Comprehensive Annual Financial Report
City of Muskegon

Fiscal Year Ended June 30, 2018

WATCH MUSKEGON

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CITY OF MUSKEGON,
MICHIGAN

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2018

Prepared By

FINANCIAL SERVICES DIVISION

Elizabeth Lewis
Finance Director

Kenneth Grant
Assistant Finance Director

Sarah Petersen
City Treasurer

James Maurer
Information Systems Director

Mike VanderMolen
Management Assistant

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City of Muskegon

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MUSKEGON

West Michigan's Shoreline City
www.shorelinecity.com

December 21, 2018

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, 2018.

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, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

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

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

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

Local economy

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

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

- Muskegon is the eastern terminus for the high speed cross-lake ferry. Connecting Muskegon with Milwaukee, Wisconsin, the *Lake Express* service ferries 100,000-plus passengers each season between the two cities. 2017 marks the ferry service's fourteenth successful year of operations.
- Muskegon is home to the annual Miss Michigan pageant.
- Pere Marquette beach is nationally recognized as one of the best beaches in the nation and is the only beach in Michigan to receive and maintain the Blue Wave Certification by the Clean Beaches Council. The Blue Wave certification identifies the nation's cleanest, safest and most environmentally well-managed beaches.
- Muskegon is home to successful summertime festivals that attract thousands of visitors to the community. These include *Bike Time* and *Rebel Road,* which attract motorcycle enthusiasts to the City in July, the *Unity Christian Music Festival, Shoreline Jazz Festival, Great Lakes Surf Festival,* the *Burning Foot Beer Fest* in August, and the Michigan *Irish Music Festival* in September.

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- Muskegon is the cultural hub for west Michigan with numerous museums and live performances. The Muskegon Museum of Art has one of the largest and premier art collections in the Midwest, and the Muskegon County Museum provides insight into the area's history. The former residences of Muskegon's lumber barons, Charles H. Hackley and Thomas Hume, proudly display the glory of the Victorian age. The Fire Barn Museum takes visitors back to an 1890's Muskegon Fire Station. The West Shore Symphony and Muskegon Civic Theater bring the stage of the Frauenthal Center for the Performing Arts to life throughout the year. The Heritage Museum provides historic perspective on the city's industrial roots.
- Muskegon's port welcomed 10 Great Lakes cruise ships in 2018 and expects nearly 20 ships to visit in 2019.
- Muskegon is home to three historic museum ships that attract thousands of visitors each year:
    - *USS Silversides*, a rare surviving World War II submarine maintained in pristine condition is docked at the Muskegon Lake Channel;
    - *LST-393*, a landing craft used in the D-day invasion and one of only two such vessels remaining in existence is docked downtown Muskegon at the West Michigan Dock and Market; and the
    - *Milwaukee Clipper*, a Great Lakes passenger ship built before the *Titanic* that for many years served as a cross-lake ferry between Muskegon and Milwaukee is docked in the Lakeside Business District.

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

The local economy has seen slight decrease in the unemployment rate which stood at 5.7 percent at the end of the fourth quarter of 2017 compared with 4.8 percent at the end of the second quarter of 2018.

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

Long-term financial planning and major initiatives

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

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

Among the City's major initiatives and accomplishments in fiscal year 2017-18 were the following:

- Downtown Muskegon experienced the commencement of a number of mixed use development projects. Four adaptive reuse projects were undertaken in the LC Walker Arena, Terrace Point, Terrace Plaza, and High Point Flats buildings, with a total investment in excess of $20 million. Five major new construction projects are also either completed or nearing completion with the Berkshire Senior Living Center, Heritage Commons Development, the Lakeview Lofts, and Terrace Point Landing with a total investment in excess of $50 million. Other downtown projects of note include a $14 million investment from Muskegon Community College, a $7 million proposed investment to convert the vacant Ameribank office building into a mixed use retail/residential center, and the construction of multiple mixed use buildings along Western Avenue.

- After several years of perseverance, a plan was put forth to redevelop the former Sappi Paper Mill site in Lakeside. The 120-acre site has already experienced the demolition of more than 1-million square feet of industrial buildings, and the owners have completed a multi-phased visioning process with Miami, Florida-based DPZ Co-Design – a world-renown master-planning group that focuses on high-value developments that embrace the design philosophies of New Urbanism.

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

- Construction of Midtown Square, which consists of nine new market rate homes in the Nelson neighborhood, was completed in 2016 and all nine-homes were sold at market-rate. The City is currently working to deploy phase two of this development, which will include a mixture of detached and attached single family homes.

- KL Outdoor, the world's largest manufacturer of kayaks, opened its new corporate world headquarters in Downtown Muskegon in early 2018. The move will created 40+ new corporate office positions in the downtown business district and resulted in the relocation of the company's manufacturing operations from Canada to Muskegon. The company is currently constructing a 500,000 square foot distribution center in the Port City Industrial Park; scheduled to open in early 2019. Over the next three years, the company will add as many as 200 new jobs.

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

Relevant financial policies

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

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

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Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muskegon for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the 32nd consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

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

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

Respectfully submitted,

Frank Peterson
City Manager

Elizabeth Lewis
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Muskegon

Michigan

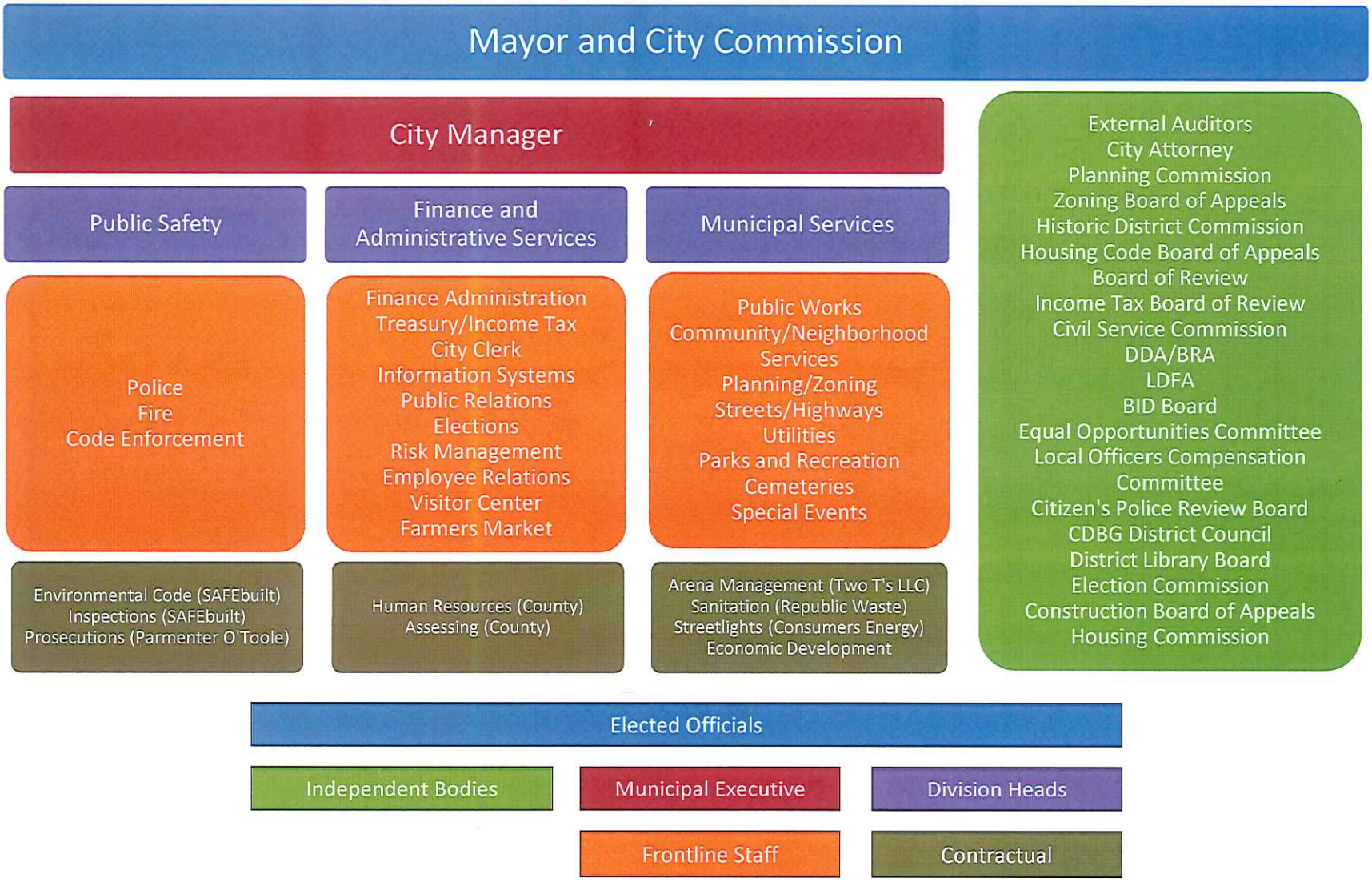
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Organizational Structure



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

June 30, 2018

ELECTED OFFICIALS

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

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

Commissioner. . . . . Willie German
Ward 2

Commissioner. . . . . .Debra Warren
Ward 3

Commissioner. . . . . Byron Turnquist
Ward 4

Commissioner. . . . . Ken Johnson
At Large

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

APPOINTED OFFICIALS

City Manager. . . . . Frank Peterson

City Attorney. . . . . John C. Schrier

Finance Director. . . . . Elizabeth Lewis

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Muskegon
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon, Michigan, as of June 30, 2018, 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 M to the financial statements, the City of Muskegon, Michigan implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension and OPEB information on pages 21 through 32 and 82 through 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Matters—Continued

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

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

Brickley DeLong, P.C.

Muskegon, Michigan
December 21, 2018

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2018 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, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

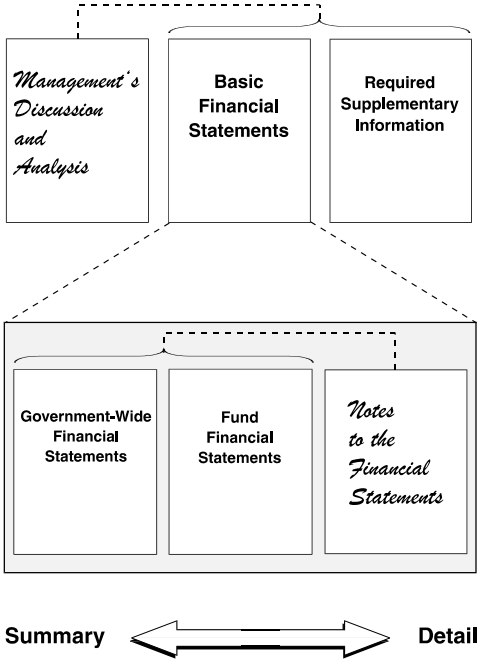
- The assets/deferred outflows of resources of the City of Muskegon exceeded its liabilities/deferred inflows of resources by $104,245,618 as of June 30, 2018. The City has a deficit in unrestricted net position of $2,309,543. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities.

- The City's total combined net position increased by $4,647,483 during the year ended June 30, 2018.

- The City's governmental funds reported combined ending fund balance of $17,730,795, an increase of $1,718,824 (11%) from the prior year.

- The City's General Fund reported a total fund balance of $8,391,566, an increase of $333,921 from the prior year balance of $8,057,645. The favorable increase is primarily the result of conservative budgeting.

OVERVIEW OF THE FINANCIAL STATEMENTS



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

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

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

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

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

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

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

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

Government-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City has the following kinds of funds:

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

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

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

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

- *Component units* – Finally, the City of Muskegon's Comprehensive Annual Financial report includes six component units: the Downtown Development Authority (DDA), the Tax Increment Finance Authority (TIFA), the Local Development Finance Authority (LDFA) and, the Brownfield Redevelopment Authority (BRA 1, BRA 2 and BRA 3). Component units are separate legal entities for which the City of Muskegon has some level of financial accountability. The component units of the City exist primarily for the issuance and repayment of debt to finance projects in specific areas of the City. Accordingly, they are discussed below under the *Capital Assets and Debt Administration* heading.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The Statement of Net Position provides an overview of the City's assets/deferred outflows of resources, liabilities/deferred inflow of resources and net position. Over time this can provide a good indicator of the City's fiscal health. The total net position of the City was $104,245,618 as of June 30, 2018. This is an increase of $4,647,483 from reported net position for the prior year. An overview of the City's net position follows:

City's Net Position

(In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage
	6/30/2018	6/30/2017*	6/30/2018	6/30/2017	6/30/2017	6/30/2017*	Change
Current and other assets	$23,800	$22,448	$9,781	$10,007	$33,581	$32,455	3.47%
Capital assets	66,940	68,519	45,594	46,618	112,534	115,137	-2.26%
Total Assets	90,740	90,967	55,375	56,625	146,115	147,592	-1.00%
Deferred outflows of resources	2,282	4,337	159	301	2,441	4,638	-47.37%
Total Assets and Deferred Outflows of Resources	93,022	95,304	55,534	56,926	148,556	152,230	-2.41%
Long-term liabilities	27,960	35,540	7,200	9,180	35,160	44,720	-21.38%
Other liabilities	3,876	4,064	2,995	2,999	6,871	7,063	-2.72%
Total Liabilities	31,836	39,604	10,195	12,179	42,031	51,783	-18.83%
Deferred inflows of resources	2,131	794	148	55	2,279	849	168.43%
Total Liabilities and Deferred Outflows of Resources	33,967	40,398	10,343	12,234	44,310	52,632	-15.81%
Net Position							
Net investment in capital assets	61,268	62,520	38,550	38,115	99,818	100,635	-0.81%
Restricted	6,138	3,777	599	599	6,737	4,376	53.95%
Unrestricted	-8,351	-11,391	6,041	5,978	-2,310	-5,413	-57.32%
Total Net Position	$59,055	$54,906	$45,190	$44,692	$104,245	$99,598	4.67%

** As restated*

The bulk of the City's net position ($99,817,065 or 96%) 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 4.1% ($6,738,096) of the City's net position are legally restricted as to use. The City has a deficit in unrestricted net position of $2,309,543. The deficit in unrestricted net position is caused by the City's long-term pension and other postemployment benefits liabilities. The City's unrestricted net position increased $3,104,384 during the year.

Effective July 1, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75 which is an accounting change that requires the recording of a net other postemployment benefits liability to be reported in the financial statements of state and local governmental employers. See Note M 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 $56,403,819 for the year ended June 30, 2018. This represents a 7.1% increase over total revenues collected during the prior fiscal year. Approximately 41.5% of the City's revenue stream came from charges to users of specific services such as water or sewer. Another 11.6% came from grants from the state and federal governments and 42.8% 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, 2018 was $51,756,336. This represents an 8% decrease from reported expenses for the last fiscal year ended June 30, 2017. 69.9% of the City's expenses were for governmental activities such as police and fire protection, streets, parks, and general administration. The remaining 30.1% 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 $4,149,455 and the net position for business-type activities increased by $498,028. For governmental activities, most of these changes are related to the decreased net pension liability. For business-type activities, the changes similarly represent the impact of the decreased net pension liability.

Changes in City's Net Position (In thousands of dollars)	Governmental Activities		Business-Type Activities		Total		Percentage
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	Change
Program revenues							
Charges for services	$7,440	$6,633	$15,989	$15,329	$23,429	$21,962	6.68%
Operating grants and contributions	6,479	5,209	43	3	6,522	5,212	25.13%
Capital grants and contributions	2,306	862	-	785	2,306	1,647	40.01%
General revenues							
Property taxes	8,450	8,389	-	-	8,450	8,389	0.73%
Income taxes	8,995	8,707	-	-	8,995	8,707	3.31%
State shared revenues	4,955	4,630	-	-	4,955	4,630	7.02%
All other	1,719	1,842	28	25	1,747	1,867	-6.43%
Total revenues	40,344	36,272	16,060	16,142	56,404	52,414	7.61%
Governmental activities expenses							
Public representation	1,348	1,114	-	-	1,348	1,114	21.01%
Administrative services	507	679	-	-	507	679	-25.33%
Financial services	1,995	2,483	-	-	1,995	2,483	-19.65%
Public safety	12,404	16,910	-	-	12,404	16,910	-26.65%
Public works	3,472	3,551	-	-	3,472	3,551	-2.22%
Highways, streets and bridges	6,917	6,997	-	-	6,917	6,997	-1.14%
Community and economic development	5,015	3,739	-	-	5,015	3,739	34.13%
Culture and recreation	3,995	3,919	-	-	3,995	3,919	1.94%
General administration	376	301	-	-	376	301	24.92%
Interest on long-term debt	165	173	-	-	165	173	-4.62%
Business-type activities expenses							
Sewer	-	-	8,094	8,877	8,094	8,877	-8.82%
Water	-	-	7,091	7,206	7,091	7,206	-1.60%
Marina and launch ramp	-	-	377	337	377	337	11.87%
Total expenses	36,194	39,866	15,562	16,420	51,756	56,286	-8.05%
Change in net position	4,150	(3,594)	498	(278)	4,648	(3,872)	-220.04%
Net position at beginning of year*	54,906	64,325	44,692	45,375	99,598	109,700	-9.21%
Net position at end of year	$59,056	$60,731	$45,190	$45,097	$104,246	$105,828	-1.49%

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, 2018 was $36,194,200.
- The net cost that City taxpayers paid for these activities through local property taxes and income taxes was $17,445,397, 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		
	6/30/2018	6/30/2017	% Change	6/30/2018	6/30/2017	% Change
Governmental activities						
Public safety	$12,404	$16,910	-26.65%	$9,550	$14,987	-36.28%
Public works	3,472	3,551	-2.22%	2,726	2,904	-6.13%
Highways, streets and bridges	6,917	6,997	-1.14%	721	2,359	-69.44%
Community and economic development	5,015	3,739	34.13%	2,174	1,698	28.03%
Culture and recreation	3,995	3,919	1.94%	2,162	2,233	-3.18%
All other	4,391	4,750	-7.56%	2,637	2,981	-11.54%
Total governmental activities	$36,194	$39,866	-9.21%	$19,970	$27,162	-26.48%

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, 2018, the City's total business-type activities realized an overall increase in net position of $498,028.

Sewer Fund net position increased $96,689 primarily as result of an increased sewer rate. The Water Fund saw a net position increase of $404,084. This is primarily attributable to the managing costs and achieving economies of scale with the addition of Fruitport Township and the City of Norton Shores as wholesale customers. Marina and Launch Ramp Fund net position decreased $50,869 due to lower revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The fund financial statements provide detailed information about the major City funds, not the City as a whole. The City's major funds for the fiscal year ended June 30, 2018 were the General Fund and the Major Street and Trunkline Fund.

