21,798,286	21,791,371	21,188,945	6,915,454
Total Primary Government Net Assets/Net Position	\$ 129,521,194	\$ 131,868,102	\$ 132,305,830	\$ 129,474,312	\$ 134,105,204	\$ 134,502,902	\$ 133,007,035	\$ 130,838,669	\$ 128,908,638	\$ 115,068,399

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

(b) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.

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

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Year Ended December 31				Period Ended June 30	Year Ended June 30				
	2006	2007	2008	2009	2010	2011	2012	2013 (a)	2014	2015 (b)
EXPENSES										
<u>Governmental Activities</u>										
Public representation	\$ 904,109	\$ 925,124	\$ 986,696	\$ 923,911	\$ 445,251	\$ 854,249	\$ 866,809	\$ 893,981	\$ 1,030,006	\$ 939,907
Administrative services	732,715	783,713	782,362	698,022	317,873	645,585	566,161	565,307	543,425	614,757
Financial services	2,061,836	2,205,041	2,292,430	2,406,517	1,209,694	2,373,141	2,399,147	2,241,061	2,171,958	2,547,766
Public safety	13,059,358	12,802,488	13,955,811	13,614,112	6,332,728	13,390,888	13,213,251	12,987,842	12,946,466	14,243,233
Public works	3,089,522	2,989,433	3,019,411	2,986,747	1,640,946	3,471,051	2,958,367	3,201,806	3,361,422	3,183,627
Highways, streets and bridges	5,672,590	7,272,288	7,265,438	7,160,797	3,680,196	7,013,216	6,568,448	6,672,374	7,053,326	7,165,703
Community and economic development	3,383,157	3,054,087	3,174,508	4,139,765	1,275,026	2,830,867	2,447,373	2,499,404	2,417,518	2,712,131
Culture and recreation	2,464,567	2,433,020	2,623,501	2,463,375	759,392	1,524,331	1,601,316	1,592,358	1,671,185	1,806,790
General administration	1,143,963	358,225	574,955	451,651	210,117	794,115	791,197	322,348	366,634	389,248
Interest on long-term debt	206,768	343,106	324,076	288,073	139,006	272,940	283,186	291,535	277,345	271,607
Total Governmental Activities Expenses	<u>32,718,585</u>	<u>33,166,525</u>	<u>34,999,188</u>	<u>35,132,970</u>	<u>16,010,229</u>	<u>33,170,383</u>	<u>31,695,255</u>	<u>31,268,016</u>	<u>31,839,285</u>	<u>33,874,769</u>
<u>Business-type Activities</u>										
Water	4,500,578	5,795,279	5,800,977	6,080,230	2,958,795	5,869,241	5,974,173	6,228,788	6,016,192	6,047,244
Sewer	5,006,594	5,066,693	5,503,144	5,426,321	2,525,067	5,288,622	6,202,359	7,226,839	7,582,602	8,460,509
Marina and launch ramp	332,826	392,994	347,642	310,773	150,055	292,889	310,174	426,553	503,997	305,990
Total Business-type Activities Expenses	<u>9,839,998</u>	<u>11,254,966</u>	<u>11,651,763</u>	<u>11,817,324</u>	<u>5,633,917</u>	<u>11,450,752</u>	<u>12,486,706</u>	<u>13,882,180</u>	<u>14,102,791</u>	<u>14,813,743</u>
Total Primary Government Expenses	<u>\$ 42,558,583</u>	<u>\$ 44,421,491</u>	<u>\$ 46,650,951</u>	<u>\$ 46,950,294</u>	<u>\$ 21,644,146</u>	<u>\$ 44,621,135</u>	<u>\$ 44,181,961</u>	<u>\$ 45,150,196</u>	<u>\$ 45,942,076</u>	<u>\$ 48,688,512</u>
PROGRAM REVENUES										
<u>Governmental Activities</u>										
<u>Charges for Services</u>										
Public representation	\$ 202,939	\$ 199,759	\$ 188,467	\$ 213,885	\$ 100,177	\$ 196,886	\$ 196,886	\$ 173,739	\$ 189,444	\$ 188,638
Administrative services	306,964	287,011	257,850	271,117	129,630	263,473	270,886	268,535	325,937	415,308
Financial services	728,332	744,109	726,572	818,845	475,031	879,905	881,229	830,919	871,632	823,547
Public safety	1,134,686	1,224,062	1,217,616	1,117,476	536,419	1,109,659	1,136,942	1,133,666	1,407,722	1,218,644
Public works	588,566	407,569	382,072	383,733	209,203	642,082	480,487	671,494	796,739	571,426
Highways, streets and bridges	263,423	372,133	301,955	251,840	139,009	451,473	230,241	245,609	351,962	258,475
Community and economic development	762,220	356,051	297,854	249,241	186,572	457,952	617,379	432,240	477,486	576,863
Culture and recreation	809,228	454,154	405,520	445,891	129,025	300,367	315,010	606,818	535,211	368,168
General administration	170,240	64,366	99,494	123,426	59,373	116,690	116,690	287,729	50,728	48,764
Operating grants and contributions	5,093,355	5,229,279	5,367,152	6,443,223	3,131,811	5,425,165	4,651,576	4,681,345	4,664,098	5,071,239
Capital grants and contributions	5,360,014	3,347,680	3,444,957	2,105,557	255,234	2,257,163	1,568,005	886,108	1,408,424	3,496,623
Total Governmental Program Revenues	<u>15,419,967</u>	<u>12,686,173</u>	<u>12,689,509</u>	<u>12,424,234</u>	<u>5,351,484</u>	<u>12,100,815</u>	<u>10,465,331</u>	<u>10,218,202</u>	<u>11,079,383</u>	<u>13,037,695</u>
<u>Business-type Activities</u>										
Water	6,342,110	6,569,228	6,240,060	5,883,830	2,891,169	5,454,760	5,254,095	5,890,614	6,099,480	6,375,869
Sewer	4,803,702	5,179,095	5,326,787	5,720,171	3,441,924	6,652,851	6,455,634	7,058,315	6,633,911	6,363,808
Marina and launch ramp	267,412	281,679	250,266	242,055	156,767	194,311	208,370	234,229	228,339	255,638
Operating grants and contributions	-	-	-	-	-	-	-	6,188	-	-
Capital grants and contributions	710,641	-	-	5,179	-	20,074	-	88,046	327,240	474,681
Total Business-type program revenues	<u>12,123,865</u>	<u>12,030,002</u>	<u>11,817,113</u>	<u>11,851,235</u>	<u>6,489,860</u>	<u>12,321,996</u>	<u>11,918,099</u>	<u>13,277,392</u>	<u>13,288,970</u>	<u>13,469,996</u>
Total Primary Government program revenues	<u>\$ 27,543,832</u>	<u>\$ 24,716,175</u>	<u>\$ 24,506,622</u>	<u>\$ 24,275,469</u>	<u>\$ 11,841,344</u>	<u>\$ 24,422,811</u>	<u>\$ 22,383,430</u>	<u>\$ 23,495,594</u>	<u>\$ 24,368,353</u>	<u>\$ 26,507,691</u>
NET (EXPENSE) REVENUE										
Governmental Activities	\$ (17,298,618)	\$ (20,480,352)	\$ (22,309,679)	\$ (22,708,736)	\$ (10,658,745)	\$ (21,069,568)	\$ (21,229,924)	\$ (21,049,814)	\$ (20,759,902)	\$ (20,837,074)
Business-type Activities	2,283,867	775,036	165,350	33,911	855,943	871,244	(568,607)	(604,788)	(813,821)	(1,343,747)
Total Primary Government net expense	<u>\$ (15,014,751)</u>	<u>\$ (19,705,316)</u>	<u>\$ (22,144,329)</u>	<u>\$ (22,674,825)</u>	<u>\$ (9,802,802)</u>	<u>\$ (20,198,324)</u>	<u>\$ (21,798,531)</u>	<u>\$ (21,654,602)</u>	<u>\$ (21,573,723)</u>	<u>\$ (22,180,821)</u>