General Fund Highlights

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

Year Ended	Year-End Unassigned Fund Balance	Year-to-Year % Change	Prior Year's Revenues	Unassigned Fund Balance as a % of Prior Year Revenues (Policy Target=13%)
6/30/2018	$6,469,108	5.22%	$27,051,766	23.91%
6/30/2017	6,148,292	0.81%	25,821,114	23.81%
6/30/2016	6,098,977	3.67%	24,890,399	24.50%
6/30/2015	5,883,318	7.06%	23,960,758	24.55%
6/30/2014	5,495,145	19.10%	23,407,409	23.48%

For the year ended June 30, 2018, General Fund revenues were $57,614 higher than the final amended budget estimate. This variance is primarily due to higher than expected Building permit and Rental registration income.

General Fund expenditures were $189,325 lower than projected in the final amended budget. This was mostly due to salary and wages in Police and Fire coming in below expectations.

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, 2018, the fund balance of the Major Street and Trunkline Fund increased $1,891,721 which is attributable to fewer construction projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the City had invested $112,534,594 in a variety of capital assets, including land, streets, equipment, buildings, water and sewer lines, and vehicles. This is a decrease of $2,603,068 from capital assets reported as of June 30, 2017. The decrease is due to normal depreciation of assets offset by current year additions. Note F of the notes to the basic financial statements provides detailed information on the City's capital asset investment.

Long-Term Debt

At June 30, 2018, the City had $14,452,832 in bonds and other long-term obligations outstanding. This represents an 10.7% decrease from the prior year. The City did not issue any new debt during the fiscal year.

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

Bond Ratings

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

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

	Governmental Activities		Business-Type Activities		Total		Percentage
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	Change
Due within one year	$550	$561	$1,529	$1,479	$2,079	$2,040	1.91%
Due in more than one year	6,655	7,071	5,719	7,201	12,374	14,272	-13.30%
Total bonds & other obligations	$7,205	$7,632	$7,248	$8,680	$14,453	$16,312	-11.40%

In addition to direct City debt, component units such as the Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA) had outstanding debt totaling $3,563,326 at year-end as shown in the table below. This represents a decrease of 16.8% from the prior year.

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

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

	Downtown Development Authority		Local Development Finance Authority		Total		Percentage
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	Change
Due within one year	$0	$310	$375	$685	$375	$995	-62.31%
Due in more than one year	1,000	1,340	2,188	3,593	3,188	4,933	-35.37%
Total bonds & other obligations	$1,000	$1,650	$2,563	$4,278	$3,563	$5,928	-39.90%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2018-19 capital budget anticipates spending $15,025,700 for capital projects, consisting of street improvements, water and sewer system improvements, scheduled equipment replacements, improvements to the L. C. Walker Arena, the rehab of houses in a city neighborhood and the replacement of fire department rescue equipment. These improvements will be funded by anticipated grants ($2,183,700), revenues generated from operations and fund balance.

From an operating standpoint, the City's 2018-19 budget will be relatively stable while the City attempts to maintain a healthy fund balance and allow time to plan for and address economic challenges with a long-term solution:

- The full-time personnel complement will be decreased from 233 positions to 232 positions for a net loss of 1.
- Some user fees will be increased and new fees recommended during the course of the year.
- The City will continue to look for opportunities to partner with other entities to deliver quality services in a cost effective manner (e.g. Farmers' Market kitchen management, Marsh Field and recreation programs).

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

Local Income Tax

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

Income tax revenues increased 1.7% from $8,610,812 for the year ended June 30, 2017 to $8,758,674 for the year ended June 30, 2018. For 2018-19, the City has estimated income tax revenue to be $8,600,000.

Year	City Income Tax Revenues	Percent Change
6/30/2018	$8,758,674	1.7%
6/30/2017	8,610,812	5.6%
6/30/2016	8,151,902	-1.5%
6/30/2015	8,274,666	5.7%
6/30/2014	7,831,423	4.3%

Local Property Tax

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

For 2018-19, the City tax levy will be at 10 mills for general operations and 3 mills for sanitation service. We project that $7,251,325 in total property tax revenue will be collected during fiscal year 2018-19.

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

State Shared Revenues

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

Year	State Shared Revenues	Percent Change
6/30/2018	$4,153,072	2.6%
6/30/2017	4,046,147	4.1%
6/30/2016	3,886,514	-1.0%
6/30/2015	3,889,178	2.0%
6/30/2014	3,813,221	3.0%

For 2018-19, the City projects $4,180,392 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
6/30/2018	$5,060,936	25.9%
6/30/2017	4,020,630	1.0%
6/30/2016	3,981,345	10.8%
6/30/2015	3,592,756	1.0%
6/30/2014	3,556,507	10.8%

Based on recent legislative changes, the City began seeing increases in street funding that will carry into future years. At this time, the City is projecting an increase in street revenues for fiscal year 2018-19 up to $5,507,650.

Water and Sewer Fees

From a government-wide entity perspective, combined water and sewer fees represent one of the City's largest income streams, totaling $15,254,840 during the year ended June 30, 2018. Charges to customers are based on the amount of metered services used times rates periodically set by the City Commission. During the year ended June 30, 2018 water rates remained unchanged. However water rates will increase by 4% in each of the next five fiscal years to pay for improvements being made at the Water Filtration Plant. The City began providing treated water to the City of Norton Shores and Fruitport Charter Township in May 2015. The addition of these two new large municipal customers allows the spreading of water treatment costs over a larger customer base while remaining well within the plant's rated treatment capacity.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

City of Muskegon
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and investments	$ 16,272,010	$ 5,408,218	$ 21,680,228	$ 231,517
Assets managed by others	1,196,022	-	1,196,022	-
Receivables	2,873,479	2,356,045	5,229,524	-
Due from other governmental units	2,615,923	83,976	2,699,899	-
Internal balances	(1,111,659)	1,111,659	-	-
Inventories	8,773	104,786	113,559	-
Prepaid items	529,446	116,974	646,420	-
Total current assets	22,383,994	9,181,658	31,565,652	231,517
Noncurrent assets				
Restricted cash and investments	-	599,500	599,500	-
Advances to component units	979,520	-	979,520	-
Notes receivable, less amounts due within one year	436,141	-	436,141	-
Capital assets, net				
Nondepreciable	14,290,424	842,119	15,132,543	400,000
Depreciable	52,650,009	44,752,042	97,402,051	1,280,473
Total noncurrent assets	68,356,094	46,193,661	114,549,755	1,680,473
Total assets	90,740,088	55,375,319	146,115,407	1,911,990
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	1,950,409	135,590	2,085,999	-
Related to other postemployment benefits	331,625	23,054	354,679	-
Total deferred outflows of resources	2,282,034	158,644	2,440,678	-
Total assets and deferred outflows of resources	93,022,122	55,533,963	148,556,085	1,911,990
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	3,093,852	331,535	3,425,387	156,364
Due to other governmental units	70,130	1,134,891	1,205,021	-
Unearned revenues - unused Farmers Market tokens	108,314	-	108,314	-
Unearned revenues - expenditure-driven grants	53,874	-	53,874	-
Bonds and other obligations, due within one year	549,513	1,528,900	2,078,413	375,000
Total current liabilities	3,875,683	2,995,326	6,871,009	531,364
Noncurrent liabilities				
Advances from primary government	-	-	-	979,520
Bonds and other obligations, less amounts due within one year	6,655,147	5,719,272	12,374,419	3,188,326
Net pension liability	15,817,358	1,099,602	16,916,960	-
Net other postemployment benefits liability	5,487,290	381,469	5,868,759	-
Total noncurrent liabilities	27,959,795	7,200,343	35,160,138	4,167,846
Total liabilities	31,835,478	10,195,669	42,031,147	4,699,210
DEFERRED INFLOWS OF RESOURCES				
Related to pension	1,646,178	114,440	1,760,618	-
Related to other postemployment benefits	484,986	33,716	518,702	-
Total deferred inflows of resources	2,131,164	148,156	2,279,320	-
Total liabilities and deferred inflows of resources	33,966,642	10,343,825	44,310,467	4,699,210
NET POSITION				
Net investment in capital assets	61,267,518	38,549,547	99,817,065	(882,853)
Restricted				
Highways, streets and bridges	4,051,534	-	4,051,534	-
Debt service	-	599,500	599,500	-
L.C. Walker Arena	43,253	-	43,253	-
Law enforcement	46,338	-	46,338	-
Downtown BID	135,789	-	135,789	-
Perpetual care				
Expendable	288,611	-	288,611	-
Non-expendable	1,546,921	-	1,546,921	-
Other purposes	26,150	-	26,150	-
Unrestricted	(8,350,634)	6,041,091	(2,309,543)	(1,904,367)
Total net position	**$ 59,055,480**	**$ 45,190,138**	**$ 104,245,618**	**$ (2,787,220)**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary government								
Governmental activities								
Public representation services	$ 1,347,618	$ 232,736	$ -	$ -	$ (1,114,882)	$ -	$ (1,114,882)	$ -
Administrative services	507,275	539,178	-	-	31,903	-	31,903	-
Financial services	1,995,426	903,322	40,000	-	(1,052,104)	-	(1,052,104)	-
Public safety	12,404,126	2,794,347	59,496	-	(9,550,283)	-	(9,550,283)	-
Public works	3,471,618	743,110	3,000	-	(2,725,508)	-	(2,725,508)	-
Highways, streets and bridges	6,917,260	188,248	5,064,199	943,749	(721,064)	-	(721,064)	-
Community and economic development	5,015,160	348,933	1,208,957	1,283,051	(2,174,219)	-	(2,174,219)	-
Culture and recreation	3,994,582	1,651,304	102,874	78,820	(2,161,584)	-	(2,161,584)	-
General administration	376,112	38,549	-	-	(337,563)	-	(337,563)	-
Interest on long-term debt	165,023	-	-	-	(165,023)	-	(165,023)	-
Total governmental activities	36,194,200	7,439,727	6,478,526	2,305,620	(19,970,327)	-	(19,970,327)	-
Business-type activities								
Sewer	8,093,752	8,217,497	-	-	-	123,745	123,745	-
Water	7,090,770	7,445,669	42,531	-	-	397,430	397,430	-
Marina and launch ramp	377,614	325,917	-	-	-	(51,697)	(51,697)	-
Total business-type activities	15,562,136	15,989,083	42,531	-	-	469,478	469,478	-
Total primary government	**$ 51,756,336**	**$ 23,428,810**	**$ 6,521,057**	**$ 2,305,620**	(19,970,327)	469,478	(19,500,849)	-
Component units								
Local Development Finance Authority - SmartZone	$ 240,202	$ -	$ -	$ 350,000	-	-	-	109,798
Downtown Development Authority	7,873	-	-	315,000	-	-	-	307,127
Tax Increment Finance Authority	40,000	-	-	-	-	-	-	(40,000)
Brownfield Redevelopment Authority I	34,834	-	-	-	-	-	-	(34,834)
Brownfield Redevelopment Authority II	154,800	-	-	-	-	-	-	(154,800)
Brownfield Redevelopment Authority III	141,614	-	-	-	-	-	-	(141,614)
Total component units	**$ 619,323**	**$ -**	**$ -**	**$ 665,000**	-	-	-	45,677
General revenues								
Property taxes					8,450,103	-	8,450,103	459,681
Income taxes					8,995,294	-	8,995,294	-
Cable franchise agreement					368,495	-	368,495	-
Grants and contributions not restricted to specific programs					4,955,168	-	4,955,168	62,842
Unrestricted investment earnings					92,771	28,550	121,321	1,109
Miscellaneous					545,536	-	545,536	-
Gain on sale of capital asset					712,415	-	712,415	-
Total general revenues					24,119,782	28,550	24,148,332	523,632
Change in net position					4,149,455	498,028	4,647,483	569,309
Net position at July 1, 2017, as restated					54,906,025	44,692,110	99,598,135	(3,356,529)
Net position at June 30, 2018					**$ 59,055,480**	**$ 45,190,138**	**$ 104,245,618**	**$ (2,787,220)**

The accompanying notes are an integral part of this statement.

City of Muskegon
BALANCE SHEET
Governmental Funds
June 30, 2018

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 7,249,101	$ 3,152,671	$ 3,752,596	$ 14,154,368
Assets managed by others	-	-	1,196,022	1,196,022
Receivables				
Accounts and loans (net of allowance for uncollectibles)	215,032	39,591	839,969	1,094,592
Property taxes	16,608	-	-	16,608
Income taxes	1,560,137	-	-	1,560,137
Special assessments	-	8,296	7,877	16,173
Due from other governmental units	729,179	636,890	1,249,854	2,615,923
Due from other funds	777,048	-	-	777,048
Advances to component units	-	-	326,507	326,507
Prepaid items	212,458	20,188	32,590	265,236
Total assets	**$ 10,759,563**	**$ 3,857,636**	**$ 7,405,415**	**$ 22,022,614**
LIABILITIES				
Accounts payable	$ 1,503,767	$ 49,044	$ 820,270	$ 2,373,081
Accrued liabilities	362,767	12,598	21,835	397,200
Due to other governmental units	4,609	59,359	6,162	70,130
Due to other funds	-	-	777,048	777,048
Unearned revenues - unused Farmers Market tokens	-	-	108,314	108,314
Unearned revenues - expenditure-driven grants	854	-	53,020	53,874
Total liabilities	1,871,997	121,001	1,786,649	3,779,647
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - income taxes	496,000	-	-	496,000
Unavailable revenues - special assessments	-	8,295	7,877	16,172
Total deferred inflows of resources	496,000	8,295	7,877	512,172
FUND BALANCES				
Nonspendable				
Prepaid items	212,458	20,188	32,590	265,236
Perpetual care	10,000	-	1,536,921	1,546,921
Restricted				
Highways, streets and bridges	-	3,708,152	908,975	4,617,127
L.C. Walker Arena	-	-	16,173	16,173
Law enforcement	-	-	46,338	46,338
Downtown BID	-	-	135,789	135,789
Perpetual care	-	-	288,611	288,611
Other purposes	-	-	26,150	26,150
Assigned for capital projects and public improvements	1,700,000	-	2,619,342	4,319,342
Unassigned	6,469,108	-	-	6,469,108
Total fund balances	8,391,566	3,728,340	5,610,889	17,730,795
Total liabilities, deferred inflows of resources and fund balances	**$ 10,759,563**	**$ 3,857,636**	**$ 7,405,415**	**$ 22,022,614**

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, 2018

Total fund balance—governmental funds		$ 17,730,795
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	$ 129,340,427	
Accumulated depreciation	(64,887,680)	64,452,747
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	496,000	
Special assessments	16,173	512,173
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	(50,300)	
Bonds and notes payable	(5,672,915)	
Compensated absences	(1,416,041)	
Net pension liability and related deferred outflows/inflows of resources	(14,849,463)	
Net other post employment benefits liability and related outflows/inflows of resources	(5,399,339)	(27,388,058)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the Statement of Net Position.		
Net position of the internal service funds	4,859,482	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	(1,111,659)	3,747,823
Net position of governmental activities		**$ 59,055,480**

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, 2018

	General Fund	Major Street and Trunkline Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 16,877,055	$ -	$ -	$ 16,877,055
Licenses and permits	2,965,599	-	-	2,965,599
Intergovernmental revenues				
Federal	23,988	728,782	1,332,575	2,085,345
State	4,990,675	4,074,974	2,292,020	11,357,669
Local	40,000	-	5,000	45,000
Charges for services	2,754,848	21,409	1,453,540	4,229,797
Fines and forfeitures	456,264	-	908	457,172
Investment earnings and rental income	167,690	9,891	34,488	212,069
Income from assets managed by others	-	-	50,823	50,823
Other	453,800	86,487	1,025,258	1,565,545
Total revenues	28,729,919	4,921,543	6,194,612	39,846,074
EXPENDITURES				
Current				
Public representation services	1,383,573	-	-	1,383,573
Administrative services	537,913	-	-	537,913
Financial services	2,191,245	-	-	2,191,245
Public safety	15,079,993	-	76,984	15,156,977
Public works	3,230,258	-	146,916	3,377,174
Highways, streets and bridges	-	3,000,339	1,554,629	4,554,968
Community and economic development	2,194,469	-	-	2,194,469
Culture and recreation	1,670,850	-	2,042,327	3,713,177
Other governmental functions	355,241	-	-	355,241
Debt service				
Principal	70,000	200,000	18,934	288,934
Interest and fees	167,081	29,483	1,159	197,723
Capital outlay	130,375	-	4,772,284	4,902,659
Total expenditures	27,010,998	3,229,822	8,613,233	38,854,053
Excess of revenues over (under) expenditures	1,718,921	1,691,721	(2,418,621)	992,021
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	741,803	741,803
Transfers in	-	200,000	1,170,000	1,370,000
Transfers out	(1,385,000)	-	-	(1,385,000)
Total other financing sources (uses)	(1,385,000)	200,000	1,911,803	726,803
Net change in fund balances	333,921	1,891,721	(506,818)	1,718,824
Fund balances at July 1, 2017	8,057,645	1,836,619	6,117,707	16,011,971
Fund balances at June 30, 2018	**$ 8,391,566**	**$ 3,728,340**	**$ 5,610,889**	**$ 17,730,795**

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, 2018

Net change in fund balances—total governmental funds		$ 1,718,824
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	$ (4,688,357)	
Capital outlay	3,134,369	(1,553,988)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(25,267)
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		288,934
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	(4,300)	
Amortization of premiums and discounts	37,000	32,700
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	107,167	
Change in net pension liability and related deferred outflows/inflows of resources	3,434,214	
Change in net other post employment benefits liability and related deferred outflows/inflows of resources	176,942	3,718,323
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	18,053	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	(48,124)	(30,071)
Change in net position of governmental activities		**$ 4,149,455**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
ASSETS					
Current assets					
Cash and investments	$ 1,757,914	$ 3,173,143	$ 477,161	$ 5,408,218	$ 2,117,642
Receivables	1,274,086	1,060,841	21,118	2,356,045	622,110
Due from other governmental units	-	83,976	-	83,976	-
Inventories	16,802	87,984	-	104,786	8,773
Prepaid items	49,571	64,969	2,434	116,974	264,210
Total current assets	3,098,373	4,470,913	500,713	8,069,999	3,012,735
Noncurrent assets					
Restricted cash and investments	-	599,500	-	599,500	-
Advances to component units	-	-	-	-	653,014
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	21,682,360	69,647,939	2,322,488	93,652,787	1,559,334
Machinery and equipment	83,643	3,073,170	60,620	3,217,433	8,944,344
Construction in progress	21,846	656,927	21,096	699,869	-
Less accumulated depreciation	(10,677,578)	(40,194,904)	(3,134,661)	(54,007,143)	(8,382,707)
Net capital assets	11,126,459	33,286,632	1,181,070	45,594,161	2,487,686
Total noncurrent assets	11,126,459	33,886,132	1,181,070	46,193,661	3,140,700
Total assets	14,224,832	38,357,045	1,681,783	54,263,660	6,153,435
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	31,290	104,300	-	135,590	83,440
Related to other postemployment benefits	5,320	17,734	-	23,054	14,187
Total deferred outflows of resources	36,610	122,034	-	158,644	97,627
Total assets and deferred outflows of resources	14,261,442	38,479,079	1,681,783	54,422,304	6,251,062
LIABILITIES					
Current liabilities					
Accounts payable	48,976	155,806	15,253	220,035	229,751
Accrued liabilities	18,361	92,459	680	111,500	43,522
Due to other governmental units	1,098,601	36,290	-	1,134,891	-
Bonds and other obligations, due within one year	7,400	1,521,500	-	1,528,900	19,200
Total current liabilities	1,173,338	1,806,055	15,933	2,995,326	292,473
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	37,033	5,682,239	-	5,719,272	96,504
Net pension liability	253,754	845,848	-	1,099,602	676,679
Net other postemployment benefits liability	88,031	293,438	-	381,469	234,750
Total noncurrent liabilities	378,818	6,821,525	-	7,200,343	1,007,933
Total liabilities	1,552,156	8,627,580	15,933	10,195,669	1,300,406
DEFERRED INFLOWS OF RESOURCES					
Related to pension	26,409	88,031	-	114,440	70,425
Related to other postemployment benefits	7,781	25,935	-	33,716	20,749
Total deferred inflows of resources	34,190	113,966	-	148,156	91,174
Total liabilities and deferred inflows of resources	1,586,346	8,741,546	15,933	10,343,825	1,391,580
NET POSITION					
Net investment in capital assets	11,126,459	26,242,018	1,181,070	38,549,547	2,487,686
Restricted for debt service	-	599,500	-	599,500	-
Unrestricted	1,548,637	2,896,015	484,780	4,929,432	2,371,796
Total net position	**$ 12,675,096**	**$ 29,737,533**	**$ 1,665,850**	44,078,479	**$ 4,859,482**
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				1,111,659	
Net position of business-type activities				**$ 45,190,138**	

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, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
OPERATING REVENUES					
Charges for services	$ 8,053,995	$ 7,200,845	$ 321,756	$ 15,576,596	$ 8,827,443
Other	163,502	287,355	4,161	455,018	130,174
Total operating revenues	8,217,497	7,488,200	325,917	16,031,614	8,957,617
OPERATING EXPENSES					
Administration	469,577	956,364	5,389	1,431,330	334,523
Insurance premiums and claims	-	-	-	-	5,060,315
Wastewater treatment	5,839,816	-	-	5,839,816	-
Wastewater maintenance	1,361,794	-	-	1,361,794	-
Filtration plant operations	-	1,976,959	-	1,976,959	-
Water distribution	-	2,016,484	-	2,016,484	-
Other operations	-	-	266,028	266,028	3,197,474
Depreciation	456,878	1,968,073	107,539	2,532,490	402,881
Total operating expenses	8,128,065	6,917,880	378,956	15,424,901	8,995,193
Operating income (loss)	89,432	570,320	(53,039)	606,713	(37,576)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	7,257	19,123	2,170	28,550	34,507
Gain on sale of capital assets	-	-	-	-	6,122
Interest expense	-	(185,359)	-	(185,359)	-
Total nonoperating revenue (expenses)	7,257	(166,236)	2,170	(156,809)	40,629
Income (loss) before transfers	96,689	404,084	(50,869)	449,904	3,053
TRANSFERS					
Transfers in	-	-	-	-	15,000
Change in net position	96,689	404,084	(50,869)	449,904	18,053
Net position at July 1, 2017, as restated	12,578,407	29,333,449	1,716,719		4,841,429
Net position at June 30, 2018	**$ 12,675,096**	**$ 29,737,533**	**$ 1,665,850**		**$ 4,859,482**
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				48,124	
Change in net position of business-type activities				**$ 498,028**	

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, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Marina and Launch Ramp	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 8,157,174	$ 7,641,434	$ 328,304	$ 16,126,912	$ 134,324
Receipts from interfund services provided	33,821	148,600	-	182,421	7,560,428
Other receipts	-	-	-	-	1,139,724
Payments to suppliers	(6,501,266)	(2,363,178)	(195,047)	(9,059,491)	(6,683,287)
Payments to employees	(583,054)	(1,754,931)	(31,478)	(2,369,463)	(1,387,539)
Payments for interfund services used	(587,065)	(1,119,233)	(46,143)	(1,752,441)	(792,333)
Net cash provided by (used for) operating activities	519,610	2,552,692	55,636	3,127,938	(28,683)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	-	15,000
Advances to component units	-	-	-	-	81,830
Net cash provided by noncapital financing activities	-	-	-	-	96,830
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(137,615)	(1,349,593)	(21,096)	(1,508,304)	(399,527)
Principal paid on capital debt	-	(1,450,000)	-	(1,450,000)	-
Interest paid on capital debt	-	(203,106)	-	(203,106)	-
Proceeds from sale of capital assets	-	-	-	-	27,662
Net cash used for capital and related financing activities	(137,615)	(3,002,699)	(21,096)	(3,161,410)	(371,865)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	7,257	19,123	2,170	28,550	34,507
Net increase (decrease) in cash and investments	389,252	(430,884)	36,710	(4,922)	(269,211)
Cash and investments July 1, 2017	1,368,662	4,203,527	440,451	6,012,640	2,386,853
Cash and investments at June 30, 2018	**$ 1,757,914**	**$ 3,772,643**	**$ 477,161**	**$ 6,007,718**	**$ 2,117,642**
Reconciliation of cash and investments to the Statement of Net Position					
Cash and investments	$ 1,757,914	$ 3,173,143	$ 477,161	$ 5,408,218	$ 2,117,642
Restricted cash and investments	-	599,500	-	599,500	-
	$ 1,757,914	**$ 3,772,643**	**$ 477,161**	**$ 6,007,718**	**$ 2,117,642**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ 89,432	$ 570,320	$ (53,039)	$ 606,713	$ (37,576)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	456,878	1,968,073	107,539	2,532,490	402,881
Bad debt expense	10,272	38,654	-	48,926	-
Change in assets and liabilities					
Receivables	(36,774)	263,180	2,387	228,793	(123,141)
Inventories	3,839	(2,723)	-	1,116	(713)
Prepaid items	(8,322)	(1,866)	(9)	(10,197)	(4,446)
Accounts payable	62,046	(110,782)	(971)	(49,707)	(119,728)
Accrued liabilities	(57,761)	(172,164)	(271)	(230,196)	(145,960)
Net cash provided by (used for) operating activities	**$ 519,610**	**$ 2,552,692**	**$ 55,636**	**$ 3,127,938**	**$ (28,683)**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2018

	Agency Funds
ASSETS	
Cash and investments	$ 946,600
Accounts receivable	17,482
Total assets	**$ 964,082**
LIABILITIES	
Accounts payable	$ 664,197
Due to other governmental units	90,460
Deposits held for others	209,425
Total liabilities	**$ 964,082**

The accompanying notes are an integral part of this statement.

City of Muskegon
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2018

	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Brownfield Redevelopment Authority III	Total
ASSETS							
Current assets							
Cash and investments	$ 21,488	$ 5,484	$ 8,313	$ 34,124	$ 9,444	$ 152,664	$ 231,517
Noncurrent assets							
Capital assets, net							
Nondepreciable	400,000	-	-	-	-	-	400,000
Depreciable	1,280,473	-	-	-	-	-	1,280,473
Total noncurrent assets	1,680,473	-	-	-	-	-	1,680,473
Total assets	1,701,961	5,484	8,313	34,124	9,444	152,664	1,911,990
LIABILITIES							
Current liabilities							
Accounts payable	-	-	-	-	-	141,614	141,614
Accrued liabilities	14,750	-	-	-	-	-	14,750
Bonds and other obligations, due within one year	375,000	-	-	-	-	-	375,000
Total current liabilities	389,750	-	-	-	-	141,614	531,364
Noncurrent liabilities							
Advances from primary government	-	-	-	979,520	-	-	979,520
Bonds and other obligations, less amounts due within one year	2,188,326	1,000,000	-	-	-	-	3,188,326
Total noncurrent liabilities	2,188,326	1,000,000	-	979,520	-	-	4,167,846
Total liabilities	2,578,076	1,000,000	-	979,520	-	141,614	4,699,210
NET POSITION							
Net investment in capital assets	(882,853)	-	-	-	-	-	(882,853)
Unrestricted	6,738	(994,516)	8,313	(945,396)	9,444	11,050	(1,904,367)
Total net position	**$ (876,115)**	**$ (994,516)**	**$ 8,313**	**$ (945,396)**	**$ 9,444**	**$ 11,050**	**$ (2,787,220)**

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, 2018

		Program Revenue	Net (Expense) Revenue and Changes in Net Position						
Functions/Programs	**Expenses**	**Capital Grants and Contributions**	**Local Development Finance Authority - SmartZone**	**Downtown Development Authority**	**Tax Increment Finance Authority**	**Brownfield Redevelopment Authority I**	**Brownfield Redevelopment Authority II**	**Brownfield Redevelopment Authority III**	**Total**
Local Development Finance Authority - SmartZone									
Community and economic development	$ 172,649	$ -	$ (172,649)	$ -	$ -	$ -	$ -	$ -	$ (172,649)
Interest on long-term debt	67,553	350,000	282,447	-	-	-	-	-	282,447
Total Local Development Finance Authority - SmartZone	240,202	350,000	109,798	-	-	-	-	-	109,798
Downtown Development Authority									
Interest on long-term debt	7,873	315,000	-	307,127	-	-	-	-	307,127
Tax Increment Finance Authority									
Community and economic development	40,000	-	-	-	(40,000)	-	-	-	(40,000)
Brownfield Redevelopment Authority I									
Interest on long-term debt	34,834	-	-	-	-	(34,834)	-	-	(34,834)
Brownfield Redevelopment Authority II									
Community and economic development	154,800	-	-	-	-	-	(154,800)	-	(154,800)
Brownfield Redevelopment Authority III									
Community and economic development	141,614	-	-	-	-	-	-	(141,614)	(141,614)
Total discretely presented component units	**$ 619,323**	**$ 665,000**	109,798	307,127	(40,000)	(34,834)	(154,800)	(141,614)	45,677
General revenues									
Property taxes			96,472	(121,149)	36,926	134,385	162,184	150,863	459,681
Grants and contributions not restricted to specific programs			2,975	47,192	5,541	6,361	773	-	62,842
Unrestricted investment income			26	722	19	101	107	134	1,109
Total general revenues			99,473	(73,235)	42,486	140,847	163,064	150,997	523,632
Change in net position			209,271	233,892	2,486	106,013	8,264	9,383	569,309
Net position at July 1, 2017			(1,085,386)	(1,228,408)	5,827	(1,051,409)	1,180	1,667	(3,356,529)
Net position at June 30, 2018			**$ (876,115)**	**$ (994,516)**	**$ 8,313**	**$ (945,396)**	**$ 9,444**	**$ 11,050**	**$ (2,787,220)**

The accompanying notes are an integral part of this statement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reporting Entity—Continued

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

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

Muskegon Hospital Finance Authority. The Muskegon Hospital Finance Authority was created by the City of Muskegon in accordance with the laws of the State of Michigan. Members of the Hospital Finance Authority are appointed by the City, but the City is not financially accountable for the Authority and therefore the Authority is excluded from the accompanying financial statements. The Hospital Finance Authority's sole purpose is to issue tax-exempt debt for the benefit of Mercy Health Partners Hospital which is located within the City. The Authority has no assets or financial activity and does not prepare financial statements. The Hospital Finance Authority has no taxing power. As of June 30, 2018, 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, 2017, the date of its latest audited financial statements is as follows:

Total assets and deferred outflows of resources	$ 4,120,411
Total liabilities and deferred inflows of resources	(465,510)
Total net position	**$ 3,654,901**
Total operating income	$ 2,040,762
Total operating expenses	(2,257,438)
Total nonoperating revenues	1,188
Capital contributions	121,703
Change in net position	**$ (93,785)**

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

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

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

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

The City reports the following major governmental funds:

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

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued
The City reports the following three major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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

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

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

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

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

Cash and Investments

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

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

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

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

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

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

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

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

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

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

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Capital Assets—Continued

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

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

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

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

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

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

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

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

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

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

Revenues and Expenditures/Expenses

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

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

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

The 2017 state taxable value for real/personal property of the City totaled approximately $549,088,000 of which approximately $8,108,000 was captured by the component units. The ad valorem taxes levied consisted of 10.0, 3.0 and .0908 mills for the City's general operating, sanitation and community promotion purposes. These amounts are recognized in the General Fund with captured amounts shown in the TIFA, LDFA SmartZone, DDA, BRA I, BRA II, and BRA III component units.

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

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

Comparative Data
Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentation of prior year's totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read. Also, certain items in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Excess of Expenditures Over Appropriations

During the year ended June 30, 2018, actual expenditures exceeded appropriations for:

	Final Budget	Actual
General Fund		
Public representation services		
Contributions to outside agencies	$ 730,173	$ 489,687
Public safety		
Police department	9,437,178	9,538,680
Fire department	3,877,225	3,930,210
Fire safety inspections	1,523,537	1,611,103
Public sworks		
General sanitation	1,846,679	1,924,434
Culture and recreation		
Parks maintenance	1,456,833	1,569,234
L.C. Walker Arena Fund		
Culture and recreation	1,390,000	1,684,177
Criminal Forfeitures Fund		
Public safety	39,070	76,984

These overexpenditures were funded with available fund balance.

Fund Deficit

As of June 30, 2018, the City's Public Service Building Fund had an unrestricted net position deficit of $45,245. This deficit will be eliminated through future operations and an interfund transfer.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2018, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	S&P	Percent
Money market funds	$ 341,436	1	AAA	2.7 %
Negotiable certificates of deposit	1,419,765	38	not rated	10.7
US agency obligations	3,661,067	218	AA+	27.5
Local units of government obligations	503,940	22	AAA	3.8
Local units of government obligations	292,988	15	A+	2.2
Local units of government obligations	592,593	44	AA-	4.4
Commercial paper	4,529,362	2	A2/P2	34.0
Commercial paper	1,977,760	5	A1/P1	14.7
Total fair value	**$ 13,318,911**			**100.0 %**
Portfolio weighted average maturity		**69**		

Deposit and Investment Risks

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

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

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

Security	Percent of Total Investments
Federal Home Loan Mortgage Corporation obligations	18.9%
Walgreens commercial paper	7.5%
Ford Motor Credit commercial paper	16.8%
Catholic Health Initiatives commercial paper	9.7%
JP Morgan Securities commercial paper	14.8%

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial credit risk - deposits
In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2018, $10,083,056 of the City's bank balance of $10,583,056 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, 2018, restricted cash and investments in the Water Fund of $599,500 were restricted by bond ordinance.

NOTE D—ASSETS MANAGED BY OTHERS

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

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

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

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

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

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

NOTE D—ASSETS MANAGED BY OTHERS—Continued

The Funds—Continued

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

Reporting of the Assets of the Funds

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

Summary of the Community Foundation Funds

A summary of revenues, expenses, and changes in the assets at fair value of the funds for the year ended June 30, 2018 follows:

	Lakeshore Trails Improvement Fund	Cemetery Perpetual Care Fund	Marquette and Elliot Park Fund	Staley Charity Fund	Totals
Revenues					
Contributions	$ 1,329	$ -	$ 200	$ -	$ 1,529
Dividends and interest	1,247	18,881	2,655	9,121	31,904
Realized and unrealized loss on investments	2,099	38,995	4,510	15,487	61,091
	4,675	57,876	7,365	24,608	94,524
Expenses					
Administration fees	249	5,655	1,585	3,631	11,120
Revenues over expenses	4,426	52,221	5,780	20,977	83,404
Total assets at beginning of year	46,609	1,129,114	101,841	349,597	1,627,161
Total assets at end of year	51,035	1,181,335	107,621	370,574	1,710,565
Less assets recorded as those of the Foundation	(36,348)	-	(107,621)	(370,574)	(514,543)
Assets reported on the Balance Sheet/ Statement of Net Position	**$ 14,687**	**$ 1,181,335**	**$ -**	**$ -**	**$ 1,196,022**

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

NOTE E—FAIR VALUE MEASUREMENTS

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

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

Level 2 Inputs to the valuation methodology include the following:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

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

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

NOTE E—FAIR VALUE MEASUREMENTS—Continued

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

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

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

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value on a recurring basis as of June 30, 2018:

	Assets at Fair Value as of June 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ -	$ 341,436	$ -	$ 341,436
Negotiable certificates of deposit	1,419,765	-	-	1,419,765
US agency obligations	3,661,067	-	-	3,661,067
Local units of government obligations	1,389,521	-	-	1,389,521
Commercial paper	6,507,122	-	-	6,507,122
Assets managed by others	-	1,196,022	-	1,196,022
Total assets at fair value	**$ 12,977,475**	**$ 1,537,458**	**$ -**	**$ 14,514,933**

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 12,003,381	$ 646,084	$ -	$ 12,649,465
Construction in progress	1,947,165	1,821,272	2,127,478	1,640,959
Total capital assets, not being depreciated	13,950,546	2,467,356	2,127,478	14,290,424
Capital assets, being depreciated:				
Land improvements	4,685,117	-	-	4,685,117
Leasehold improvements	534,821	-	-	534,821
Buildings and improvements	23,862,249	350,000	-	24,212,249
Furniture, vehicles and equipment	14,668,970	716,539	226,873	15,158,636
Infrastructure	73,466,551	2,127,478	1,169,749	74,424,280
Shared improvements	6,905,293	-	-	6,905,293
Total capital assets, being depreciated	124,123,001	3,194,017	1,396,622	125,920,396
Less accumulated depreciation:				
Land improvements	1,774,225	156,743	-	1,930,968
Leasehold improvements	462,761	13,349	-	476,110
Buildings and improvements	16,896,527	440,960	-	17,337,487
Furniture, vehicles and equipment	11,401,651	603,307	205,334	11,799,624
Infrastructure	34,907,547	3,531,614	1,169,749	37,269,412
Shared improvements	4,111,521	345,265	-	4,456,786
Total accumulated depreciation	69,554,232	5,091,238	1,375,083	73,270,387
Total capital assets, being depreciated, net	54,568,769	(1,897,221)	21,539	52,650,009
Capital assets, net	**$ 68,519,315**	**$ 570,135**	**$ 2,149,017**	**$ 66,940,433**
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 142,250	$ -	$ -	$ 142,250
Construction in progress	205,697	1,232,593	738,421	699,869
Total capital assets, not being depreciated	347,947	1,232,593	738,421	842,119
Capital assets, being depreciated:				
Land improvements	1,888,965	-	-	1,888,965
Buildings, improvements and systems	92,830,306	822,481	-	93,652,787
Machinery and equipment	3,025,782	191,651	-	3,217,433
Total capital assets, being depreciated	97,745,053	1,014,132	-	98,759,185
Less accumulated depreciation:				
Land improvements	1,815,569	8,503	-	1,824,072
Buildings, improvements and systems	46,986,006	2,472,681	-	49,458,687
Machinery and equipment	2,673,078	51,306	-	2,724,384
Total accumulated depreciation	51,474,653	2,532,490	-	54,007,143
Total capital assets, being depreciated, net	46,270,400	(1,518,358)	-	44,752,042
Capital assets, net	**$ 46,618,347**	**$ (285,765)**	**$ 738,421**	**$ 45,594,161**

NOTE F—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:	
Adminstrative services	$ 2,485
Financial services	3,230
Public safety	216,754
Public works	2,126
Highways, streets and bridges	4,000,661
Community and economic development	75,717
Culture and recreation	366,513
General administration	20,871
Internal Service Fund depreciation	402,881
	$ 5,091,238
Business-type activities:	
Sewer	$ 456,878
Water	1,968,073
Marina and Launch Ramp	107,539
	$ 2,532,490

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Component units:				
Capital assets, not being depreciated:				
Land	$ 400,000	$ -	$ -	$ 400,000
Capital assets, being depreciated:				
Building and improvements	3,798,258	-	-	3,798,258
Less accumulated depreciation:				
Building and improvements	2,345,136	172,649	-	2,517,785
Total capital assets, being depreciated, net	1,453,122	(172,649)	-	1,280,473
Capital assets, net	**$ 1,853,122**	**$ (172,649)**	**$ -**	**$ 1,680,473**

Depreciation

Depreciation expense was charged to economic development.