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION - CONTINUED

Last Ten Fiscal Years

	Year Ended December 31				Period Ended June 30	Year Ended June 30				
	2006	2007	2008	2009	2010	2011	2012	2013 (a)	2014	2015 (b)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION										
<u>Governmental Activities</u>										
Property taxes	\$ 7,846,707	\$ 8,014,102	\$ 8,349,341	\$ 8,492,507	\$ 8,681,256	\$ 8,844,004	\$ 8,383,224	\$ 7,592,847	\$ 7,383,236	\$ 7,894,189
Income taxes	7,673,696	7,757,707	8,117,566	6,628,365	3,505,264	6,866,967	7,663,534	8,057,145	7,762,719	8,478,231
Franchise fees	285,124	297,200	304,812	321,852	178,239	362,103	342,376	358,785	358,754	369,965
Grants and contributions not restricted for specific programs	4,674,157	4,475,462	4,487,698	3,841,922	1,832,066	3,846,859	3,577,848	3,700,871	3,813,221	3,989,178
Unrestricted investment earnings	832,300	1,247,520	730,142	185,436	104,086	193,435	100,073	73,157	146,590	99,733
Miscellaneous	64,645	88,035	160,460	226,124	51,638	432,880	154,531	102,388	124,085	805,432
Gain on sale of capital asset	81,372	1,604	323,048	123,258	65,155	25,815	34,496	44,899	23,836	20,302
Transfers	(540,000)	(40,000)	(40,000)	-	(3,760)	-	-	-	-	-
Total Governmental Program Revenues	20,918,001	21,841,630	22,433,067	19,819,464	14,413,944	20,572,063	20,256,082	19,930,092	19,612,441	21,657,030
<u>Business-type Activities</u>										
Unrestricted investment earnings	122,060	170,594	108,990	23,843	15,990	23,959	46,582	33,148	31,251	29,879
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Transfers	540,000	40,000	40,000	-	3,760	-	-	-	-	-
Total Business-type program revenues	662,060	210,594	148,990	23,843	19,750	23,959	46,582	33,148	31,251	29,879
Total Primary Government program revenues	\$ 21,580,061	\$ 22,052,224	\$ 22,582,057	\$ 19,843,307	\$ 14,433,694	\$ 20,596,022	\$ 20,302,664	\$ 19,963,240	\$ 19,643,692	\$ 21,686,909
CHANGE IN NET ASSETS/NET POSITION										
Governmental Activities	\$ 3,619,383	\$ 1,361,278	\$ 123,388	\$ (2,889,272)	\$ 3,755,199	\$ (497,505)	\$ (973,842)	\$ (1,119,722)	\$ (1,147,461)	\$ 819,956
Business-type Activities	2,945,927	985,630	314,340	57,754	875,693	895,203	(522,025)	(571,640)	(782,570)	(1,313,868)
Total Primary Government	\$ 6,565,310	\$ 2,346,908	\$ 437,728	\$ (2,831,518)	\$ 4,630,892	\$ 397,698	\$ (1,495,867)	\$ (1,691,362)	\$ (1,930,031)	\$ (493,912)

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

(b) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.

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

City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	December 31				June 30					
	2006	2007	2008	2009	2010	2011 (a)	2012	2013	2014	2015
General fund										
Reserved	\$ 177,076	\$ 180,410	\$ 214,819	\$ 187,633	\$ 300,969	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	251,173	178,468	447,341	300,952	220,178
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	2,385,728	2,075,738	2,292,495	1,700,000	1,700,000
Unassigned	-	-	-	-	-	3,374,481	4,265,839	4,613,722	5,495,145	5,883,318
Unreserved	2,512,963	2,740,222	2,168,906	1,451,029	5,737,485	-	-	-	-	-
Total general fund	\$ 2,690,039	\$ 2,920,632	\$ 2,383,725	\$ 1,638,662	\$ 6,038,454	\$ 6,011,382	\$ 6,520,045	\$ 7,353,558	\$ 7,496,097	\$ 7,803,496
All other governmental funds										
Reserved	\$ 7,044,394	\$ 4,130,995	\$ 4,382,118	\$ 3,613,858	\$ 3,887,289	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	1,704,256	1,568,318	1,547,793	1,556,347	2,073,747
Restricted	-	-	-	-	-	1,375,779	3,485,073	2,749,396	2,305,385	3,159,130
Assigned	-	-	-	-	-	2,073,027	2,055,904	2,087,359	1,729,457	2,146,050
Unassigned	-	-	-	-	-	(238,104)	(191,282)	(82,048)	(100,054)	-
Unreserved, reported in:										
Special revenue funds	3,030,096	4,462,015	2,768,886	2,060,117	2,163,041	-	-	-	-	-
Capital project funds	390,282	635,676	675,898	554,273	6,035	-	-	-	-	-
Permanent funds	77,300	84,413	60,813	15,613	16,979	-	-	-	-	-
Total all other governmental funds	\$ 10,542,072	\$ 9,313,099	\$ 7,887,715	\$ 6,243,861	\$ 6,073,344	\$ 4,914,958	\$ 6,918,013	\$ 6,302,500	\$ 5,491,135	\$ 7,378,927

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

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

City of Muskegon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Year Ended December 31				Period Ended June 30	Year Ended June 30				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 15,052,708	\$ 15,420,032	\$ 15,728,859	\$ 14,673,012	\$ 11,855,182	\$ 15,146,430	\$ 15,506,668	\$ 14,832,027	\$ 14,954,904	\$ 15,830,137
Intergovernmental	14,703,371	12,752,363	13,012,035	12,400,408	4,785,494	11,525,749	9,899,379	9,403,554	9,945,065	12,301,594
Charges for services	2,938,246	2,722,894	2,463,975	2,620,372	1,338,194	2,769,204	2,596,328	2,769,227	2,569,335	2,468,889
Other	3,758,956	4,618,149	3,624,579	3,177,522	1,768,895	3,461,292	3,237,189	2,795,952	3,256,324	4,003,105
Total revenues	36,453,281	35,513,438	34,829,448	32,871,314	19,747,765	32,902,675	31,239,564	29,800,760	30,725,628	34,603,725
Expenditures										
Public representation	903,895	927,320	987,229	923,923	448,703	851,918	867,762	892,113	1,031,984	930,788
Administrative services	669,789	644,913	632,513	645,704	303,555	586,328	515,988	508,130	497,025	554,330
Financial services	2,056,580	2,231,519	2,298,830	2,406,623	1,241,430	2,352,709	2,407,131	2,196,917	2,197,651	2,476,740
Public safety	13,002,233	12,902,815	13,754,394	13,567,101	6,578,735	13,087,976	12,963,122	12,724,094	12,987,898	13,285,004
Public works	2,730,415	2,768,906	2,831,177	2,860,510	1,589,090	3,079,342	2,835,000	2,878,328	2,918,305	2,876,576
Highways, streets and bridges	8,023,539	6,504,915	6,414,453	3,436,069	1,823,089	3,226,377	2,756,010	2,815,337	3,011,611	2,986,909
Community and economic development	763,211	894,879	1,077,312	4,440,687	1,330,794	3,109,693	2,850,593	2,578,073	2,687,933	2,957,071
Culture and recreation	2,190,835	2,254,117	2,394,031	2,196,186	639,852	1,197,020	1,265,743	1,248,174	1,308,481	1,444,471
Other governmental functions	1,139,148	350,385	562,341	438,292	200,623	1,775,128	770,910	299,812	643,666	369,408
Debt service										
Principal	1,189,785	1,241,921	999,148	663,371	303,466	1,345,183	289,597	395,211	402,492	417,842
Interest and issuance costs	271,233	324,577	310,432	282,174	136,013	267,258	268,315	292,554	278,412	272,946
Capital outlay	6,066,783	5,683,657	5,473,828	3,517,741	980,822	3,301,273	2,948,610	3,230,586	3,577,837	3,992,111
Total expenditure	39,007,446	36,729,924	37,735,688	35,378,381	15,576,172	34,180,205	30,738,781	30,059,329	31,543,295	32,564,196
Excess of revenues over (under) expenditures	(2,554,165)	(1,216,486)	(2,906,240)	(2,507,067)	4,171,593	(1,277,530)	500,783	(258,569)	(817,667)	2,039,529
Other financing sources (uses)										
Transfers in	2,358,509	1,926,538	1,477,717	1,359,608	342,188	1,348,694	510,907	1,356,229	743,035	853,910
Transfers out	(2,926,554)	(1,994,584)	(1,409,491)	(1,309,910)	(359,971)	(1,376,740)	(613,953)	(784,275)	(771,081)	(942,933)
Bonds issued	5,626,331	-	500,000	-	-	-	2,000,000	-	-	-
Sale of capital assets	1,120,341	286,152	375,723	68,452	75,465	120,118	113,981	190,263	176,887	244,685
Total other financing sources (uses)	6,178,627	218,106	943,949	118,150	57,682	92,072	2,010,935	762,217	148,841	155,662
Net change in fund balances	\$ 3,624,462	\$ (998,380)	\$ (1,962,291)	\$ (2,388,917)	\$ 4,229,275	\$ (1,185,458)	\$ 2,511,718	\$ 503,648	\$ (668,826)	\$ 2,195,191
Debt service as a percentage of noncapital expenditures	4.44%	5.05%	4.06%	2.97%	3.01%	5.22%	2.01%	2.56%	2.43%	2.42%

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
2006	\$ 7,627,535	20.9%	\$ 7,425,173	20.4%	\$ 14,703,371	40.3%	\$ 2,938,246	8.1%	\$ 1,009,023	2.8%	\$ 544,902	1.5%	\$ 1,139,466	3.1%	\$ 1,065,565	2.9%	\$ 36,453,281	-2.1%
2007	7,801,571	22.0%	7,618,461	21.5%	12,752,363	35.9%	2,722,894	7.7%	1,115,518	3.1%	606,545	1.7%	1,348,819	3.8%	1,547,267	4.4%	35,513,438	-2.6%
2008	8,034,079	23.1%	7,694,780	22.1%	13,012,035	37.4%	2,463,975	7.1%	1,089,187	3.1%	570,526	1.6%	861,515	2.5%	1,103,351	3.2%	34,829,448	-1.9%
2009	8,190,722	24.9%	6,482,290	19.7%	12,400,408	37.7%	2,620,372	8.0%	1,032,681	3.1%	582,394	1.8%	400,900	1.2%	1,161,547	3.5%	32,871,314	-5.6%
2010*	8,487,125	43.0%	3,368,057	17.1%	4,785,494	24.2%	1,338,194	6.8%	584,162	3.0%	297,043	1.5%	193,873	1.0%	693,817	3.5%	19,747,765	-39.9%
2011	8,546,677	26.0%	6,599,753	20.1%	11,525,749	35.0%	2,769,204	8.4%	1,179,639	3.6%	447,254	1.4%	412,498	1.3%	1,421,901	4.3%	32,902,675	66.6%
2012	8,093,864	25.9%	7,412,804	23.7%	9,899,379	31.7%	2,596,328	8.3%	1,223,034	3.9%	459,401	1.5%	307,891	1.0%	1,246,863	4.0%	31,239,564	-5.1%
2013	7,325,555	24.6%	7,506,472	25.2%	9,403,554	31.6%	2,769,227	9.3%	1,238,285	4.2%	435,893	1.5%	267,397	0.9%	854,377	2.9%	29,800,760	-4.6%
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%