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	L.C. Walker Arena Fund	$ 50,827
General Fund	Community Development Block Grant Fund	481,969
General Fund	HOME Rehabilitation	244,252
		$ 777,048

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 $979,520 to enable the BRA I to retire a redevelopment commitment early. The advance will be repaid with future tax captures.

Interfund Transfers:

Transfers In	Amount	Transfers Out	Amount
Major Street and Trunkline Fund	$ 200,000	General Fund	$ 200,000
Nonmajor Governmental Funds			
Local Streets Fund	700,000	General Fund	1,170,000
L.C. Walker Arena Fund	450,000		
Farmers Market and Kitchen 242 Fund	20,000		
	1,170,000		1,170,000
Internal Service Funds			
Engineering Services Fund	15,000	General Fund	15,000
	$ 1,385,000		**$ 1,385,000**

The General Fund transferred funds to the Major Streets and Trunkline and Local Streets funds for future capital improvements and to the L.C. Walker Arena Fund and other funds for operation subsidies. Other transfers between funds were made to meet grant matching requirements or other operational needs.

NOTE H—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2018.

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
General obligation debt	$ 5,610,000	$ -	$ 270,000	$ 5,340,000	$ 275,000
Premium	330,903	-	37,000	293,903	-
Intergovernmental obligations	57,946	-	18,934	39,012	19,313
Compensated absences	1,633,313	1,430,331	1,531,899	1,531,745	255,200
Governmental activities long-term liabilities	**$ 7,632,162**	**$ 1,430,331**	**$ 1,857,833**	**$ 7,204,660**	**$ 549,513**
Business-type activities:					
Revenue obligations	$ 8,490,000	$ -	$ 1,450,000	$ 7,040,000	$ 1,495,000
Premium	13,661	-	9,047	4,614	-
Compensated absences	176,841	174,077	147,360	203,558	33,900
Business-type activities long-term liabilities	**$ 8,680,502**	**$ 174,077**	**$ 1,606,407**	**$ 7,248,172**	**$ 1,528,900**
Component units:					
General obligation debt	$ 3,170,000	$ -	$ 685,000	$ 2,485,000	$ 375,000
Premium	108,275	-	29,949	78,326	-
Intergovernmental obligations	1,000,000	-	-	1,000,000	-
Component unit long-term liabilities	**$ 4,278,275**	**$ -**	**$ 714,949**	**$ 3,563,326**	**$ 375,000**

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, 2018 is as follows:

	Original Borrowing	Interest Rate	Date of Maturity	Balance
General obligation debt:				
Governmental activities:				
2011 Capital Improvement Bonds	$ 2,000,000	2.98%	September 2021	$ 875,000
2016 Limited Tax General Obligation Refunding Bonds	4,535,000	2% - 4%	October 2032	4,465,000
				$ 5,340,000
Component units:				
2012 LDFA Tax Increment Refunding Bonds	$ 4,100,000	4%	November 2025	**$ 2,485,000**

NOTE H—LONG-TERM DEBT—Continued

Intergovernmental Obligations

The City has long-term contractual obligations with other governmental entities for program purposes. Intergovernmental contractual obligations outstanding as of June 30, 2018 are as follows:

	Original Borrowing	Interest Rate	Date of Maturity	Balance
Intergovernmental Contractual Obligations:				
Governmental activities:				
2008 State of Michigan Brownfield Redevelopment Loan	$ 500,000	2%	March 2020	**$ 39,012**
Component units:				
1989 DDA Promissory Note to Muskegon County	$ 1,000,000	0%	August 2019	**$ 1,000,000**

Revenue Obligations

The City has issued bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue obligations outstanding as of June 30, 2018 are as follows:

	Original Borrowing	Interest Rate	Date of Maturity	Balance
Business-type activities:				
Revenue obligations:				
2004 Drinking Water State Revolving Fund	$ 13,900,000	2.13%	October 2025	$ 6,270,000
2010 Water Supply System Refunding Bonds	5,995,000	4% - 4.25%	May 2019	770,000
				$ 7,040,000

The City has pledged future water customer revenues, net of specified operating expenses, to repay the 2004 Drinking Water State Revolving Fund Loan and 2010 Water Supply System Refunding Bonds. Proceeds from both issuances were used to make improvements to the City's water supply system. The bonds are payable solely from water customer net revenues and are payable through 2025 and 2019, respectively. Annual principal and interest payments on the bonds are expected to require less than 65 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 $7,620,233. Principal and interest paid for the year ended June 30, 2018 and total customer net revenues were $1,653,106 and $2,557,516, respectively.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2018.

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

NOTE H—LONG-TERM DEBT—Continued

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with $17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The City has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The City's portion of the debt on June 30, 2018 was approximately $3,162,000. 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, 2018 follow:

Year Ending	Governmental Activites		Business-type Activities		Component Units	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 294,313	$ 188,476	$ 1,495,000	$ 158,259	$ 375,000	$ 81,100
2020	524,699	176,758	745,000	109,916	1,390,000	65,800
2021	515,000	161,107	760,000	93,925	395,000	50,100
2022	535,000	145,402	775,000	77,616	245,000	37,300
2023	300,000	132,900	790,000	60,988	255,000	28,575
2024-2028	1,595,000	484,700	2,475,000	79,529	825,000	37,725
2029-2033	1,615,000	160,900	-	-	-	-
	$ 5,379,012	**$ 1,450,243**	**$ 7,040,000**	**$ 580,233**	**$ 3,485,000**	**$ 300,600**

Annual debt service requirements to maturity by type of debt as of June 30, 2018 follow:

	General Obligation Debt		Revenue Obligations	Intergovernmental	
Year Ending June 30,	Governmental Activities	Component Units	Business-type Activities	Governmental Activities	Component Units
2019	$ 462,696	$ 456,100	$ 1,653,259	$ 20,093	$ -
2020	681,364	455,800	854,916	20,093	1,000,000
2021	676,107	445,100	853,925	-	-
2022	680,402	282,300	852,616	-	-
2023	432,900	283,575	850,988	-	-
2024-2028	2,079,700	862,725	2,554,529	-	-
2029-2033	1,775,900	-	-	-	-
	$ 6,789,069	**$ 2,785,600**	**$ 7,620,233**	**$ 40,186**	**$ 1,000,000**

NOTE I—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMRMA for its insurance coverage. The MMRMA is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. A $150,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Changes in the fund's claim liability amount in 2018 and 2017 were as follows:

Year Ended	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
June 30, 2018	$ 110,132	$ 94,450	$ 126,293	$ 78,289
June 30, 2017	29,700	151,867	71,435	110,132

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, 2018, the claims liability including incurred but not reported claims was $33,784. 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 2018 and 2017 were as follows:

Year Ended	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
June 30, 2018	$ 53,504	$ 1,267,269	$ 1,286,989	$ 33,784
June 30, 2017	34,064	1,105,988	1,086,548	53,504

NOTE I—OTHER INFORMATION—Continued

Contingencies

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

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

Commitment

The City has a contract for street projects as of June 30, 2018 with a remaining amount of approximately $1,055,000. Approximately 80 percent of these costs is being financed by a grant with the remainder coming from the Major Street and Trunkline, Sewer and Water funds.

Leases

The City leases an office facility under a noncancelable operating lease that expires June 2022 with the option by the tenant to renew the term of the lease for two successive periods of five years each. The City received rental income (including pro-rata utility usage) of $30,528 for the year ended June 30, 2018. The future minimum rental income for this lease is as follows:

Year Ending June 30,	Amount
2019	$ 29,369
2020	55,919
2021	55,463
2022	55,584
	$ 196,335

NOTE J—TAX ABATEMENTS

Industrial Facilities Exemption

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

For the year ended June 30, 2018, the City abated property taxes revenues totaling $56,139 under this program.

NOTE J—TAX ABATEMENTS—Continued

Brownfield Redevelopment Authority

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

For the year ended June 30, 2018, the City abated property taxes revenues totaling $116,252 under this program.

Payment in Lieu of Taxes (PILOT)

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

For the year ended June 30, 2018, the City abated property taxes revenues totaling $185,344 under this program.

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

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

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

*Effective January 1, 2017, the multiplier for Non-Union General and Department of Public Works was changed to 2.00% and the multiplier for Police Patrol was changed to 2.675%.

Final average compensation is calculated based on 3 years.

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

Inactive employees or beneficiaries currently receiving benefits	314
Inactive employees entitled to but not yet receiving benefits	33
Active employees	118
Total employees covered by MERS	**465**

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, 2018, the City had a flat-dollar employer contribution to the Plan of $1,798,140 in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. Member contributions range from 4 percent to 6.5 percent.

Net Pension Liability
The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	55.5%	8.65%	4.80%	2.50%	3.41%
Global fixed income	18.5%	3.76%	0.70%	2.50%	0.23%
Real assets	13.5%	9.72%	1.31%	2.50%	0.97%
Diversifying strategies	12.5%	7.50%	0.94%	2.50%	0.63%
Total	**100.0%**		**7.75%**		**5.25%**

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent for 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Position (b)**	**Net Pension Liability (a)-(b)**
Balance at December 31, 2016	$ 108,324,914	$ 84,417,960	$ 23,906,954
Changes for the year			
Service cost	1,018,541	-	1,018,541
Interest	8,429,233	-	8,429,233
Difference between expected and actual experience	1,326,122	-	1,326,122
Contributions - employer	-	1,801,016	(1,801,016)
Contributions - employee	-	687,391	(687,391)
Net investment income	-	10,964,115	(10,964,115)
Administrative expenses	-	(173,921)	173,921
Benefit payments including refund of employee contributions	(6,937,544)	(6,937,544)	-
Other changes	(4,485,289)	-	(4,485,289)
Net changes	(648,937)	6,341,057	(6,989,994)
Balance at December 31, 2017	**$ 107,675,977**	**$ 90,759,017**	**$ 16,916,960**

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

	1% Decrease (7%)	**Current Discount Rate (8%)**	**1% Increase (9%)**
City's net pension liability	$ 28,135,490	$ 16,916,960	$ 7,355,921

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

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Benefit Pension Plan—Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2018, the City recognized pension expense of ($1,872,896). At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ 663,061	$ -
Net differences between projected and actual net investment income	-	1,760,618
Contributions subsequent to the measurement date*	1,422,938	-
Total	**$ 2,085,999**	**$ 1,760,618**

*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, 2019.

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
2019	$ 1,068,006
2020	145,681
2021	(1,426,624)
2022	(884,620)

Payables to the Pension Plan
At June 30, 2018, the City reported a payable of $299,576 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018 and an additional contribution approved by the City Commission.

NOTE K—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Defined Contribution Pension Plan

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

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the City Commission as determined by negotiated labor contracts. The City is required to contribute 3 percent to 11.5 percent of a qualified employees' annual compensation each year depending on employee group. Qualified employees are required to contribute 0 percent to 6 percent of annual compensation depending on employee group. For the year ended June 30, 2018, City and employee contributions were $449,870 and $228,913, 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, 2018, forfeitures reduced the City's pension expense by $21,979.

Deferred Compensation Plan

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

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

NOTE L—OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare Plan

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

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

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

Benefits are provided through a third party insurer.

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

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

Contributions
The OPEB Plan's funding policy is that the City will make contributions equal to the recommended annual contribution. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended June 30, 2018, the City made payments for postemployment healthcare benefits of $687,642.

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

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

Inflation	2.5 percent
Salary increases	2.0 percent
Investment rate of return	7.75 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates	8 percent graded down to 5 percent by .5 percent per year

Mortality
Mortality rates were as set forth in the RPH-2014 headcount weighted adjusted to 2006 Total Data Set with MP-2017 improvement scale separately for males and females as well as annuitant and non-annuitants.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	55.5%	8.65%	4.80%	2.50%	3.41%
Global fixed income	18.5%	3.76%	0.70%	2.50%	0.23%
Real assets	13.5%	9.72%	1.31%	2.50%	0.97%
Diversifying strategies	12.5%	7.50%	0.94%	2.50%	0.63%
Total	**100.0%**		**7.75%**		**5.25%**

Discount Rate
The discount rate used to measure the total OPEB liability was 7.75 percent. The projection of cash flows to determine the discount rate assumed that the City will make contributions equal to the actuarially determined contribution in future years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used to calculate the liability at the beginning of the year is also 7.75 percent.

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Position (b)**	**Net OPEB Liability (a)-(b)**
Balance at December 31, 2016	$ 25,592,311	$ 19,050,209	$ 6,542,102
Changes for the year			
Service cost	165,423	-	165,423
Interest	1,954,979	-	1,954,979
Contributions - employer	-	736,039	(736,039)
Net investment income	-	2,110,019	(2,110,019)
Administrative expenses	-	(52,313)	52,313
Benefit payments including refund of employee contributions	(1,064,376)	(1,064,376)	-
Net changes	1,056,026	1,729,369	(673,343)
Balance at December 31, 2017	**$ 26,648,337**	**$ 20,779,578**	**$ 5,868,759**

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

	1% Decrease (6.75%)	**Current Discount Rate (7.75%)**	**1% Increase (8.75%)**
City's net OPEB liability	$ 8,525,199	$ 5,868,759	$ 3,628,834

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate
The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 8 percent, decreasing to 5 percent, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 4 percent) or 1-percentage-point higher (9 percent decreasing to 6 percent) than the current rate:

	1% Decrease (7% Decreasing to 4%)	Current Healthcare Cost Trend Rates (8% Decreasing to 5%)	1% Increase (9% Decreasing to 6%)
City's net OPEB liability	$ 3,544,806	$ 5,868,759	$ 8,628,674

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2018, the City recognized OPEB expense of $581,399. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual net investment income	$ -	$ 518,702
Contributions subsequent to the measurement date*	354,679	-
Total	**$ 354,679**	**$ 518,702**

*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, 2019.

NOTE L—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

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

Year Ending June 30,	Amount
2019	$ (129,676)
2020	(129,676)
2021	(129,676)
2022	(129,674)

Payables to the OPEB Plan

At June 30, 2018, the City did not have a payable to the OPEB Plan.

Healthcare Savings Plan

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

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

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

For the year ended June 30, 2018, City and employee contributions were $86,557 and $142,984, respectively.

NOTE M—CHANGE IN ACCOUNTING PRINCIPLE

The net position of the governmental activities, business-type activities, and also the Sewer, Water, Public Service Building, and Equipment funds, were restated, effective July 1, 2017, to reflect the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* GASB Statement No. 75 changed how governments measure and report the long-term obligations and annual costs associated with postemployment benefits other than pensions that they provide.

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

	Governmental Activities	Business-type Activities
Net position at July 1, 2017	$ 60,731,527	$ 45,097,092
Deferred outflows of resources - related to OPEB	291,363	20,255
Net OPEB liability	(6,116,865)	(425,237)
Net position at July 1, 2017, as restated	**$ 54,906,025**	**$ 44,692,110**

	Sewer Fund	Water Fund	Public Service Building Fund	Equipment Fund
Net position at July 1, 2017	$ 12,671,865	$ 29,644,973	$ 433,910	$ 2,780,605
Deferred outflows of resources - related to OPEB	4,674	15,581	7,790	4,674
Net OPEB liability	(98,132)	(327,105)	(163,553)	(98,132)
Net position at July 1, 2017, as restated	**$ 12,578,407**	**$ 29,333,449**	**$ 278,147**	**$ 2,687,147**

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

NOTE N—UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget- Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Taxes					
City income taxes	$ 8,100,000	$ 8,800,000	$ 8,758,674	$ (41,326)	$ 8,610,812
Property taxes	7,434,972	7,434,972	7,439,738	4,766	7,415,596
Industrial facilities taxes	87,000	87,000	95,774	8,774	87,752
Payments in lieu of taxes	576,290	576,290	582,869	6,579	553,112
Total taxes	16,198,262	16,898,262	16,877,055	(21,207)	16,667,272
Licenses and permits					
Business licenses	70,000	70,000	81,650	11,650	77,085
Liquor licenses	49,603	49,043	53,487	4,444	50,988
Cable TV fees	370,000	370,000	368,495	(1,505)	378,955
Rental property registration	160,000	327,000	369,509	42,509	221,901
Burial permits	82,000	82,000	82,645	645	85,137
Building permits	500,000	1,450,000	1,458,084	8,084	721,500
Electrical permits	90,000	200,000	225,271	25,271	140,373
Plumbing permits	34,000	70,000	85,789	15,789	54,821
Mechanical permits	75,000	120,000	146,354	26,354	94,023
Vacant building fees	150,000	75,000	94,315	19,315	59,558
Total licenses and permits	1,580,603	2,813,043	2,965,599	152,556	1,884,341
Intergovernmental revenues					
Federal grants	59,580	59,580	23,988	(35,592)	51,628
State					
Grants	573,900	823,100	837,603	14,503	606,989
State shared revenue	3,973,538	4,118,059	4,153,072	35,013	4,046,147
Total intergovernmental revenues - State	4,547,438	4,941,159	4,990,675	49,516	4,653,136
Local	40,000	40,000	40,000	-	34,000