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

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

City of Muskegon

Taxable, Assessed and Equalized and Estimated Actual Valuation of Property

Last Ten Fiscal Years

Taxable Valuation of Property

Ad Valorem Assessment Roll								Industrial and Commercial Facilities Assessment Roll				Total Taxable Valuation	Total City	Taxable Value As a Percent Actual
Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT			
2005	\$ 322,359,014	\$ 164,935	\$ 126,046,550	\$ 104,163,650	\$ 552,734,149	\$ 109,273,769	\$ 662,007,918	\$ 7,235,276	\$ 47,458,411	-	\$ 54,693,687	\$ 716,701,605	11.0755	87.62%
2006	341,365,730	-	132,415,743	105,982,619	579,764,092	103,282,670	683,046,762	6,062,774	44,389,891	-	50,452,665	733,499,427	11.0732	87.46%
2007	364,789,125	-	143,991,195	109,089,684	617,870,004	111,824,925	729,694,929	5,433,443	31,408,300	-	36,841,743	766,536,672	11.0685	87.21%
2008	376,414,856	160,219	140,833,691	109,931,336	627,340,102	114,100,484	741,440,586	5,747,358	24,617,400	-	30,364,758	771,805,344	11.0682	86.71%
2009	376,545,791	157,682	147,276,887	114,185,691	638,166,051	111,493,852	749,659,903	5,259,649	25,616,400	-	30,876,049	780,535,952	11.0680	91.48%
2010	332,105,030	-	144,721,736	109,507,141	586,333,907	104,029,037	690,362,944	4,111,154	9,129,000	-	13,240,154	703,603,098	12.0680	94.04%
2011	331,901,631	-	144,675,509	87,261,346	563,838,486	93,465,537	657,304,023	3,071,654	9,129,000	-	12,200,654	669,504,677	12.0749	94.95%
2012	312,930,252	-	134,635,427	81,575,476	529,141,155	91,750,891	620,892,046	3,587,223	6,161,900	-	9,749,123	630,641,169	12.0789	96.40%
2013	310,252,865	-	118,856,014	76,331,458	505,440,337	91,730,093	597,170,430	6,677,737	7,472,900	-	14,150,637	611,321,067	12.0865	96.97%
2014	312,031,296	-	115,070,943	61,196,955	488,299,194	91,020,452	579,319,646	3,874,303	6,512,600	-	10,386,903	589,706,549	13.0875	96.26%

Assessed and Equalized Valuation of Property

Ad Valorem Assessment Roll								Industrial and Commercial Facilities Assessment Roll				Total Assessed Valuation	Estimated Actual Value
Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT		
2005	\$ 397,915,080	\$ 200,800	\$ 142,436,699	\$ 112,694,600	\$ 653,247,179	\$ 109,280,200	\$ 762,527,379	\$ 7,481,500	\$ 47,924,200	-	\$ 55,405,700	\$ 817,933,079	\$ 1,635,866,158
2006	420,608,600	-	149,948,800	113,890,900	684,448,300	103,288,100	787,736,400	6,454,200	44,470,600	-	50,924,800	838,661,200	1,677,322,400
2007	448,120,317	-	160,361,200	121,432,880	729,914,397	111,829,191	841,743,588	5,850,600	31,408,300	-	37,258,900	879,002,488	1,758,004,976
2008	466,633,100	194,800	156,596,000	121,810,900	745,234,800	114,104,600	859,339,400	6,162,900	24,617,400	-	30,780,300	890,119,700	1,780,239,400
2009	426,002,850	191,100	161,996,600	122,301,800	710,492,350	111,497,300	821,989,650	5,606,100	25,616,400	-	31,222,500	853,212,150	1,706,424,300
2010	354,044,700	-	154,185,000	122,703,400	630,933,100	104,020,200	734,953,300	4,120,400	9,129,000	-	13,249,400	748,202,700	1,496,405,400
2011	354,307,945	-	154,700,200	90,467,700	599,475,845	93,456,700	692,932,545	3,080,900	9,129,000	-	12,209,900	705,142,445	1,410,284,890
2012	327,226,000	-	141,238,834	84,084,000	552,548,834	91,740,800	644,289,634	3,719,300	6,161,900	-	9,881,200	654,170,834	1,308,341,668
2013	321,604,220	-	123,831,400	79,037,400	524,473,020	91,720,300	616,193,320	6,766,000	7,472,900	-	14,238,900	630,432,220	1,260,864,440
2014	326,690,900	-	120,803,800	63,704,200	511,198,900	91,004,400	602,203,300	3,877,300	6,512,600	-	10,389,900	612,593,200	1,225,186,400

Property is assessed at 50% of true cash value. The assessed and equalized valuation of taxable property is determined as of December 31st of each year and is the basis upon which taxes are levied during the succeeding fiscal year. The passage of Proposal A in May, 1994 altered how tax values are determined. Beginning in the 1995-1996 fiscal year, property taxes are based on taxable value instead of state equalized value. Proposal A also capped taxable value of each parcel of property, adjusted for additions and losses, at the previous year's rate of inflation or 5% whichever is less, until the property is sold or transferred. When ownership of a parcel of property is transferred, the taxable value becomes 50% of true cash value, or the state equalized valuation. The Industrial and Commercial Facilities Tax Acts permit certain property to be taxed at one-half the tax rate for a period up to twelve years.

City of Muskegon
Principal Property Taxpayers

June 30, 2015

Taxpayer	6/30/2015			12/31/2005		
	Taxable Valuation	Rank	Percent of Total Taxable Valuation	Taxable Valuation	Rank	Percent of Total Taxable Valuation
Consumers Energy	\$ 31,855,180	1	5.6%	\$ 70,719,999	1	9.7%
ADAC Plastics Inc	7,334,100	2	1.3%	7,440,086	5	1.0%
ESCO Company	6,675,096	3	1.2%	5,833,749	9	0.8%
DTE Energy (formerly MichCon)	6,501,000	4	1.1%	8,682,364	3	1.2%
GE Aviation (Johnson Technology)	5,116,098	5	0.9%	7,520,289	4	1.0%
Mercy General	4,597,307	6	0.8%			
Fleet Engineers Inc	4,446,114	7	0.8%			
Lorin Industries	4,014,909	8	0.7%	5,838,622	8	0.8%
Muskegon SC Holdings LLC	3,880,700	9	0.7%			
Coles Quality Foods	3,350,610	10	0.6%			
Sappi (S.D. Warren Co.)				50,633,310	2	6.9%
Brunswick				7,340,058	7	1.0%
Bekaert Steel Wire Corp				5,950,594	6	0.8%
Holland Neway International				5,321,661	10	0.7%
Total - 10 Largest	77,771,114		13.6%	175,280,732		24.0%
Total - All Other	495,403,867		86.4%	555,113,672		76.0%
	\$ 573,174,981		100.0%	\$ 730,394,404		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
2005	8.5000	0.0755	2.5000	11.0755	2.4000
2006	8.5000	0.0732	2.5000	11.0732	2.4000
2007	8.5000	0.0685	2.5000	11.0685	2.4000
2008	8.5000	0.0682	2.5000	11.0682	2.4000
2009	8.9000	0.0680	2.1000	11.0680	2.4000
2010	9.5000	0.0680	2.5000	12.0680	2.4000
2011	9.5000	0.0749	2.5000	12.0749	2.4000
2012	9.5000	0.0789	2.5000	12.0789	2.4000
2013	9.5000	0.0865	2.5000	12.0865	2.4000
2014	10.0000	0.0875	3.0000	13.0875	2.4000

Overlapping - County-Wide Rates							
Year	Muskegon County	Intermediate School	Special Education	Vocational Education	Community College	MAISD Gen Ed	Community College Debt
2005	6.7757	0.4597	2.2983	1.0000	2.2037	-	-
2006	6.7557	0.4597	2.2987	0.9996	2.2037	-	-
2007	6.7357	0.4597	2.2987	0.9996	2.2037	-	-
2008	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2009	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2010	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2011	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2012	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2013	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2014	6.6557	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400