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget- Positive	
	Original	Final	Actual	(Negative)	Actual
Charges for services					
Tax administration fees	$ 327,747	$ 327,747	$ 331,723	$ 3,976	$ 332,784
Utility administration fees	310,000	310,000	310,000	-	310,000
Reimbursement for elections	-	90	100	10	18,151
Brownfield authority admin fee	182,650	162,000	154,800	(7,200)	182,650
Indirect cost reimbursements	1,284,986	1,027,986	1,027,986	-	1,010,456
Site plan review fee	6,000	6,000	6,800	800	5,800
Sale of cemetery lots	20,000	28,750	39,103	10,353	21,425
Police miscellaneous	147,138	137,138	140,223	3,085	148,476
Police impound fees	35,000	35,000	39,935	4,935	35,455
Landlord's alert fee	-	30,000	35,627	5,627	3,550
Fire protection - state property	116,000	74,000	74,342	342	115,820
Zoning fees	12,000	12,000	18,430	6,430	18,525
Muskegon Heights zoning	6,000	6,000	8,190	2,190	8,750
Clerk fees	3,000	8,000	7,851	(149)	13,983
Clerk fees - passport fees	50,000	65,000	71,672	6,672	63,157
Tax abatement application fees	3,000	3,000	4,970	1,970	13,241
Treasurer fees	72,000	72,000	68,022	(3,978)	69,581
False alarm fees	3,000	7,500	9,540	2,040	3,435
Miscellaneous cemetery income	15,000	15,000	17,902	2,902	17,741
Fire miscellaneous	12,200	15,200	17,755	2,555	13,520
Sanitation stickers	271,100	271,100	238,312	(32,788)	83,325
Lot cleanup fees	68,000	53,000	59,452	6,452	89,757
Reimbursements - lot mowing and demolitions	7,000	7,000	7,376	376	9,379
Special events reimbursements	55,000	55,000	55,671	671	52,657
Recreation program fees	4,700	4,700	9,066	4,366	5,766
Total charges for services	3,011,521	2,733,211	2,754,848	21,637	2,647,384
Fines and forfeitures					
Income tax - penalty and interest	200,000	200,000	229,678	29,678	213,634
Late fees on current taxes	25,000	20,000	15,942	(4,058)	42,833
Interest on late invoices	3,500	3,500	14,534	11,034	7,278
Parking fines	65,000	65,000	53,336	(11,664)	69,609
Court fines	105,000	105,000	120,989	15,989	122,757
Civil infractions	13,000	13,000	21,785	8,785	25,513
Total fines and forfeitures	411,500	406,500	456,264	49,764	481,624
Investment earnings and rental income					
Interest income	12,000	80,000	95,057	15,057	111,851
Net increase (decrease) in the fair value of investments	-	-	(122,586)	(122,586)	(184,946)
Farmers market	-	-	-	-	2,095
City right of way rental	6,800	6,800	6,800	-	6,800
Fire station lease - Central Dispatch	28,500	28,500	30,528	2,028	43,273
Parking rentals	38,000	48,750	48,750	-	45,000
Great Lakes Naval Memorial lease	15,000	15,000	-	(15,000)	-
McGraft Park rentals	70,000	70,000	63,510	(6,490)	62,791
Other park rentals	60,000	44,800	45,631	831	55,329
Total investment earnings and rental income	230,300	293,850	167,690	(126,160)	142,193

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Other					
Sale of land and assets	$ -	$ -	$ -	$ -	$ 4,950
Police sale and auction proceeds	1,500	1,500	-	(1,500)	894
CDBG program reimbursements	350,000	350,000	346,481	(3,519)	332,239
Fisherman's Landing reimbursement	-	18,700	-	(18,700)	-
Contributions	18,000	23,000	11,871	(11,129)	56,619
Contributions - Veteran's Park maintenance	18,500	18,500	-	(18,500)	21,710
Community Foundation for Muskegon County	10,000	10,000	9,772	(228)	5,734
Miscellaneous and sundry	55,500	65,000	85,676	20,676	68,042
Total other	453,500	486,700	453,800	(32,900)	490,188
Total revenues	26,532,704	28,672,305	28,729,919	57,614	27,051,766
EXPENDITURES					
Current					
Public representation services					
City commission	82,818	76,580	77,876	(1,296)	94,940
City promotions and public relations	50,000	61,500	65,353	(3,853)	48,223
City manager	371,043	401,774	409,564	(7,790)	331,949
Contributions to outside agencies	427,673	430,173	489,687	(59,514)	278,143
City attorney	350,000	350,000	341,093	8,907	326,777
Total public representation services	1,281,534	1,320,027	1,383,573	(63,546)	1,080,032
Administrative services					
City clerk	429,291	394,185	424,224	(30,039)	441,465
Civil service	101,300	111,500	113,554	(2,054)	107,591
Affirmative action	-	-	135	(135)	75,228
Total administrative services	530,591	505,685	537,913	(32,228)	624,284
Financial services					
Finance administration	609,446	607,141	576,620	30,521	574,023
Assessing	332,000	332,000	329,708	2,292	321,343
Arena administration	-	-	15,487	(15,487)	-
Income tax administration	357,923	336,248	328,809	7,439	340,656
Information systems	493,583	488,279	444,386	43,893	437,911
City treasurer	652,259	532,032	496,235	35,797	563,008
Total financial services	2,445,211	2,295,700	2,191,245	104,455	2,236,941
Public safety					
Police department	10,199,088	9,437,178	9,538,680	(101,502)	9,015,637
Fire department	3,388,300	3,877,225	3,930,210	(52,985)	4,186,580
Fire safety inspections	575,000	1,523,537	1,611,103	(87,566)	854,019
Total public safety	14,162,388	14,837,940	15,079,993	(242,053)	14,056,236

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
Public works					
Street lighting	$ 515,000	$ 490,000	$ 529,471	$ (39,471)	$ 592,830
Community event support	81,000	99,418	100,611	(1,193)	33,728
Senior citizen transit	-	-	-	-	227
General sanitation	1,845,117	1,846,679	1,924,434	(77,755)	1,839,943
Storm water management	10,000	15,000	13,365	1,635	4,000
City hall maintenance	275,952	322,952	242,222	80,730	247,136
Cemeteries maintenance	440,657	397,082	420,155	(23,073)	387,835
Total public works	3,167,726	3,171,131	3,230,258	(59,127)	3,105,699
Community and economic development					
Planning, zoning and economic development	632,794	542,015	434,867	107,148	466,448
Environmental services	1,229,024	1,229,024	1,094,602	134,422	1,090,151
Edison Landing subsidy	275,000	350,000	350,000	-	275,000
Downtown Development Authority subsidy	150,000	315,000	315,000	-	175,000
Total community and economic development	2,286,818	2,436,039	2,194,469	241,570	2,006,599
Culture and recreation					
Parks maintenance	1,473,008	1,456,833	1,569,234	(112,401)	1,512,556
McGraft Park maintenance	72,063	102,134	96,916	5,218	53,945
General and inner city recreation programs	-	-	2,551	(2,551)	90,305
Graffiti removal	-	-	153	(153)	647
Parking operations	-	-	1,988	(1,988)	2,722
Farmers market and flea market	-	-	8	(8)	-
Total culture and recreation	1,545,071	1,558,967	1,670,850	(111,883)	1,660,175
Other governmental functions					
Insurance premiums	274,665	294,534	294,675	(141)	274,472
Other	100,000	100,000	60,566	39,434	5,944
Total other governmental functions	374,665	394,534	355,241	39,293	280,416
Debt service					
Principal	70,000	70,000	70,000	-	70,000
Interest and fees	166,100	166,100	167,081	(981)	174,262
Total debt service	236,100	236,100	237,081	(981)	244,262
Capital outlay	448,000	444,200	130,375	313,825	362,786
Total expenditures	26,478,104	27,200,323	27,010,998	189,325	25,657,430
Excess of revenues over (under) expenditures	54,600	1,471,982	1,718,921	246,939	1,394,336

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
General Fund
For the year ended June 30, 2018
(with comparative actual amounts for the year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual		Actual
OTHER FINANCING USES					
Transfers out	$ -	$ (1,385,000)	$ (1,385,000)	$ -	$ (1,368,000)
Net change in fund balance	**$ 54,600**	**$ 86,982**	333,921	**$ 246,939**	26,336
Fund balance at beginning of year			8,057,645		8,031,309
Fund balance at end of year			**$ 8,391,566**		**$ 8,057,645**

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, 2018

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	**Final**	**Actual**	
REVENUES				
Intergovernmental revenues				
Federal	$ 1,655,000	$ 895,000	$ 728,782	$ (166,218)
State	3,420,751	4,175,000	4,074,974	(100,026)
Charges for services	-	-	21,409	21,409
Investment earnings	6,000	6,000	9,891	3,891
Other	96,000	96,000	86,487	(9,513)
Total revenues	5,177,751	5,172,000	4,921,543	(250,457)
EXPENDITURES				
Current				
Highways, streets and bridges	5,105,870	4,255,338	3,000,339	1,254,999
Debt service				
Principal	200,000	200,000	200,000	-
Interest and fees	30,000	30,000	29,483	517
Total expenditures	5,335,870	4,485,338	3,229,822	1,255,516
Excess of revenues over (under) expenditures	(158,119)	686,662	1,691,721	1,005,059
OTHER FINANCING SOURCES (USES)				
Transfers in	-	200,000	200,000	-
Transfers out	(500,000)	(500,000)	-	500,000
Total other financing sources (uses)	(500,000)	(300,000)	200,000	500,000
Net change in fund balance	**$ (658,119)**	**$ 386,662**	1,891,721	**$ 1,505,059**
Fund balance at July 1, 2017			1,836,619	
Fund balance at June 30, 2018			**$ 3,728,340**	

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

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

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

Notes to Schedule

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

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

	Year Ended June 30								Period Ended June 30*	Year Ended December 31
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Actuarially determined contribution	$ 1,798,140	$1,897,158	$ 1,546,440	$ 1,293,996	$ 1,043,040	$ 1,035,772	$ 1,160,870	$ 1,211,612	$ 688,832	$ 801,898
Contributions in relation to the actuarially determined contribution	1,964,214	2,276,200	1,753,272	1,293,996	1,543,040	1,035,772	1,160,870	2,211,612	688,832	801,898
Contribution deficiency (excess)	**$ (166,074)**	**$ (379,042)**	**$ (206,832)**	**$ -**	**$ (500,000)**	**$ -**	**$ -**	**$ (1,000,000)**	**$ -**	**$ -**
Covered payroll	$ 7,645,789	$8,460,078	$ 9,108,948	$ 9,171,511	$ 9,198,938	$10,185,425	$10,650,990	$ 11,533,186	$12,613,654	$13,107,179
Contributions as percentage of covered payroll	**25.7%**	**26.9%**	**19.2%**	**14.1%**	**16.8%**	**10.2%**	**10.9%**	**19.2%**	**5.5%**	**6.1%**

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	7 to 25 years depending on division
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	50 percent Female/50 percent Male RP-2014 Group Annuity Mortality Table

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

City of Muskegon

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	2017
TOTAL OPEB LIABILITY	
Service cost	$ 165,423
Interest	1,954,979
Benefit payments, including refunds of employee contributions	(1,064,376)
Net change in total OPEB liability	1,056,026
Total OPEB liability at beginning of year	25,592,311
Total OPEB liability at end of year (a)	**$ 26,648,337**
PLAN FIDUCIARY NET POSITION	
Contributions-employer	$ 736,039
Net investment income	2,110,019
Benefit payments, including refunds or employee contributions	(1,064,376)
Administrative expense	(52,313)
Net change in plan fiduciary net position	1,729,369
Plan fiduciary net position at beginning of year	19,050,209
Plan fiduciary net position at end of year (b)	**$ 20,779,578**
City's net OPEB liability at end of year (a)-(b)	**$ 5,868,759**
Plan fiduciary net position as a percentage of the total OPEB liability	**77.98%**
Covered payroll	**$ 8,095,840**
City's net OPEB liability as a percentage of covered payroll	**72.49%**

Notes to Schedule

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

City of Muskegon

REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS

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

	Year Ended June 30								Period Ended June 30*	Year Ended December 31
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Actuarially determined contribution	$ 956,532	$ 606,506	$ 639,428	$ 659,451	$ 696,634	$ 728,863	$ 832,891	$ 1,079,000	$ 530,000	$ 1,698,000
Contributions in relation to the actuarially determined contribution	687,642	606,506	639,428	659,451	696,634	728,863	832,891	1,079,000	530,000	1,698,000
Contribution deficiency (excess)	**$ 268,890**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered payroll	$ 8,095,840	$10,830,000	$10,830,000	$10,005,000	$10,005,000	$12,365,000	$12,365,000	$13,293,000	$13,293,000	$13,290,000
Contributions as percentage of covered payroll	**8.5%**	**5.6%**	**5.9%**	**6.6%**	**7.0%**	**5.9%**	**6.7%**	**8.1%**	**4.0%**	**12.8%**

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	2.59 years
Asset valuation method	Equal to market value of assets
Inflation	2.5 percent
Salary increases	2.0 percent
Investment rate of return	7.75 percent (including inflation), net of administrative and investment expenses
Retirement age	55 - 60 years of age
Mortality	Mortality rates were as set forth in the RPH-2014 headcount weighted adjusted to 2006 Total Data Set with MP-2017 improvement scale separately for males and females as well as annuitant and non-annuitants.

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

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OTHER SUPPLEMENTAL INFORMATION

DESCRIPTION OF
OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

DESCRIPTION OF
OTHER GOVERNMENTAL FUNDS—CONTINUED

Capital Projects Funds—Continued

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

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

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

Permanent Funds

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

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

City of Muskegon
COMBINING BALANCE SHEET
Other Governmental Funds
June 30, 2018

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
ASSETS				
Cash and investments	$ 3,752,596	$ 1,195,776	$ 2,242,892	$ 313,928
Assets managed by others	1,196,022	-	14,687	1,181,335
Receivables				
Accounts and loans (net of allowance for uncollectibles)	839,969	92,367	743,840	3,762
Special assessments	7,877	7,877	-	-
Due from other governmental units	1,249,854	268,627	981,227	-
Advances to component units	326,507	-	-	326,507
Prepaid items	32,590	32,590	-	-
Total assets	**$ 7,405,415**	**$ 1,597,237**	**$ 3,982,646**	**$ 1,825,532**
LIABILITIES				
Accounts payable	$ 820,270	$ 242,945	$ 577,325	$ -
Accrued liabilities	21,835	15,097	6,738	-
Due to other governmental units	6,162	6,162	-	-
Due to other funds	777,048	50,827	726,221	-
Unearned revenues - unused Farmers Market tokens	108,314	108,314	-	-
Unearned revenues - expenditure-driven grants	53,020	-	53,020	-
Total liabilities	1,786,649	423,345	1,363,304	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - special assessments	7,877	7,877	-	-
FUND BALANCES				
Nonspendable				
Prepaid items	32,590	32,590	-	-
Perpetual care	1,536,921	-	-	1,536,921
Restricted				
Highways, streets and bridges	908,975	908,975	-	-
L.C. Walker Arena	16,173	16,173	-	-
Law enforcement	46,338	46,338	-	-
Downtown BID	135,789	135,789	-	-
Perpetual care	288,611	-	-	288,611
Other purposes	26,150	26,150	-	-
Assigned for capital projects and public improvements	2,619,342	-	2,619,342	-
Total fund balances	5,610,889	1,166,015	2,619,342	1,825,532
Total liabilities, deferred inflows of resources and fund balances	**$ 7,405,415**	**$ 1,597,237**	**$ 3,982,646**	**$ 1,825,532**

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Governmental Funds

For the year ended June 30, 2018

	Total Other Governmental Funds	Other Special Revenue Funds	Other Capital Projects Funds	Permanent Fund - Cemetery Perpetual Care
REVENUES				
Intergovernmental revenues				
Federal	$ 1,332,575	$ 8,264	$ 1,324,311	$ -
State	2,292,020	1,225,484	1,066,536	-
Local	5,000	-	5,000	-
Charges for services	1,453,540	1,374,012	41,375	38,153
Fines and forfeitures	908	908	-	-
Investment earnings	34,488	4,336	17,282	12,870
Income from assets managed by others	50,823	-	(1,398)	52,221
Other	1,025,258	477,050	548,208	-
Total revenues	6,194,612	3,090,054	3,001,314	103,244
EXPENDITURES				
Current				
Public safety	76,984	76,984	-	-
Public works	146,916	146,916	-	-
Highways, streets and bridges	1,554,629	1,554,629	-	-
Culture and recreation	2,042,327	2,042,327	-	-
Debt service				
Principal	18,934	-	18,934	-
Interest and fees	1,159	-	1,159	-
Capital outlay	4,772,284	-	4,772,284	-
Total expenditures	8,613,233	3,820,856	4,792,377	-
Excess of revenues over (under) expenditures	(2,418,621)	(730,802)	(1,791,063)	103,244
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	741,803	-	741,803	-
Transfers in	1,170,000	1,170,000	-	-
Total other financing sources (uses)	1,911,803	1,170,000	741,803	-
Net change in fund balances	(506,818)	439,198	(1,049,260)	103,244
Fund balances at July 1, 2017	6,117,707	726,817	3,668,602	1,722,288
Fund balances at June 30, 2018	**$ 5,610,889**	**$ 1,166,015**	**$ 2,619,342**	**$ 1,825,532**

City of Muskegon
COMBINING BALANCE SHEET
Other Special Revenue Funds
June 30, 2018

	Total Other Special Revenue Funds	Local Street	L.C. Walker Arena	Criminal Forfeitures	Downtown BID	Tree Replacement	Farmers Market and Kitchen 242
ASSETS							
Cash and investments	$ 1,195,776	$ 962,088	$ -	$ 59,450	$ 135,789	$ 1,353	$ 37,096
Receivables							
Accounts	92,367	7,529	79,233	-	-	-	5,605
Special assessments	7,877	7,877	-	-	-	-	-
Due from other governmental units	268,627	168,627	-	-	-	-	100,000
Prepaid items	32,590	5,510	27,080	-	-	-	-
Total assets	**$ 1,597,237**	**$ 1,151,631**	**$ 106,313**	**$ 59,450**	**$ 135,789**	**$ 1,353**	**$ 142,701**
LIABILITIES							
Accounts payable	$ 242,945	$ 209,558	$ 12,233	$ 13,112	$ -	$ -	$ 8,042
Accrued liabilities	15,097	13,549	-	-	-	-	1,548
Due to other governmental units	6,162	6,162	-	-	-	-	-
Due to other funds	50,827	-	50,827	-	-	-	-
Unearned revenues - unused Farmers Market tokens	108,314	-	-	-	-	-	108,314
Total liabilities	423,345	229,269	63,060	13,112	-	-	117,904
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - special assessments	7,877	7,877	-	-	-	-	-
FUND BALANCES							
Nonspendable - prepaid items	32,590	5,510	27,080	-	-	-	-
Restricted							
Highways, streets and bridges	908,975	908,975	-	-	-	-	-
L.C. Walker Arena	16,173	-	16,173	-	-	-	-
Law enforcement	46,338	-	-	46,338	-	-	-
Downtown BID	135,789	-	-	-	135,789	-	-
Other purposes	26,150	-	-	-	-	1,353	24,797
Total fund balances	1,166,015	914,485	43,253	46,338	135,789	1,353	24,797
Total liabilities, deferred inflows of resources and fund balances	**$ 1,597,237**	**$ 1,151,631**	**$ 106,313**	**$ 59,450**	**$ 135,789**	**$ 1,353**	**$ 142,701**

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Special Revenue Funds

For the year ended June 30, 2018

	Total Other Special Revenue Funds	Local Street	L.C. Walker Arena	Criminal Forfeitures	Downtown BID	Tree Replacement	Farmers Market and Kitchen 242
REVENUES							
Intergovernmental revenues							
Federal	$ 8,264	$ -	$ -	$ -	$ -	$ -	$ 8,264
State	1,225,484	1,146,664	-	-	-	-	78,820
Charges for services	1,374,012	34,991	1,152,413	-	-	2,500	184,108
Fines and forfeitures	908	-	-	908	-	-	-
Investment earnings	4,336	3,205	18	541	504	3	65
Other	477,050	225,601	1,679	-	176,804	200	72,766
Total revenues	3,090,054	1,410,461	1,154,110	1,449	177,308	2,703	344,023
EXPENDITURES							
Current							
Public safety	76,984	-	-	76,984	-	-	-
Public works	146,916	-	-	-	146,916	-	-
Highways, streets and bridges	1,554,629	1,554,629	-	-	-	-	-
Culture and recreation	2,042,327	-	1,684,177	-	-	2,700	355,450
Total expenditures	3,820,856	1,554,629	1,684,177	76,984	146,916	2,700	355,450
Excess of revenues over (under) expenditures	(730,802)	(144,168)	(530,067)	(75,535)	30,392	3	(11,427)
OTHER FINANCING SOURCES							
Transfers in	1,170,000	700,000	450,000	-	-	-	20,000
Net change in fund balances	439,198	555,832	(80,067)	(75,535)	30,392	3	8,573
Fund balances at July 1, 2017	726,817	358,653	123,320	121,873	105,397	1,350	16,224
Fund balances at June 30, 2018	**$ 1,166,015**	**$ 914,485**	**$ 43,253**	**$ 46,338**	**$ 135,789**	**$ 1,353**	**$ 24,797**

City of Muskegon
BUDGETARY COMPARISON SCHEDULE
Other Special Revenue Funds
For the year ended June 30, 2018

	Local Street			L.C. Walker Arena		
	Final Budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Intergovernmental revenues						
Federal	$ 35,000	$ -	$ (35,000)	$ -	$ -	$ -
State	1,130,000	1,146,664	16,664	-	-	-
Charges for services	-	34,991	34,991	1,072,500	1,152,413	79,913
Investment earnings	1,800	3,205	1,405	-	18	18
Other	20,500	225,601	205,101	-	1,679	1,679
Total revenues	1,187,300	1,410,461	223,161	1,072,500	1,154,110	81,610
EXPENDITURES						
Current						
Highways, streets and bridges	1,588,153	1,554,629	33,524	-	-	-
Culture and recreation	-	-	-	1,390,000	1,684,177	(294,177)
Capital outlay	-	-	-	110,000	-	110,000
Total expenditures	1,588,153	1,554,629	33,524	1,500,000	1,684,177	(184,177)
Excess of revenues over (under) expenditures	(400,853)	(144,168)	256,685	(427,500)	(530,067)	(102,567)
OTHER FINANCING SOURCES						
Transfers in	700,000	700,000	-	450,000	450,000	-
Net change in fund balances	**$ 299,147**	555,832	**$ 256,685**	**$ 22,500**	(80,067)	**$ (102,567)**
Fund balances at July 1, 2017		358,653			123,320	
Fund balances at June 30, 2018		**$ 914,485**			**$ 43,253**	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
Other Special Revenue Funds
For the year ended June 30, 2018

	Criminal Forfeitures			Downtown BID		
	Final budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Fines and forfeitures	$ 900	$ 908	$ 8	$ -	$ -	$ -
Investment earnings	455	541	86	-	504	504
Other	-	-	-	172,636	176,804	4,168
Total revenues	1,355	1,449	94	172,636	177,308	4,672
EXPENDITURES						
Current						
Public safety	39,070	76,984	(37,914)	-	-	-
Public works	-	-	-	172,636	146,916	25,720
Total expenditures	39,070	76,984	(37,914)	172,636	146,916	25,720
Net change in fund balances	**$ (37,715)**	(75,535)	**$ (37,820)**	**$ -**	30,392	**$ 30,392**
Fund balance at July 1, 2017		121,873			105,397	
Fund balance at June 30, 2018		**$ 46,338**			**$ 135,789**	

City of Muskegon
BUDGETARY COMPARISON SCHEDULE—CONTINUED
Other Special Revenue Funds
For the year ended June 30, 2018

	Tree Replacement			Farmers Market and Kitchen 242		
	Final Budget	**Actual**	**Variance - Positive (Negative)**	**Final Budget**	**Actual**	**Variance - Positive (Negative)**
REVENUES						
Intergovernmental revenues						
Federal	$ -	$ -	$ -	$ 10,000	$ 8,264	$ (1,736)
State	-	-	-	78,820	78,820	-
Charges for services	5,000	2,500	(2,500)	162,300	184,108	21,808
Investment earnings	-	3	3	65	65	-
Other	-	200	200	35,000	72,766	37,766
Total revenues	5,000	2,703	(2,297)	286,185	344,023	57,838
EXPENDITURES						
Current						
Culture and recreation	5,470	2,700	2,770	310,999	355,450	(44,451)
Excess of revenues over (under) expenditures	(470)	3	473	(24,814)	(11,427)	13,387
OTHER FINANCING SOURCES						
Transfers in	-	-	-	20,000	20,000	-
Net change in fund balances	**$ (470)**	3	**$ 473**	**$ (4,814)**	8,573	**$ 13,387**
Fund balance at July 1, 2017		1,350			16,224	
Fund balance at June 30, 2018		**$ 1,353**			**$ 24,797**	

City of Muskegon
COMBINING BALANCE SHEET
Other Capital Projects Funds
June 30, 2018

	Total Other Capital Projects Funds	Public Improvement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Economic Development - Sappi
ASSETS								
Cash and investments	$ 2,242,892	$ 1,218,439	$ 224,159	$ 330,726	$ -	$ 24,770	$ -	$ 444,798
Assets managed by others	14,687	14,687	-	-	-	-	-	-
Receivables								
Accounts and loans (net of allowance for uncollectibles)	743,840	289,144	-	402,198	-	52,498	-	-
Due from other governmental units	981,227	-	-	-	491,750	151,461	338,016	-
Total assets	**$ 3,982,646**	**$ 1,522,270**	**$ 224,159**	**$ 732,924**	**$ 491,750**	**$ 228,729**	**$ 338,016**	**$ 444,798**
LIABILITIES								
Accounts payable	$ 577,325	$ 423,899	$ -	$ -	$ 4,908	$ 144,347	$ 2,134	$ 2,037
Accrued liabilities	6,738	348	-	-	4,873	-	1,517	-
Due to other funds	726,221	-	-	-	481,969	-	244,252	-
Unearned revenues - expenditure-driven grants	53,020	-	-	-	-	53,020	-	-
Total liabilities	1,363,304	424,247	-	-	491,750	197,367	247,903	2,037
FUND BALANCES								
Assigned for capital projects and public improvements	2,619,342	1,098,023	224,159	732,924	-	31,362	90,113	442,761
Total liabilities, deferred inflows of resources and fund balances	**$ 3,982,646**	**$ 1,522,270**	**$ 224,159**	**$ 732,924**	**$ 491,750**	**$ 228,729**	**$ 338,016**	**$ 444,798**

City of Muskegon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Other Capital Projects Funds

For the year ended June 30, 2018

	Total Other Capital Projects Funds	Public Improvement	Michcon Remediation	EDC Revolving Loan	Community Development Block Grant	State Grants	HOME Rehabilitation	Economic Development - Sappi
REVENUES								
Intergovernmental revenues								
Federal	$ 1,324,311	$ -	$ -	$ -	$ 717,694	$ 140,354	$ 466,263	$ -
State	1,066,536	-	-	-	-	1,066,536	-	-
Local	5,000	5,000	-	-	-	-	-	-
Charges for services	41,375	35,875	-	5,500	-	-	-	-
Investment earnings	17,282	10,215	1,117	3,413	-	-	-	2,537
Income from assets managed by others	(1,398)	(1,398)	-	-	-	-	-	-
Other	548,208	448,067	-	71,162	3,979	-	-	25,000
Total revenues	3,001,314	497,759	1,117	80,075	721,673	1,206,890	466,263	27,537
EXPENDITURES								
Debt service								
Principal	18,934	-	-	-	-	18,934	-	-
Interest and fees	1,159	-	-	-	-	1,159	-	-
Capital outlay	4,772,284	2,203,147	-	39,008	753,226	1,206,890	467,976	102,037
Total expenditures	4,792,377	2,203,147	-	39,008	753,226	1,226,983	467,976	102,037
Excess of revenues over (under) expenditures	(1,791,063)	(1,705,388)	1,117	41,067	(31,553)	(20,093)	(1,713)	(74,500)
OTHER FINANCING SOURCES								
Proceeds from sale of capital assets	741,803	708,537	-	-	31,553	-	1,713	-
Net change in fund balances	(1,049,260)	(996,851)	1,117	41,067	-	(20,093)	-	(74,500)
Fund balances at July 1, 2017	3,668,602	2,094,874	223,042	691,857	-	51,455	90,113	517,261
Fund balances at June 30, 2018	**$ 2,619,342**	**$ 1,098,023**	**$ 224,159**	**$ 732,924**	**$ -**	**$ 31,362**	**$ 90,113**	**$ 442,761**

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, 2018

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
ASSETS					
Current assets					
Cash and investments	$ 2,117,642	$ 71,076	$ 1,034,072	$ 415,181	$ 597,313
Accounts receivable	622,110	1,714	152	620,244	-
Inventories	8,773	-	8,773	-	-
Prepaid items	264,210	1,678	56,329	200,237	5,966
Total current assets	3,012,735	74,468	1,099,326	1,235,662	603,279
Noncurrent assets					
Advances to component units	653,014	-	326,507	326,507	-
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	8,944,344	26,355	8,823,625	-	94,364
Less accumulated depreciation	(8,382,707)	(26,355)	(6,689,148)	-	(1,667,204)
Net capital assets	2,487,686	-	2,134,477	-	353,209
Total noncurrent assets	3,140,700	-	2,460,984	326,507	353,209
Total assets	6,153,435	74,468	3,560,310	1,562,169	956,488
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	83,440	-	31,290	-	52,150
Related to other postemployment benefits	14,187	-	5,320	-	8,867
Total deferred outflows of resources	97,627	-	36,610	-	61,017
Total assets and deferred outflows of resources	6,251,062	74,468	3,596,920	1,562,169	1,017,505
LIABILITIES					
Current liabilities					
Accounts payable	229,751	639	113,502	112,158	3,452
Accrued liabilities	43,522	9,261	12,101	1,148	21,012
Bonds and other obligations, due within one year	19,200	2,400	7,100	-	9,700
Total current liabilities	292,473	12,300	132,703	113,306	34,164
Noncurrent liabilities					
Bonds and other obligations, less amounts due within one year	96,504	12,132	35,621	-	48,751
Net pension liability	676,679	-	253,755	-	422,924
Net other postemployment benefits liability	234,750	-	88,031	-	146,719
Total noncurrent liabilities	1,007,933	12,132	377,407	-	618,394
Total liabilities	1,300,406	24,432	510,110	113,306	652,558
DEFERRED INFLOWS OF RESOURCES					
Related to pension	70,425	-	26,410	-	44,015
Related to other postemployment benefits	20,749	-	7,781	-	12,968
Total deferred inflows of resources	91,174	-	34,191	-	56,983
Total liabilities and deferred inflows of resources	1,391,580	24,432	544,301	113,306	709,541
NET POSITION					
Net investment in capital assets	2,487,686	-	2,134,477	-	353,209
Unrestricted	2,371,796	50,036	918,142	1,448,863	(45,245)
Total net position	**$ 4,859,482**	**$ 50,036**	**$ 3,052,619**	**$ 1,448,863**	**$ 307,964**

City of Muskegon
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Internal Service Funds
For the year ended June 30, 2018

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
OPERATING REVENUES					
Charges for services	$ 8,827,443	$ 283,713	$ 2,739,218	$ 4,755,378	$ 1,049,134
Other	130,174	36,631	86,992	6,465	86
Total operating revenues	8,957,617	320,344	2,826,210	4,761,843	1,049,220
OPERATING EXPENSES					
Administration	334,523	34,250	100,394	53,298	146,581
Insurance premiums and claims	5,060,315	-	-	5,060,315	-
Other operations	3,197,474	283,236	2,026,554	58,755	828,929
Depreciation	402,881	-	355,852	-	47,029
Total operating expenses	8,995,193	317,486	2,482,800	5,172,368	1,022,539
Operating income (loss)	(37,576)	2,858	343,410	(410,525)	26,681
NONOPERATING REVENUES					
Investment earnings	34,507	98	15,940	15,333	3,136
Gain on sale of capital assets	6,122	-	6,122	-	-
Total nonoperating revenues	40,629	98	22,062	15,333	3,136
Income (loss) before transfers	3,053	2,956	365,472	(395,192)	29,817
TRANSFERS					
Transfers in	15,000	15,000	-	-	-
Change in net position	18,053	17,956	365,472	(395,192)	29,817
Net position at July 1, 2017, as restated	4,841,429	32,080	2,687,147	1,844,055	278,147
Net position at June 30, 2018	**$ 4,859,482**	**$ 50,036**	**$ 3,052,619**	**$ 1,448,863**	**$ 307,964**

City of Muskegon
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended June 30, 2018

	Total Internal Service Funds	Engineering Services	Equipment	General Insurance	Public Service Building
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 134,324	$ 34,917	$ 92,942	$ 6,465	$ -
Receipts from interfund services provided	7,560,428	283,713	2,739,218	3,488,363	1,049,134
Other receipts	1,139,724	-	-	1,139,638	86
Payments to suppliers	(6,683,287)	(82,099)	(1,252,912)	(4,984,005)	(364,271)
Payments to employees	(1,387,539)	(145,511)	(378,787)	(248,374)	(614,867)
Payments for interfund services used	(792,333)	(78,388)	(601,956)	(3,448)	(108,541)
Net cash provided by (used for) operating activities	(28,683)	12,632	598,505	(601,361)	(38,459)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	15,000	15,000	-	-	-
Collections on advances to component units	81,830	-	40,915	40,915	-
Net cash provided by noncapital financing activities	96,830	15,000	40,915	40,915	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(399,527)	-	(399,527)	-	-
Proceeds from sale of capital assets	27,662	-	27,662	-	-
Net cash used for capital and related financing activities	(371,865)	-	(371,865)	-	-
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	34,507	98	15,940	15,333	3,136
Net increase (decrease) in cash and investments	(269,211)	27,730	283,495	(545,113)	(35,323)
Cash and investments at July 1, 2017	2,386,853	43,346	750,577	960,294	632,636
Cash and investments at June 30, 2018	**$ 2,117,642**	**$ 71,076**	**$ 1,034,072**	**$ 415,181**	**$ 597,313**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ (37,576)	$ 2,858	$ 343,410	$ (410,525)	$ 26,681
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	402,881	-	355,852	-	47,029
Change in assets and liabilities					
Receivables	(123,141)	(1,714)	5,950	(127,377)	-
Inventories	(713)	-	(713)	-	-
Prepaid items	(4,446)	(423)	(3,287)	(315)	(421)
Accounts payable	(119,728)	(133)	(46,259)	(57,518)	(15,818)
Accrued liabilities	(145,960)	12,044	(56,448)	(5,626)	(95,930)
Net cash provided by (used for) operating activities	**$ (28,683)**	**$ 12,632**	**$ 598,505**	**$ (601,361)**	**$ (38,459)**

DESCRIPTION OF
FIDUCIARY FUNDS

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

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

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

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

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

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

City of Muskegon
COMBINING STATEMENT OF ASSETS AND LIABILITIES
Agency Funds
June 30, 2018

	Total Agency Funds	Collector	Current Tax	Rehab Loan Escrow
ASSETS				
Cash and investments	$ 946,600	$ 946,219	$ -	$ 381
Accounts receivable	17,482	17,482	-	-
Total assets	**$ 964,082**	**$ 963,701**	**$ -**	**$ 381**
LIABILITIES				
Accounts payable	$ 664,197	$ 663,816	$ -	$ 381
Due to other governmental units	90,460	90,460	-	-
Deposits held for others	209,425	209,425	-	-
Total liabilities	**$ 964,082**	**$ 963,701**	**$ -**	**$ 381**

City of Muskegon
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the year ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
COLLECTOR FUND				
ASSETS				
Cash and investments	$ 1,221,213	$ 9,001,418	$ 9,276,412	$ 946,219
Accounts receivable	11,359	317,714	311,591	17,482
Total assets	**$ 1,232,572**	**$ 9,319,132**	**$ 9,588,003**	**$ 963,701**
LIABILITIES				
Accounts payable	$ 1,035,120	$ 4,992,313	$ 5,363,617	$ 663,816
Due to other governmental units	70,676	2,288,915	2,269,131	90,460
Deposits held for others	126,776	2,790,937	2,708,288	209,425
Total liabilities	**$ 1,232,572**	**$ 10,072,165**	**$ 10,341,036**	**$ 963,701**
CURRENT TAX FUND				
ASSETS				
Cash and investments	**$ -**	**$ 28,883,241**	**$ 28,883,241**	**$ -**
LIABILITIES				
Due to other governmental units	$ -	$ 19,895,004	$ 19,895,004	$ -
Due to component units	-	460,458	460,458	-
Deposits held for others	-	71,879	71,879	-
Total liabilities	**$ -**	**$ 20,427,341**	**$ 20,427,341**	**$ -**
REHAB LOAN ESCROW FUND				
ASSETS				
Cash and investments	**$ 381**	**$ -**	**$ -**	**$ 381**
LIABILITIES				
Accounts payable	**$ 381**	**$ -**	**$ -**	**$ 381**
ALL AGENCY FUNDS				
ASSETS				
Cash and investments	$ 1,221,594	$ 37,884,659	$ 38,159,653	$ 946,600
Accounts receivable	11,359	317,714	311,591	17,482
Total assets	**$ 1,232,953**	**$ 38,202,373**	**$ 38,471,244**	**$ 964,082**
LIABILITIES				
Accounts payable	$ 1,035,501	$ 4,992,313	$ 5,363,617	$ 664,197
Due to other governmental units	70,676	22,183,919	22,164,135	90,460
Due to component units	-	460,458	460,458	-
Deposits held for others	126,776	2,862,816	2,780,167	209,425
Total liabilities	**$ 1,232,953**	**$ 30,499,506**	**$ 30,768,377**	**$ 964,082**

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DESCRIPTION OF
DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

City of Muskegon
COMBINING BALANCE SHEET
Discretely Presented Component Units
June 30, 2018

	Total Discretely Presented Component Units	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Brownfield Redevelopment Authority III
ASSETS							
Cash and investments	**$ 231,517**	**$ 21,488**	**$ 5,484**	**$ 8,313**	**$ 34,124**	**$ 9,444**	**$ 152,664**
LIABILITIES							
Accounts payable	$ 141,614	$ -	$ -	$ -	$ -	$ -	$ 141,614
Advances from primary government	979,520	-	-	-	979,520	-	-
Total liabilities	1,121,134	-	-	-	979,520	-	141,614
FUND BALANCES (DEFICITS)							
Unassigned	(889,617)	21,488	5,484	8,313	(945,396)	9,444	11,050
Total liabilities and fund balances (deficits)	**$ 231,517**	**$ 21,488**	**$ 5,484**	**$ 8,313**	**$ 34,124**	**$ 9,444**	**$ 152,664**