Overlapping - School District					Grand Total	
Year	Operating	Debt	Total	State Education	Homestead	Non-Homestead
2005	18.0000	7.0000	25.0000	6.0000	39.2129	57.2129
2006	18.0000	7.0000	25.0000	6.0000	39.1906	57.1906
2007	18.0000	7.0000	25.0000	6.0000	39.1659	57.1659
2008	18.0000	5.5000	23.5000	6.0000	37.6256	55.6256
2009	18.0000	5.6000	23.6000	6.0000	37.7254	55.7254
2010	18.0000	5.7500	23.7500	6.0000	38.8754	56.8754
2011	18.0000	6.2500	24.2500	6.0000	39.3823	57.3823
2012	18.0000	7.1000	25.1000	6.0000	40.2363	58.2363
2013	18.0000	7.1000	25.1000	6.0000	40.2439	58.2439
2014	18.0000	7.6000	25.6000	6.0000	43.0449	61.0449

City of Muskegon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as % of Levy	Charge backs On Uncollected Delinquent Taxes	Outstanding Delinquent Personal	Outstanding Delinquent Specific	Percent of Delinquent Taxes to Levy
2005	\$ 8,121,734	\$ 6,920,960	85.2%	\$ 1,027,932	\$ 7,948,892	97.9%	\$ 28,156	\$ 78,641	\$ 21,100	1.57%
2006	8,207,019	7,231,508	88.1%	885,675	8,117,183	98.9%	13,461	65,297	24,539	1.26%
2007	8,542,477	7,509,102	87.9%	949,754	8,458,856	99.0%	-	67,586	20,748	1.03%
2008	8,466,096	7,219,540	85.3%	1,135,738	8,355,278	98.7%	36,917	73,430	37,388	1.75%
2009	8,700,017	7,522,462	86.5%	1,102,891	8,625,353	99.1%	25,755	73,440	34,758	1.54%
2010	8,945,500	7,784,052	87.0%	1,077,056	8,861,108	99.1%	58,027	70,745	13,647	1.59%
2011	8,583,284	7,457,610	86.9%	1,030,902	8,488,512	98.9%	54,707	80,068	12,935	1.72%
2012	7,872,541	6,882,534	87.4%	915,950	7,798,484	99.1%	27,163	68,945	5,113	1.29%
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%

SOURCE: City of Muskegon Treasurer' Office

City of Muskegon
SEGMENTED DATA ON INCOME TAX FILERS, RATES AND LIABILITY

Most recent Year and Ten Years Previous

Taxable Income per Return <i>Individual and Joint Returns</i>	Year Ended June 30, 2015					Year Ended December 31, 2005				
	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars
Resident Taxpayers: <i>(City resident income, after exemptions, exclusions and deductions is taxed at a flat rate of 1%.)</i>										
\$2,500 or less	900	5%	\$ 854,046	\$ 8,540	0%	1,116	5%	\$ 1,077,531	\$ 10,775	0%
\$2,501-\$7,500	603	3%	5,407,969	54,080	1%	942	4%	6,568,148	65,681	1%
\$7,501-\$25,000	1,518	9%	44,801,925	448,019	5%	2,221	10%	50,347,057	503,471	7%
\$25,001-\$50,000	1,378	8%	91,246,132	912,461	11%	2,085	9%	106,213,538	1,062,135	15%
\$50,001-\$100,000	856	5%	106,391,232	1,063,912	13%	900	4%	85,092,017	850,920	12%
More than \$100,000	203	1%	58,356,796	583,568	7%	157	1%	38,221,409	382,214	5%
Subtotal	5,458	31%	\$ 307,058,100	\$ 3,070,580	37%	7,421	32%	\$ 287,519,700	\$ 2,875,196	41%
Non-Residents Taxpayers: <i>(Non-residents are taxed at a rate of 0.5% on income earned within the City.)</i>										
\$2,500 or less	1,686	9%	\$ 975,600	\$ 8,082	0%	2,125	9%	\$ 1,369,600	\$ 10,014	0%
\$2,501-\$7,500	984	6%	4,678,200	43,502	1%	1,372	6%	6,523,200	47,391	1%
\$7,501-\$25,000	2,284	13%	36,895,800	359,498	4%	3,487	15%	57,770,400	431,327	6%
\$25,001-\$50,000	2,790	16%	101,845,000	952,375	12%	4,118	18%	151,373,716	1,123,083	16%
\$50,001-\$100,000	2,213	12%	147,712,800	1,250,524	15%	2,375	10%	156,852,800	1,066,049	15%
More than \$100,000	674	4%	137,957,600	1,138,952	14%	575	2%	117,861,361	836,264	12%
Subtotal	10,631	60%	\$ 430,065,000	\$ 3,752,933	45%	14,052	60%	\$ 491,751,077	\$ 3,514,128	50%
All Other Returns <i>(Mostly corporate returns which pay at a rate of 1% on income earned in City and partnerships which pay based on partners residence status.)</i>										
Subtotal	1,750	10%	\$ 1,451,153	18%	1,800	8%	\$ 693,697	10%		
Total	17,839	100%	\$ 8,274,666	100%	23,273	100%	\$ 7,083,021	100%		

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

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

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

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

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

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

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

City of Muskegon

DIRECT AND OVERLAPPING DEBT

June 30, 2015

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	Debt Supported by City General Revenues
<u>Direct Debt</u>			
City of Muskegon:			
Revenue Bonds	\$ 11,265,000	\$ 11,265,000	\$ -
Capital Improvement Bonds	6,565,000	-	6,565,000
Intergovernmental Bonds	94,708	-	94,708
Component Unit Debt:			
Downtown Development Authority	1,940,000	1,940,000	-
Local Development Finance Authority	3,520,000	3,520,000	-
Total City Direct Debt	\$ 23,384,708	\$ 16,725,000	\$ 6,659,708

	Gross	City Share as Percent of Gross	Net
<u>Overlapping Debt</u>			
Muskegon School District	\$ 20,850,000	95.01%	\$ 19,809,585
Orchard View School District	45,031,900	26.34%	11,861,402
Reeths Puffer School District	74,292,522	4.55%	3,380,310
Muskegon Intermediate School District	-		-
Muskegon County	74,800,000	13.48%	10,083,040
Muskegon Community College	19,905,000	13.48%	2,683,194
Total Overlapping Debt	\$ 234,879,422		47,817,531
Total City Direct and Overlapping Debt			\$ 54,477,239

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

	2006	2007	2008	2009	2010*	2011	2012	2013	2014	2015
Debt Limit	\$ 78,773,640	\$ 84,174,359	\$ 85,933,940	\$ 82,198,965	\$ 82,198,965	\$ 78,308,925	\$ 73,585,150	\$ 68,555,700	\$ 61,706,477	\$ 61,510,980
Total net debt applicable to limit	16,142,939	15,591,018	15,481,870	14,778,499	14,435,033	12,929,850	14,375,253	13,655,042	12,847,550	11,969,708
Legal debt margin	\$ 62,630,701	\$ 68,583,341	\$ 70,452,070	\$ 67,420,466	\$ 67,763,932	\$ 65,379,075	\$ 59,209,897	\$ 54,900,658	\$ 48,858,927	\$ 49,541,272
Total net debt applicable to the limit as a percentage of debt limit	20.49%	18.52%	18.02%	17.98%	17.56%	16.51%	19.54%	19.92%	20.82%	19.46%