City of Muskegon

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

Discretely Presented Component Units

June 30, 2018

Total fund balances (deficits)—governmental funds		$ (889,617)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Cost of capital assets	$ 4,198,258	
Accumulated depreciation	(2,517,785)	1,680,473
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	(14,750)	
Bonds and notes payable	(3,563,326)	(3,578,076)
Net position of governmental activities		**$ (2,787,220)**

City of Muskegon

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

Discretely Presented Component Units

For the year ended June 30, 2018

	Total Discretely Presented Component Units	Local Development Finance Authority - SmartZone	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority I	Brownfield Redevelopment Authority II	Brownfield Redevelopment Authority III
REVENUES							
Property taxes	$ 459,681	$ 96,472	$ (121,149)	$ 36,926	$ 134,385	$ 162,184	$ 150,863
Intergovernmental revenues							
State	62,842	2,975	47,192	5,541	6,361	773	-
Local	665,000	350,000	315,000	-	-	-	-
Investment earnings	1,109	26	722	19	101	107	134
Total revenues	1,188,632	449,473	241,765	42,486	140,847	163,064	150,997
EXPENDITURES							
Current							
Community and economic development	336,414	-	-	40,000	-	154,800	141,614
Debt service							
Principal	685,000	355,000	330,000	-	-	-	-
Interest and fees	141,959	93,925	13,200	-	34,834	-	-
Total expenditures	1,163,373	448,925	343,200	40,000	34,834	154,800	141,614
Net change in fund balances (deficits)	25,259	548	(101,435)	2,486	106,013	8,264	9,383
Fund balances (deficits) at July 1, 2017	(914,876)	20,940	106,919	5,827	(1,051,409)	1,180	1,667
Fund balances (deficits) at June 30, 2018	**$ (889,617)**	**$ 21,488**	**$ 5,484**	**$ 8,313**	**$ (945,396)**	**$ 9,444**	**$ 11,050**

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, 2018

Net change in fund balances—total governmental funds		$ 25,259
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		(172,649)
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		685,000
Changes in accrual of interest and amortization of premiums and discounts		
Change in accrued interest payable	$ 1,750	
Amortization of premiums	29,949	31,699
Change in net position of governmental activities		**$ 569,309**

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SCHEDULE OF INDEBTEDNESS

City of Muskegon

SCHEDULE OF INDEBTEDNESS

June 30, 2018

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2017	6/30/2018	Annual Interest Payable
Business-Type Activities Bonds and Loans Payable:							
Water supply system bonds	4/1/2010	$ 5,995,000	4.00%	05/01/18	$ 740,000	$ -	$ -
($4,614 unamortized premium)			4.25%	05/01/19	770,000	770,000	32,725
					1,510,000	770,000	32,725
Type of debt: revenue bond							
Revenue pledged: water system net revenues							
Drinking Water State Revolving	3/2/2004	$ 13,900,000	2.13%	10/01/17	710,000	-	-
Fund			2.13%	10/01/18	725,000	725,000	125,534
			2.13%	10/01/19	745,000	745,000	109,916
Type of debt: state loan			2.13%	10/01/20	760,000	760,000	93,925
Revenue pledged: water system net revenues			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
					6,980,000	6,270,000	547,508
TOTAL BUSINESS-TYPE ACTIVITIES BONDS AND LOANS PAYABLE					$ 8,490,000	$ 7,040,000	$ 580,233
Governmental Activities Bonds and Loans Payable:							
Capital Improvement refunding bonds	3/8/2016	$ 4,815,000	2.00%	10/01/17	$ 70,000	$ -	$ -
of 2016			2.00%	10/01/18	65,000	65,000	164,750
($293,903 unamortized premium)			2.00%	10/01/19	290,000	290,000	159,750
			3.00%	10/01/20	295,000	295,000	150,975
Type of debt: limited G.O. bonds			3.00%	10/01/21	305,000	305,000	141,975
Revenue pledged: general revenue			3.00%	10/01/22	300,000	300,000	132,900
			3.00%	10/01/23	300,000	300,000	122,400
			4.00%	10/01/24	320,000	320,000	110,000
			4.00%	10/01/25	325,000	325,000	97,100
			4.00%	10/01/26	325,000	325,000	84,100
			4.00%	10/01/27	325,000	325,000	71,100
			4.00%	10/01/28	325,000	325,000	58,100
			4.00%	10/01/29	325,000	325,000	45,100
			4.00%	10/01/30	325,000	325,000	32,100
			4.00%	10/01/31	320,000	320,000	19,200
			4.00%	10/01/32	320,000	320,000	6,400
					4,535,000	4,465,000	1,395,950
Capital improvement bonds	9/30/2011	$ 2,000,000	2.98%	09/01/17	200,000	-	-
of 2011 (streets)			2.98%	09/01/18	210,000	210,000	22,946
			2.98%	09/01/19	215,000	215,000	16,614
Type of debt: limited G.O. bond			2.98%	09/01/20	220,000	220,000	10,132
Revenue pledged: gas tax, general revenues			2.98%	09/01/21	230,000	230,000	3,427
					1,075,000	875,000	53,119
State of Michigan	6/18/2010	$ 500,000	2.00%	03/18/18	18,934	-	-
environmental assessment loan			2.00%	03/18/19	19,313	19,313	780
			2.00%	03/18/20	19,699	19,699	394
Type of debt: state loan					57,946	39,012	1,174
Revenue pledged: general revenues							
TOTAL GOVERNMENTAL ACTIVITIES BONDS AND LOANS PAYABLE					$ 5,667,946	$ 5,379,012	$ 1,450,243
TOTAL PRIMARY GOVERNMENT BONDS AND LOANS PAYABLE					$ 14,157,946	$ 12,419,012	$ 2,030,476

City of Muskegon

SCHEDULE OF INDEBTEDNESS - CONTINUED

June 30, 2018

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	6/30/2017	6/30/2018	Annual Interest Payable
Discretely Presented Component Unit Bonds and Loans Payable:							
Downtown Development Authority	8/10/1989	$ 1,000,000	0.00%	08/30/19	$ 1,000,000	$ 1,000,000	$ -
promissory note to Muskegon County					1,000,000	1,000,000	-
Type of debt: intergovernmental note							
Revenue pledged: DDA tax increments							
Downtown Development Authority	3/22/2011	$ 2,045,000	4.00%	06/01/18	330,000	-	-
refunding bonds					330,000	-	-
Type of debt: limited G.O. bond							
Revenue pledged: DDA tax increments, general revenues							
Local Development Finance Authority	3/20/2012	$ 4,100,000	3.00%	11/01/17	355,000	-	-
Smartzone refunding bonds			4.00%	11/01/18	375,000	375,000	81,100
($78,326 unamortized premium)			4.00%	11/01/19	390,000	390,000	65,800
			4.00%	11/01/20	395,000	395,000	50,100
Type of debt: limited G.O. bond			4.00%	11/01/21	245,000	245,000	37,300
Revenue pledged: LDFA tax increments, general revenues			3.00%	11/01/22	255,000	255,000	28,575
			3.00%	11/01/23	265,000	265,000	20,775
			3.00%	11/01/24	275,000	275,000	12,675
			3.00%	11/01/25	285,000	285,000	4,275
					2,840,000	2,485,000	300,600
TOTAL DISCRETELY PRESENTED COMPONENT UNIT BONDS AND LOANS PAYABLE					$ 4,170,000	$ 3,485,000	$ 300,600
TOTAL REPORTING ENTITY BONDS AND LOANS PAYABLE					$ 18,327,946	$ 15,904,012	$ 2,331,076

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Statistical Section

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

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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. 124

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. 129

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. 135

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. 139

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. 141

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

City of Muskegon

NET ASSETS/NET POSITION BY COMPONENT

Last Ten Fiscal Years

	December 31	June 30								
	2009	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)
Governmental Activities										
Net Investment in Capital Assets	$ 69,064,800	$ 67,809,630	$ 67,944,957	$ 66,862,806	$ 63,842,092	$ 63,731,255	$ 63,514,691	$ 64,326,891	$ 62,520,466	$ 61,267,518
Restricted	2,956,449	3,059,208	3,656,410	3,526,343	4,572,848	4,023,895	4,807,531	4,140,342	3,777,410	6,138,596
Unrestricted	8,920,621	13,828,231	12,598,197	12,836,573	13,299,523	12,811,852	491,914	(4,142,119)	(5,566,349)	(8,350,634)
Total Governmental Net Assets/Net Position	$ 80,941,870	$ 84,697,069	$ 84,199,564	$ 83,225,722	$ 81,714,463	$ 80,567,002	$ 68,814,136	$ 64,325,114	$ 60,731,527	$ 59,055,480
Business-type Activities										
Net Investment in Capital Assets	$ 41,876,507	$ 41,105,739	$ 40,419,728	$ 40,147,600	$ 40,032,858	$ 39,365,043	$ 39,231,223	$ 39,013,529	$ 38,114,686	$ 38,549,547
Restricted	672,000	672,000	672,000	672,000	599,500	599,500	599,500	599,500	599,500	599,500
Unrestricted	5,983,935	7,630,396	9,211,610	8,961,713	8,491,848	8,377,093	6,423,540	5,762,272	6,382,906	6,041,091
Total Business-type Activities Net Assets/Net Position	$ 48,532,442	$ 49,408,135	$ 50,303,338	$ 49,781,313	$ 49,124,206	$ 48,341,636	$ 46,254,263	$ 45,375,301	$ 45,097,092	$ 45,190,138
Primary Government										
Net Investment in Capital Assets	$ 110,941,307	$ 108,915,369	$ 108,364,685	$ 107,010,406	$ 103,874,950	$ 103,096,298	$ 102,745,914	$ 103,340,420	$ 100,635,152	$ 99,817,065
Restricted	3,628,449	3,731,208	4,328,410	4,198,343	5,172,348	4,623,395	5,407,031	4,739,842	4,376,910	6,738,096
Unrestricted	14,904,556	21,458,627	21,809,807	21,798,286	21,791,371	21,188,945	6,915,454	1,620,153	816,557	(2,309,543)
Total Primary Government Net Assets/Net Position	$ 129,474,312	$ 134,105,204	$ 134,502,902	$ 133,007,035	$ 130,838,669	$ 128,908,638	$ 115,068,399	$ 109,700,415	$ 105,828,619	$ 104,245,618

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

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

City of Muskegon

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

	Year Ended December 31	Period Ended June 30	Year Ended June 30							
	2009	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)
EXPENSES										
Governmental Activities										
Public representation	$ 923,911	$ 445,251	$ 854,249	$ 866,809	$ 893,981	$ 1,030,006	$ 939,907	$ 1,107,551	$ 1,113,897	$ 1,347,618
Administrative services	698,022	317,873	645,585	566,161	565,307	543,425	614,757	663,077	679,139	507,275
Financial services	2,406,517	1,209,694	2,373,141	2,399,147	2,241,061	2,171,958	2,547,766	2,331,236	2,483,519	1,995,426
Public safety	13,614,112	6,332,728	13,390,888	13,213,251	12,987,842	12,946,466	14,243,233	17,118,742	16,910,473	12,404,126
Public works	2,986,747	1,640,946	3,471,051	2,958,367	3,201,806	3,361,422	3,183,627	3,109,454	3,551,230	3,471,618
Highways, streets and bridges	7,160,797	3,680,196	7,013,216	6,568,448	6,672,374	7,053,326	7,165,703	7,251,882	6,996,540	6,917,260
Community and economic development	4,139,765	1,275,026	2,830,867	2,447,373	2,499,404	2,417,518	2,712,131	5,223,431	3,738,566	5,015,160
Culture and recreation	2,463,375	759,392	1,524,331	1,601,316	1,592,358	1,671,185	1,806,790	3,551,692	3,918,814	3,994,582
General administration	451,651	210,117	794,115	791,197	322,348	366,634	389,248	326,452	301,287	376,112
Interest on long-term debt	288,073	139,006	272,940	283,186	291,535	277,345	271,607	248,223	172,591	165,023
Total Governmental Activities Expenses	35,132,970	16,010,229	33,170,383	31,695,255	31,268,016	31,839,285	33,874,769	40,931,740	39,866,056	36,194,200
Business-type Activities										
Water	6,080,230	2,958,795	5,869,241	5,974,173	6,228,788	6,016,192	6,047,244	6,750,826	7,206,564	7,090,770
Sewer	5,426,321	2,525,067	5,288,622	6,202,359	7,226,839	7,582,602	8,460,509	8,669,469	8,876,690	8,093,752
Marina and launch ramp	310,773	150,055	292,889	310,174	426,553	503,997	305,990	327,832	336,912	377,614
Total Business-type Activities Expenses	11,817,324	5,633,917	11,450,752	12,486,706	13,882,180	14,102,791	14,813,743	15,748,127	16,420,166	15,562,136
Total Primary Government Expenses	$ 46,950,294	$ 21,644,146	$ 44,621,135	$ 44,181,961	$ 45,150,196	$ 45,942,076	$ 48,688,512	$ 56,679,867	$ 56,286,222	$ 51,756,336
PROGRAM REVENUES										
Governmental Activities										
Charges for Services										
Public representation	$ 213,885	$ 100,177	$ 196,886	$ 196,886	$ 173,739	$ 189,444	$ 188,638	$ 226,559	$ 228,767	$ 232,736
Administrative services	271,117	129,630	263,473	270,886	268,535	325,937	415,308	474,737	572,739	539,178
Financial services	818,845	475,031	879,905	881,229	830,919	871,632	823,547	925,474	895,924	903,322
Public safety	1,117,476	536,419	1,109,659	1,136,942	1,133,666	1,407,722	1,218,644	1,248,911	1,824,114	2,794,347
Public works	383,733	209,203	642,082	480,487	671,494	796,739	571,426	379,877	646,876	743,110
Highways, streets and bridges	251,840	139,009	451,473	230,241	245,609	351,962	258,475	234,861	256,190	188,248
Community and economic development	249,241	186,572	457,952	617,379	432,240	477,486	576,863	444,632	706,195	348,933
Culture and recreation	445,891	129,025	300,367	315,010	606,818	535,211	368,168	1,229,067	1,463,839	1,651,304
General administration	123,426	59,373	116,690	116,690	287,729	50,728	48,764	52,512	37,892	38,549
Operating grants and contributions	6,443,223	3,131,811	5,425,165	4,651,576	4,681,345	4,664,098	5,071,239	5,330,825	5,208,818	6,478,526
Capital grants and contributions	2,105,557	255,234	2,257,163	1,568,005	886,108	1,408,424	3,496,623	3,804,656	862,074	2,305,620
Total Governmental Program Revenues	12,424,234	5,351,484	12,100,815	10,465,331	10,218,202	11,079,383	13,037,695	14,352,111	12,703,428	16,223,873
Business-type Activities										
Water	5,883,830	2,891,169	5,454,760	5,254,095	5,890,614	6,099,480	6,375,869	7,485,013	7,430,314	7,445,669
Sewer	5,720,171	3,441,924	6,652,851	6,455,634	7,058,315	6,633,911	6,363,808	6,305,554	7,620,208	8,217,497
Marina and launch ramp	242,055	156,767	194,311	208,370	234,229	228,339	255,638	287,547	278,753	325,917
Operating grants and contributions	-	-	-	-	6,188	-	-	-	2,436	42,531
Capital grants and contributions	5,179	-	20,074	-	88,046	327,240	474,681	765,363	784,969	-
Total Business-type program revenues	11,851,235	6,489,860	12,321,996	11,918,099	13,277,392	13,288,970	13,469,996	14,843,477	16,116,680	16,031,614
Total Primary Government program revenues	$ 24,275,469	$ 11,841,344	$ 24,422,811	$ 22,383,430	$ 23,495,594	$ 24,368,353	$ 26,507,691	$ 29,195,588	$ 28,820,108	$ 32,255,487
NET (EXPENSE) REVENUE										
Governmental Activities	$ (22,708,736)	$ (10,658,745)	$ (21,069,568)	$ (21,229,924)	$ (21,049,814)	$ (20,759,902)	$ (20,837,074)	$ (26,579,629)	$ (27,162,628)	$ (19,970,327)
Business-type Activities	33,911	855,943	871,244	(568,607)	(604,788)	(813,821)	(1,343,747)	(904,650)	(303,486)	469,478
Total Primary Government net expense	$ (22,674,825)	$ (9,802,802)	$ (20,198,324)	$ (21,798,531)	$ (21,654,602)	$ (21,573,723)	$ (22,180,821)	$ (27,484,279)	$ (27,466,114)	$ (19,500,849)

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							
	2009	2010	2011	2012	2013 (a)	2014	2015 (b)	2016	2017	2018 (c)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/NET POSITION										
Governmental Activities										
Property taxes	$ 8,492,507	$ 8,681,256	$ 8,844,004	$ 8,383,224	$ 7,592,847	$ 7,383,236	$ 7,894,189	$ 8,366,212	$ 8,389,243	$ 8,450,103
Income taxes	6,628,365	3,505,264	6,866,967	7,663,534	8,057,145	7,762,719	8,478,231	8,386,775	8,707,279	8,995,294
Franchise fees	321,852	178,239	362,103	342,376	358,785	358,754	369,965	372,117	378,955	368,495
Grants and contributions not restricted for specific programs	3,841,922	1,832,066	3,846,859	3,577,848	3,700,871	3,813,221	3,989,178	4,051,050	4,630,111	4,955,168
Unrestricted investment earnings	185,436	104,086	193,435	100,073	73,157	146,590	99,733	189,408	106,653	92,771
Miscellaneous	226,124	51,638	432,880	154,531	102,388	124,085	805,432	626,014	512,738	545,536
Gain on sale of capital asset	123,258	65,155	25,815	34,496	44,899	23,836	20,302	99,031	844,062	712,415
Transfers	-	(3,760)	-	-	-	-	-	-	-	-
Total Governmental Program Revenues	19,819,464	14,413,944	20,572,063	20,256,082	19,930,092	19,612,441	21,657,030	22,090,607	23,569,041	24,119,782
Business-type Activities										
Unrestricted investment earnings	23,843	15,990	23,959	46,582	33,148	31,251	29,879	25,688	25,277	28,550
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Transfers	-	3,760	-	-	-	-	-	-	-	-
Total Business-type program revenues	23,843	19,750	23,959	46,582	33,148	31,251	29,879	25,688	25,277	28,550
Total Primary Government program revenues	$ 19,843,307	$ 14,433,694	$ 20,596,022	$ 20,302,664	$ 19,963,240	$ 19,643,692	$ 21,686,909	$ 22,116,295	$ 23,594,318	$ 24,148,332
CHANGE IN NET ASSETS/NET POSITION										
Governmental Activities	$ (2,889,272)	$ 3,755,199	$ (497,505)	$ (973,842)	$ (1,119,722)	$ (1,147,461)	$ 819,956	$ (4,489,022)	$ (3,593,587)	$ 4,149,455
Business-type Activities	57,754	875,693	895,203	(522,025)	(571,640)	(782,570)	(1,313,868)	(878,962)	(278,209)	498,028
Total Primary Government	$ (2,831,518)	$ 4,630,892	$ 397,698	$ (1,495,867)	$ (1,691,362)	$ (1,930,031)	$ (493,912)	$ (5,367,984)	$ (3,871,796)	$ 4,647,483