Legal Debt Margin Calculation for 2015:

Assessed Valuation:	\$ 615,109,800
Legal Debt Limit (10%)	61,510,980
Total Indebtedness:	\$ 23,384,708
Debt not Subject to Limitation:	
Paid by Special Assessment	(150,000)
Revenue Bonds	(11,265,000)
Debt Subject to Limitation	11,969,708
Legal Debt Margin	\$ 49,541,272

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

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

City of Muskegon
REVENUE BOND COVERAGE

Last Ten Fiscal Years

Water Supply System

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

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	
2006	\$ 4,842,901	\$ 4,270,296	\$ 572,605	\$ 511,626	\$ 63,233	\$ 574,859	1.00
2007	5,213,140	4,435,211	777,929	506,822	25,221	532,043	1.46
2008	5,338,647	4,979,343	359,304	546,278	12,550	558,828	0.64
2009			No Direct System Indebtedness				
2010*			No Direct System Indebtedness				
2011			No Direct System Indebtedness				
2012			No Direct System Indebtedness				
2013			No Direct System Indebtedness				
2014			No Direct System Indebtedness				
2015			No Direct System Indebtedness				

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

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

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

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

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

City of Muskegon
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

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

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	2015			2005		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
Mercy General Health Partners*	4,114	1	27.4%	2,000	1	11.9%
ADAC Plastics	970	2	6.5%	500	6	3.0%
County of Muskegon	755	3	5.0%	1,280	3	7.6%
Port City Group	667	4	4.4%			
Muskegon Public Schools	565	5	3.8%	1,050	5	6.3%
Baker College	476	6	3.2%			
SAF Holland USA	345	7	2.3%			
G.E. Aviation	331	8	2.2%	425	7	2.5%
Muskegon Community College	198	9	1.3%			
Cole's Quality Foods	180	10	1.2%			
Hackley Hospital*				1,610	2	9.6%
State of Michigan				1,175	4	7.0%
Verizon				350	8	2.1%
Sappi/S.D. Warren Company				323	9	1.9%
Brunswick				315	10	1.9%

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

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

City of Muskegon

BUDGETED FULL-TIME CITY GOVERNMENT POSITIONS BY DEPARTMENT

Last Ten Fiscal Years

Department	2005	2006	2007	2008	2009	2010*	2011	2012	2013	2014	2015
Administration	1.50	1.50	1.50	1.50	-	-	0.40	0.40	0.40	0.40	-
Affirmative Action	1.50	1.50	1.50	1.50	1.50	1.50	1.10	1.10	1.10	1.10	1.30
Cemetaries	3.25	3.00	3.25	3.25	3.25	2.50	2.20	1.75	1.25	1.25	1.25
City Clerk & Elections	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
City Commission	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
City Hall Maintenance	1.00	1.00	1.00	1.00	1.00	1.00	0.55	0.55	0.55	0.55	0.55
City Manager's Office	1.75	1.75	1.75	1.75	3.25	2.25	2.25	2.25	2.25	2.25	2.05
City Treasurer's Office	5.00	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50	5.50
Civil Service	2.00	2.00	2.00	2.00	2.00	2.00	1.00	-	-	-	-
Environmental Services	2.00	2.00	2.00	2.00	2.00	2.00	2.00	5.00	5.00	5.00	2.00
Farmers Market	-	-	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Finance Administration	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	2.00	2.00	3.00
Fire	40.00	38.00	38.00	38.00	38.00	36.00	33.00	35.00	28.00	28.83	32.00
Fire Safety Inspections	10.00	12.00	12.00	12.00	12.00	9.00	8.00	6.00	6.00	0.83	-
Forestry	-	-	-	-	-	-	-	-	-	-	-
General Recreation	1.00	1.17	1.33	1.66	1.66	2.00	-	-	-	-	-
Income Tax Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50	3.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Parks	8.48	8.25	8.15	8.15	7.99	7.15	6.00	6.05	6.05	6.00	6.00
Planning, Zoning & Economic Development	6.00	6.00	6.00	6.00	6.00	5.00	4.00	3.00	3.00	3.00	3.40
Police	94.00	94.00	94.00	94.00	94.00	88.00	88.00	88.00	88.00	87.34	88.00
Sanitation	1.10	1.00	1.00	1.00	1.00	-	0.30	0.20	0.20	0.20	0.20
Senior Transit	-	-	-	-	-	-	-	0.05	0.05	0.05	-
MVH-Major Streets	15.25	16.00	17.75	15.75	13.75	12.00	12.00	11.70	10.70	10.70	10.70
MVH-Local Streets	7.00	7.00	7.00	6.00	8.00	7.00	7.00	6.70	6.70	6.70	6.70
MVH-State Trunklines	2.00	2.00	-	-	-	-	-	-	-	-	-
Walker Arena	-	-	-	-	-	-	-	-	-	-	-
Community Development	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Home Program	1.00	1.00	1.00	1.00	1.00	0.25	0.25	-	-	-	-
Lead Program	-	-	-	-	-	0.75	0.75	-	-	-	-
Sewer Maintenance	15.05	16.00	16.20	15.20	13.20	10.20	10.20	9.75	9.75	9.80	9.80
Water Filtration	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00
Water Maintenance	14.65	13.00	12.50	13.50	15.40	12.40	12.40	11.75	11.75	11.75	11.75
Hartshorn Marina Fund	0.67	0.73	0.67	0.34	0.05	0.05	0.05	0.30	0.30	0.30	0.30
Public Service Building	3.85	3.45	3.45	3.45	3.70	8.95	8.05	7.95	8.45	8.45	8.50
Engineering	7.70	7.45	7.45	7.45	7.45	5.45	4.95	4.95	4.95	4.95	4.95
Equipment	8.00	8.95	8.25	8.25	8.50	7.25	6.25	6.25	6.25	6.25	6.25
	284.00	284.00	282.00	280.00	280.00	256.00	244.00	241.00	233.00	227.00	228.00

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

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010*	2011	2012	2013	2014	2015
<u>Administrative Services</u>										
Elections										
Number of registered voters	26,028	26,345	27,678	26,136	26,136	26,330	26,324	26,098	26,025	24,014
Number of votes cast:										
Last general election	10,410	10,410	15,271	15,271	15,271	8,106	1,933	13,487	3,029	7,763
Last city election	4,022	1,101	1,101	2,254	2,254	8,106	1,933	2,131	3,029	7,763
Percentage of registered voters voting:										
Last general election	40%	40%	55%	58%	58%	31%	7%	52%	12%	32%
Last city election	15%	4%	4%	9%	9%	31%	7%	8%	12%	32%
<u>Financial Services</u>										
Property Tax Bills	15,354	15,376	15,350	15,435	-	15,351	15,261	15,291	15,211	14,528
Income Tax Returns	23,493	23,141	22,598	21,071	19,963	19,688	18,699	17,857	18,222	17,839
Paper Check Issued to Vendors	3,248	3,347	3,346	3,113	1,486	2,986	3,746	1,677	1,404	1,527
Electronic Payments to Vendors	800	772	763	963	450	884	1,334	1,251	1,579	1,471
<u>Public Safety</u>										
Fire Protection										
Number of firefighter and officer positions	41	41	41	37	37	37	36	41	38	35
Number of emergency calls	4,092	4,171	4,298	4,220	2,062	4,402	4,676	4,563	4,354	4,881
Police Protection										
Number of sworn officer positions	84	84	84	79	79	79	79	79	76	76
Part I (Major) Crimes	3,495	2,997	3,107	3,071	1,305	2,859	2,772	2,647	2,240	2,107
<u>Public Works</u>										
Refuse Collected (Tons per Year)	11,192	10,375	10,401	10,526	6,042	12,703	10,153	9,958	10,217	10,512
Recyclables Collected (Tons per Year)	559	629	626	309	-	-	-	-	-	-
<u>Water & Sewer</u>										
Number of consumers	14,412	14,364	13,131	12,987	12,966	13,037	13,109	13,144	13,086	13,223
Average daily water consumption (GPD)	8,998,000	9,314,000	8,879,000	7,976,000	7,163,000	8,417,000	7,700,000	7,651,000	7,666,000	8,293,570
Water main breaks repaired	13	21	34	17	6	12	5	11	30	15
Sewer flows (Millions Gallons per Year)	2,040	1,945	2,181	1,979	965	1,625	1,695	1,777	1,833	2,013
Sewer Service Calls	605	598	533	508	263	591	522	508	532	501

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

SOURCE: City of Muskegon Departments

City of Muskegon

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010*	2011	2012	2013	2014	2015
<u>Public Safety</u>										
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
<u>Highways, Streets and Bridges</u>										
Miles of Streets	197.48	197.79	197.79	196.95	196.95	196.95	196.95	196.95	196.95	196.95
Number of streetlights	3,159	3,134	3,134	3,192	3,125	3,065	2,838	2,838	2,838	2,838
<u>Culture and Recreation</u>										
Number of parks (acres)	701	701	701	701	701	701	701	701	701	701
Lake Michigan beaches (acres)	119	119	119	119	119	119	119	119	119	119
Hockey/Entertainment Arena	1	1	1	1	1	1	1	1	1	1
<u>Sewer</u>										
Sanitary sewers (miles)	175.74	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04
Storm sewers (miles)	180.48	183.25	183.60	184.35	184.35	184.35	184.35	184.35	184.25	184.35
<u>Water</u>										
Water mains (miles)	194.15	195.63	195.58	195.69	195.69	195.69	195.40	195.95	195.95	195.95

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

SOURCE: City of Muskegon Departments

[This page intentionally left blank.]

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

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

October 29, 2015

City Commission
City of Muskegon
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Muskegon's basic financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control Over Financial Reporting

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

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

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

678 Front Ave., NW Suite 230
Grand Rapids, MI 49504
PHONE (616) 608-8500
FAX (616) 608-8559

316 Morris Ave., Suite 500, P.O. Box 999
Muskegon, MI 49443
PHONE (231) 726-5800
FAX (231) 722-0260
www.brickleydelong.com

907 S. State St.
Hart, MI 49420
PHONE (231) 873-1040
FAX (231) 873-0602

City Commission
October 29, 2015
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Brickley De Long, P.C.

Muskegon, Michigan

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

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

October 29, 2015

City Commission
City of Muskegon
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Muskegon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Muskegon's major federal programs for the year ended June 30, 2015. The City of Muskegon's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Muskegon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Muskegon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Muskegon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

678 Front Ave., NW Suite 230
Grand Rapids, MI 49504
PHONE (616) 608-8500
FAX (616) 608-8559

316 Morris Ave., Suite 500, P.O. Box 999
Muskegon, MI 49443
PHONE (231) 726-5800
FAX (231) 722-0260
www.brickleydelong.com

907 S. State St.
Hart, MI 49420
PHONE (231) 873-1040
FAX (231) 873-0602

City Commission
October 29, 2015
Page 2

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Responses, as **Finding 2015-001**. Our opinion on each major program is not modified with respect to these matters.

The City of Muskegon's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Responses and Corrective Action Plan. The City of Muskegon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Responses, as **Finding 2015-001**, that we consider to be a significant deficiency.

BRICKLEY DELONG

City Commission
October 29, 2015
Page 3

The City of Muskegon's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Responses and Corrective Action Plan. The City of Muskegon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Brickley De Long, P.C.

Muskegon, Michigan

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entitlement Program or Award Amount	Accrued (Unearned) Revenue July 1, 2014	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2015	Notes
<i>U.S. Department of Housing and Urban Development</i>							
Direct programs							
Community Development Block Grants/Entitlement Grants	14.218						
B-13-MC-26-0026		\$ 887,919	\$ 291,433	\$ 380,125	\$ 88,692	\$ -	
B-14-MC-26-0026		897,025	-	501,585	810,149	308,564	
Program Income		69,356	-	69,356	69,356	-	
Total Community Development Block Grants/ Entitlement Grants		1,854,300	291,433	951,066	968,197	308,564	5
HOME Investment Partnerships Program	14.239						
M-13-MC-26-0215		282,526	9,287	136,819	127,532	-	
M-14-MC-26-0215		275,421	-	27,542	27,542	-	
Program Income		181,714	-	181,714	105,916	(75,798)	
Total HOME Investment Partnerships Program		739,661	9,287	346,075	260,990	(75,798)	
Total direct programs		2,593,961	300,720	1,297,141	1,229,187	232,766	
Passed through Michigan State Housing Development Authority							
Community Development Block Grants/Entitlement Grants	14.218						
Neighborhood Stabilization Program							
NSP-2008-0280-ENT		1,670,891	-	-	-	-	
Program Income		72,937	-	72,937	72,937	-	
Total Neighborhood Stabilization Program		1,743,828	-	72,937	72,937	-	5
Total U.S. Department of Housing and Urban Development		4,337,789	300,720	1,370,078	1,302,124	232,766	

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Entitlement Program or Award Amount	Accrued (Unearned) Revenue July 1, 2014	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2015	Notes
<i>U.S. Department of Justice</i>							
Direct programs							
Bulletproof Vest Partnership Grant	16.607						
2013 Grant		\$ 9,766	\$ -	\$ 7,370	\$ 7,370	\$ -	
2014 Grant		9,076	-	214	214	-	
		18,842	-	7,584	7,584	-	
Edward Byrne Memorial Justice Assistance Grant Program	16.738						
2014-DJ-BX-0474		50,612	-	50,612	50,612	-	
Total direct programs		69,454	-	58,196	58,196	-	
Passed through Ottawa County							
Edward Byrne Memorial Justice Assistance Grant Program	16.738						
2013-MU-BX-0051		16,625	-	16,625	16,625	-	
Total U.S. Department of Justice		86,079	-	74,821	74,821	-	
<i>U.S. Department of Homeland Security</i>							
Direct programs							
Assistance to Firefighters	97.044						
EMW-2013-FP-00906		9,500	-	9,475	9,475	-	
TOTAL FEDERAL ASSISTANCE		\$ 4,433,368	\$ 300,720	\$ 1,454,374	\$ 1,386,420	\$ 232,766	

The accompanying notes are an integral part of this schedule.

City of Muskegon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in net position of the City.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. The following is a reconciliation of federal revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of the City of Muskegon's financial statements for the year ended June 30, 2015 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	
General Fund	\$ 84,296
Major Street and Trunkline Fund	1,475,093
Other governmental funds	<u>1,053,915</u>
	2,613,304
Plus program income	248,209
Less MDOT contracted projects as shown below	<u>(1,475,093)</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,386,420</u></u>

4. The Michigan Department of Transportation (MDOT) requires that cities report all federal and state grants pertaining to their city. During the year ended June 30, 2015 the federal aid received and expended by the City of Muskegon was \$1,475,093 for contracted projects as shown below. Contracted projects are defined as projects performed by private contractors and paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the City of Muskegon administers the grant and either performs the work or contracts it out.

	<u>Federal CFDA Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<i>U.S Department of Transportation, Federal Highway Administration (contracted projects)</i>			
Passed through the Michigan Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		
Proj CMG 1561(022) Fed Item JJ5338 Contract 15-5042		\$ 102,343	\$ 102,343
Proj CM 1461(005); CM 1361(001) Fed Item HH9277; RR 8280 Contract 14-5014		792,750	792,750
Proj STP 1561(006) Fed Item HK0206 Contract 15-5088		<u>580,000</u>	<u>580,000</u>
Total U.S. Department of Transportation, Federal Highway Administration (contracted projects)		<u><u>\$ 1,475,093</u></u>	<u><u>\$ 1,475,093</u></u>

5. Community Development Block Grants/Entitlement Grants

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2015

SECTION I—SUMMARY OF AUDITORS' RESULTS

A. Financial Statements

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

B. Federal Awards

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

CFDA Number(s)

Name of Federal Program/Cluster

U.S. Department of Housing and Urban Development

14.218

Community Development Block Grants/Entitlement Grants

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

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings in relation to the financial statements.

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001: Community Development Block Grants/Entitlement Grants – Time and Effort Documentation Procedures

U.S. Department of Housing and Urban Development

Community Development Block Grants/Entitlement Grants

CFDA: 14.218

Award Numbers: B-13-MC-26-0026 and B-14-MC-26-0026

Award year ends: June 30, 2015

Specific Requirement: Allowable Costs/Cost Principles

Criteria: The cost principles of OMB Circular A-87 require that a) personnel activity reports reflect an after-the-fact determination of the actual activity of each employee charged to multiple activities, b) they must account for the total activity for which employees are compensated, c) they must be prepared at least monthly and must coincide with one or more pay periods, and d) they must be signed by the employee. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent. The budget estimates or other distribution percentages must be revised at least quarterly, if necessary, to reflect changed circumstances. Semi-annual certifications may be prepared for an individual who is charged to a single cost activity. The certification must be signed by either the employee or the supervisor.

Condition: During our detailed testing of the Community Development Block Grants/Entitlement Grants time and effort documentation, we noted that adequate personnel activity reports were not prepared in accordance with the federal requirements for all employees whose wages and benefits were charged to the federal program. In addition, we noted that the City did not properly summarize personnel activity reports on their reconciliations for all personnel activity reports.

Cause: City personnel did not have an adequate understanding of time and effort documentation and reconciliation requirements. In addition, there was a lack of documented review and approval of all employee time and effort documentation by supervisory personnel throughout the entire year.

Effect: Failure to prepare proper personnel activity reports or semi-annual certifications could allow improper amounts to be charged to the City's various programs, and the salaries and fringe benefits charged to the Community Development Block Grants/Entitlement Grants for these employees could be disallowed.

Questioned Costs: The questioned costs are estimated based upon the alternative procedures performed using personnel activity reports that were prepared and were able to be reconciled to what was charged to the Community Development Block Grants/Entitlement Grants for the fiscal year ended June 30, 2015. The estimated questioned costs as a result of only preparing personnel activity reports for one pay period per month are approximately \$6,700 based upon the alternative procedures performed.

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS—Continued

Context: There were three (3) employees working in the federal program that were required to prepare personnel activity reports. We tested 2 of 3 employees.

- None of the 3 employees prepared personnel activity reports for the total activity for which they were compensated. They generally prepared a personnel activity report for one pay period per month.
- For 2 of 2 employees tested, at least one personnel activity report did not have documented review and approval by supervisory personnel.
- For 2 of 2 employees tested, at least one reconciliation of personnel activity reports did not agree with employee's detailed personnel activity reports.

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

Recommendation: The City should educate all employees working in federal programs of the requirements for documenting time and effort under OMB Circular A-87, and the City should require appropriate time and effort documentation and necessary reconciliations to be properly prepared and reviewed.

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

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

October 29, 2015

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

The City of Muskegon respectfully advises you that there were ***no*** audit findings reported in our single audit report, dated October 17, 2014, for the year ended June 30, 2014.

Sincerely,

A handwritten signature in black ink, appearing to read "Derrick Smith", with a stylized flourish at the end.

Derrick Smith
Finance Director

CORRECTIVE ACTION PLAN

October 29, 2015

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

The City of Muskegon respectfully submits the following Corrective Action Plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2015

The findings from the Schedule of Findings and Responses for the year ended June 30, 2015 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were **no** findings in relation to the financial statements.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001: Community Development Block Grants/Entitlement Grants – Time and Effort Documentation Procedures

U.S. Department of Housing and Urban Development

Community Development Block Grants/Entitlement Grants

CFDA: 14.218

Award Numbers: B-13-MC-26-0026 and B-14-MC-26-0026

Award year ends: June 30, 2015

Specific Requirement: Allowable Costs/Cost Principles

Recommendation: The City should educate all employees working in federal programs of the requirements for documenting time and effort under OMB Circular A-87, and the City should require appropriate time and effort documentation and necessary reconciliations to be properly prepared and reviewed.

Action Taken: The City has begun to meet all time and effort documentation subsequent to year-end.

Responsible Person and Anticipated Completion Date: Director of Community and Neighborhood Services, September 1, 2015

U.S. Department of Housing and Urban Development
October 29, 2015
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "Derrick Smith", with a stylized flourish at the end.

Derrick Smith
Finance Director