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

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

City of Muskegon

FUND BALANCE OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	December 31	June 30								
	2009	2010	2011 (a)	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved	$ 187,633	$ 300,969	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonspendable	-	-	251,173	178,468	447,341	300,952	220,178	232,332	209,353	222,458
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	2,385,728	2,075,738	2,292,495	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Unassigned	-	-	3,374,481	4,265,839	4,613,722	5,495,145	5,883,318	6,098,977	6,148,292	6,469,108
Unreserved	1,451,029	5,737,485	-	-	-	-	-	-	-	-
Total general fund	$ 1,638,662	$ 6,038,454	$ 6,011,382	$ 6,520,045	$ 7,353,558	$ 7,496,097	$ 7,803,496	$ 8,031,309	$ 8,057,645	$ 8,391,566
All other governmental funds										
Reserved	$ 3,613,858	$ 3,887,289	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonspendable	-	-	1,704,256	1,568,318	1,547,793	1,556,347	2,073,747	1,597,371	1,716,825	1,589,699
Restricted	-	-	1,375,779	3,485,073	2,749,396	2,305,385	3,159,130	2,995,610	2,726,754	5,130,188
Assigned	-	-	2,073,027	2,055,904	2,087,359	1,729,457	2,146,050	1,373,669	3,510,747	2,619,342
Unassigned	-	-	(238,104)	(191,282)	(82,048)	(100,054)	-	-	-	-
Unreserved, reported in:										
Special revenue funds	2,060,117	2,163,041	-	-	-	-	-	-	-	-
Capital project funds	554,273	6,035	-	-	-	-	-	-	-	-
Permanent funds	15,613	16,979	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 6,243,861	$ 6,073,344	$ 4,914,958	$ 6,918,013	$ 6,302,500	$ 5,491,135	$ 7,378,927	$ 5,966,650	$ 7,954,326	$ 9,339,229

(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							
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	$ 14,673,012	$ 11,855,182	$ 15,146,430	$ 15,506,668	$ 14,832,027	$ 14,954,904	$ 15,830,137	$ 16,178,761	$ 16,667,272	$ 16,877,055
Intergovernmental	12,400,408	4,785,494	11,525,749	9,899,379	9,403,554	9,945,065	12,301,594	11,711,788	10,743,434	13,488,014
Charges for services	2,620,372	1,338,194	2,769,204	2,596,328	2,769,227	2,569,335	2,468,889	3,468,938	3,918,217	4,229,797
Other	3,177,522	1,768,895	3,461,292	3,237,189	2,795,952	3,256,324	4,003,105	3,868,958	4,005,126	5,251,208
Total revenues	32,871,314	19,747,765	32,902,675	31,239,564	29,800,760	30,725,628	34,603,725	35,228,445	35,334,049	39,846,074
Expenditures										
Public representation	923,923	448,703	851,918	867,762	892,113	1,031,984	930,788	1,064,503	1,080,032	1,383,573
Administrative services	645,704	303,555	586,328	515,988	508,130	497,025	554,330	577,454	624,284	537,913
Financial services	2,406,623	1,241,430	2,352,709	2,407,131	2,196,917	2,197,651	2,476,740	2,068,208	2,236,941	2,191,245
Public safety	13,567,101	6,578,735	13,087,976	12,963,122	12,724,094	12,987,898	13,285,004	13,476,557	14,086,619	15,156,977
Public works	2,860,510	1,589,090	3,079,342	2,835,000	2,878,328	2,918,305	2,876,576	2,864,878	3,206,050	3,377,174
Highways, streets and bridges	3,436,069	1,823,089	3,226,377	2,756,010	2,815,337	3,011,611	2,986,909	3,102,391	3,096,875	4,554,968
Community and economic development	4,440,687	1,330,794	3,109,693	2,850,593	2,578,073	2,687,933	2,957,071	5,415,436	3,878,547	3,962,759
Culture and recreation	2,196,186	639,852	1,197,020	1,265,743	1,248,174	1,308,481	1,444,471	3,100,338	3,523,178	3,713,177
Other governmental functions	438,292	200,623	1,775,128	770,910	299,812	643,666	369,408	305,807	280,416	355,241
Debt service										
Principal	663,371	303,466	1,345,183	289,597	395,211	402,492	417,842	428,199	283,563	288,934
Interest	282,174	136,013	267,258	268,315	292,554	278,412	272,946	257,516	211,242	197,723
Issuance costs	-	-	-	-	-	-	-	97,578	-	-
Capital outlay	3,517,741	980,822	3,301,273	2,948,610	3,230,586	3,577,837	3,992,111	3,867,579	2,328,615	3,134,369
Total expenditure	35,378,381	15,576,172	34,180,205	30,738,781	30,059,329	31,543,295	32,564,196	36,626,444	34,836,362	38,854,053
Excess of revenues over (under) expenditures	(2,507,067)	4,171,593	(1,277,530)	500,783	(258,569)	(817,667)	2,039,529	(1,397,999)	497,687	992,021
Other financing sources (uses)										
Transfers in	1,359,608	342,188	1,348,694	510,907	1,356,229	743,035	853,910	1,563,094	1,805,000	1,370,000
Transfers out	(1,309,910)	(359,971)	(1,376,740)	(613,953)	(784,275)	(771,081)	(942,933)	(1,638,094)	(1,818,000)	(1,385,000)
Bonds issued	-	-	-	2,000,000	-	-	-	97,578	-	-
Sale of capital assets	68,452	75,465	120,118	113,981	190,263	176,887	244,685	190,957	1,529,325	741,803
Total other financing sources (uses)	118,150	57,682	92,072	2,010,935	762,217	148,841	155,662	213,535	1,516,325	726,803
Net change in fund balances	$ (2,388,917)	$ 4,229,275	$ (1,185,458)	$ 2,511,718	$ 503,648	$ (668,826)	$ 2,195,191	$ (1,184,464)	$ 2,014,012	$ 1,718,824
Debt service as a percentage of noncapital expenditures	2.97%	3.01%	5.22%	2.01%	2.56%	2.43%	2.42%	2.09%	1.52%	1.36%

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

City of Muskegon

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Property Tax	% of Total	Income Tax	% of Total	Intergo-vernmental	% of Total	Charges for Service	% of Total	Licenses and Permits	% of Total	Fines and Fees	% of Total	Interest and Rent	% of Total	Other	% of Total	Total	% Change
2009	$ 8,190,722	24.9%	$ 6,482,290	19.7%	$ 12,400,408	37.7%	$ 2,620,372	8.0%	$ 1,032,681	3.1%	$ 582,394	1.8%	$ 400,900	1.2%	$ 1,161,547	3.5%	$ 32,871,314	-5.6%
2010*	8,487,125	43.0%	3,368,057	17.1%	4,785,494	24.2%	1,338,194	6.8%	584,162	3.0%	297,043	1.5%	193,873	1.0%	693,817	3.5%	19,747,765	-39.9%
2011	8,546,677	26.0%	6,599,753	20.1%	11,525,749	35.0%	2,769,204	8.4%	1,179,639	3.6%	447,254	1.4%	412,498	1.3%	1,421,901	4.3%	32,902,675	66.6%
2012	8,093,864	25.9%	7,412,804	23.7%	9,899,379	31.7%	2,596,328	8.3%	1,223,034	3.9%	459,401	1.5%	307,891	1.0%	1,246,863	4.0%	31,239,564	-5.1%
2013	7,325,555	24.6%	7,506,472	25.2%	9,403,554	31.6%	2,769,227	9.3%	1,238,285	4.2%	435,893	1.5%	267,397	0.9%	854,377	2.9%	29,800,760	-4.6%
2014	7,123,481	23.2%	7,831,423	25.5%	9,945,065	32.4%	2,569,335	8.4%	1,570,137	5.1%	418,691	1.4%	352,153	1.1%	915,343	3.0%	30,725,628	3.1%
2015	7,555,471	21.8%	8,274,666	23.9%	12,301,594	35.5%	2,468,889	7.1%	1,361,721	3.9%	452,004	1.3%	343,105	1.0%	1,846,275	5.3%	34,603,725	12.6%
2016	8,026,859	22.8%	8,151,902	23.1%	11,711,788	33.2%	3,468,938	9.8%	1,443,144	4.1%	459,181	1.3%	455,671	1.3%	1,510,962	4.3%	35,228,445	1.8%
2017	8,056,460	22.8%	8,610,812	24.4%	10,743,434	30.4%	3,918,217	11.1%	1,884,341	5.3%	494,369	1.4%	290,578	0.8%	1,335,838	3.8%	35,334,049	0.3%
2018	8,118,381	20.4%	8,758,674	22.0%	13,488,014	33.9%	4,229,797	10.6%	2,965,599	7.4%	457,172	1.1%	212,069	0.5%	1,616,368	4.1%	39,846,074	12.8%

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

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

City of Muskegon

Taxable, Assessed and Equalized and Estimated Actual Valuation of Property

Last Ten Fiscal Years

Taxable Valuation of Property

	Ad Valorem Assessment Roll							Industrial and Commercial Facilities Assessment Roll						
Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT	Total Taxable Valuation	Total City	Taxable Value As a Percent Actual
2008	$ 376,414,856	$ 160,219	$ 140,833,691	$ 109,931,336	$ 627,340,102	$ 114,100,484	$ 741,440,586	$ 5,747,358	$ 24,617,400	$ -	$ 30,364,758	$ 771,805,344	11.0682	86.71%
2009	376,545,791	157,682	147,276,887	114,185,691	638,166,051	111,493,852	749,659,903	5,259,649	25,616,400	-	30,876,049	780,535,952	11.0680	91.48%
2010	332,105,030	-	144,721,736	109,507,141	586,333,907	104,029,037	690,362,944	4,111,154	9,129,000	-	13,240,154	703,603,098	12.0680	94.04%
2011	331,901,631	-	144,675,509	87,261,346	563,838,486	93,465,537	657,304,023	3,071,654	9,129,000	-	12,200,654	669,504,677	12.0749	94.95%
2012	312,930,252	-	134,635,427	81,575,476	529,141,155	91,750,891	620,892,046	3,587,223	6,161,900	-	9,749,123	630,641,169	12.0789	96.40%
2013	310,252,865	-	118,856,014	76,331,458	505,440,337	91,730,093	597,170,430	6,677,737	7,472,900	-	14,150,637	611,321,067	12.0865	96.97%
2014	312,031,296	-	115,070,943	61,196,955	488,299,194	91,020,452	579,319,646	3,874,303	6,512,600	-	10,386,903	589,706,549	13.0875	96.26%
2015	314,055,244	-	116,448,947	54,898,389	485,402,580	95,098,912	580,501,492	3,149,352	7,772,000	-	10,921,352	591,422,844	13.0869	95.28%
2016	314,299,363	-	114,855,236	50,232,295	479,386,894	74,155,243	553,542,137	3,628,098	5,690,600	-	9,318,698	562,860,835	13.0905	93.60%
2017	319,768,625	-	113,497,599	50,381,292	483,647,516	67,760,237	551,407,753	3,692,357	4,627,400	-	8,319,757	559,727,510	13.0908	91.38%

Assessed and Equalized Valuation of Property

	Ad Valorem Assessment Roll							Industrial and Commercial Facilities Assessment Roll					
Year	Residential	Agriculture	Commercial	Industrial	Total Real Property	Personal Property	Total Ad Valorem	Industrial Real Property	Industrial Personal Property	Commercial Real Property	Total IFT and CFT	Total Assessed Valuation	Estimated Actual Value
2008	$ 466,633,100	$ 194,800	$ 156,596,000	$ 121,810,900	$ 745,234,800	$ 114,104,600	$ 859,339,400	$ 6,162,900	$ 24,617,400	$ -	$ 30,780,300	$ 890,119,700	$ 1,780,239,400
2009	426,002,850	191,100	161,996,600	122,301,800	710,492,350	111,497,300	821,989,650	5,606,100	25,616,400	-	31,222,500	853,212,150	1,706,424,300
2010	354,044,700	-	154,185,000	122,703,400	630,933,100	104,020,200	734,953,300	4,120,400	9,129,000	-	13,249,400	748,202,700	1,496,405,400
2011	354,307,945	-	154,700,200	90,467,700	599,475,845	93,456,700	692,932,545	3,080,900	9,129,000	-	12,209,900	705,142,445	1,410,284,890
2012	327,226,000	-	141,238,834	84,084,000	552,548,834	91,740,800	644,289,634	3,719,300	6,161,900	-	9,881,200	654,170,834	1,308,341,668
2013	321,604,220	-	123,831,400	79,037,400	524,473,020	91,720,300	616,193,320	6,766,000	7,472,900	-	14,238,900	630,432,220	1,260,864,440
2014	326,690,900	-	120,803,800	63,704,200	511,198,900	91,004,400	602,203,300	3,877,300	6,512,600	-	10,389,900	612,593,200	1,225,186,400
2015	335,445,400	-	122,235,800	57,024,100	514,705,300	95,084,900	609,790,200	3,149,800	7,772,000	-	10,921,800	620,712,000	1,241,424,000
2016	342,767,600	-	122,574,300	52,323,600	517,665,500	74,140,100	591,805,600	3,851,200	5,690,600	-	9,541,800	601,347,400	1,202,694,800
2017	363,318,800	-	120,587,210	52,278,900	536,184,910	67,745,200	603,930,110	3,957,900	4,639,600	-	8,597,500	612,527,610	1,225,055,220

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, 2018

Taxpayer	6/30/2018 Taxable Valuation	6/30/2018 Rank	6/30/2018 Percent of Total Taxable Valuation	12/31/2008 Taxable Valuation	12/31/2008 Rank	12/31/2008 Percent of Total Taxable Valuation
Consumers Energy	$ 21,976,948	1	3.9%	$ 73,329,972	1	9.6%
DTE Gas Company	8,582,700	2	1.5%			
Muskegon Investments I LLC	5,568,672	3	1.0%			
Michigan Electric Transmission	5,442,300	4	1.0%			
Mercy Health	4,438,210	5	0.8%			
Muskegon SC Holdings LLC	4,172,410	6	0.7%			
Glen Oaks Apartments, LLC	3,363,646	7	0.6%			
ADAC Plastics Inc.	3,206,527	8	0.6%			
GE Aviation	2,680,398	9	0.5%			
RCG Muskegon LLC	2,600,000	10	0.5%			
Sappi (S.D. Warren Co.)				35,802,173	2	4.7%
Michigan Consolidated Gas				7,960,600	3	1.0%
Johnson Technology				7,797,731	4	1.0%
Hinman Lake LLC				5,651,361	5	0.7%
Esco Company				5,844,530	6	0.8%
Honeywell Inc				5,271,800	7	0.7%
Brunswick				4,973,900	8	0.6%
Coles Quality Foods				5,583,238	9	0.7%
Lorin Industries				4,911,077	10	0.6%
Total - 10 Largest	62,031,811		11.0%	157,126,382		20.5%
Total - All Other	502,331,546		89.0%	609,329,833		79.5%
	$ 564,363,357		100.0%	$ 766,456,215		100.0%

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

City of Muskegon

Property Tax Rates - Direct and Overlapping Government Units

Property Tax Rates Per $1,000 Taxable Valuation

Last Ten Fiscal Years

City-Wide Rates

Year	Operating	Promotion	Sanitation	Total City	Library District	Library Debt
2008	8.5000	0.0682	2.5000	11.0682	2.4000	-
2009	8.9000	0.0680	2.1000	11.0680	2.4000	-
2010	9.5000	0.0680	2.5000	12.0680	2.4000	-
2011	9.5000	0.0749	2.5000	12.0749	2.4000	-
2012	9.5000	0.0789	2.5000	12.0789	2.4000	-
2013	9.5000	0.0865	2.5000	12.0865	2.4000	-
2014	10.0000	0.0875	3.0000	13.0875	2.4000	-
2015	10.0000	0.0869	3.0000	13.0869	2.4000	0.5611
2016	10.0000	0.0905	3.0000	13.0905	2.4000	0.4962
2017	10.0000	0.0908	3.0000	13.0908	2.4000	0.4999

Overlapping - County-Wide Rates

Year	Muskegon County	Intermediate School	Special Education	Vocational Education	Community College	MAISD Gen Ed	Community College Debt
2008	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2009	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2010	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2011	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2012	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2013	6.6957	0.4597	2.2987	0.9996	2.2037	-	-
2014	6.6557	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2015	6.6357	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2016	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400
2017	6.8957	0.4597	2.2987	0.9996	2.2037	1.0000	0.3400

	Overlapping - School District				Grand Total	
Year	Operating	Debt	Total	State Education	Homestead	Non-Homestead
2008	18.0000	5.5000	23.5000	6.0000	37.6256	55.6256
2009	18.0000	5.6000	23.6000	6.0000	37.7254	55.7254
2010	18.0000	5.7500	23.7500	6.0000	38.8754	56.8754
2011	18.0000	6.2500	24.2500	6.0000	39.3823	57.3823
2012	18.0000	7.1000	25.1000	6.0000	40.2363	58.2363
2013	18.0000	7.1000	25.1000	6.0000	40.2439	58.2439
2014	18.0000	7.6000	25.6000	6.0000	43.0449	61.0449
2015	18.0000	6.8000	24.8000	6.0000	42.7854	60.7854
2016	18.0000	6.3500	24.3500	6.0000	42.5341	60.5341
2017	18.0000	7.6800	25.6800	6.0000	43.8681	61.8681

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
2008	$ 8,466,096	$ 7,219,540	85.3%	$ 1,135,738	$ 8,355,278	98.7%	$ 36,917	$ 73,430	$ 37,388	1.75%
2009	8,700,017	7,522,462	86.5%	1,102,891	8,625,353	99.1%	25,755	73,440	34,758	1.54%
2010	8,945,500	7,784,052	87.0%	1,077,056	8,861,108	99.1%	58,027	70,745	13,647	1.59%
2011	8,583,284	7,457,610	86.9%	1,030,902	8,488,512	98.9%	54,707	80,068	12,935	1.72%
2012	7,872,541	6,882,534	87.4%	915,950	7,798,484	99.1%	27,163	68,945	5,113	1.29%
2013	7,668,166	6,703,147	87.4%	912,362	7,615,509	99.3%	102,713	45,361	7,296	2.03%
2014	8,032,955	7,069,804	88.0%	917,806	7,987,610	99.4%	57,680	41,074	2,788	1.26%
2015	8,132,782	7,247,701	89.1%	848,266	8,095,967	99.5%	62,345	33,407	1,862	1.20%
2016	7,719,829	6,828,816	88.5%	853,639	7,682,455	99.5%	42,063	23,671	1,365	0.87%
2017	7,633,290	6,776,856	88.8%	795,164	7,572,020	99.2%	51,584	43,665	11,728	1.40%

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

	Year Ended June 30, 2018					Year Ended December 31, 2008				
Taxable Income per Return *Individual and Joint Returns*	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars	# of Returns	% of Total Returns Filed	Total Taxable Income	Tax Dollars	% of Total Tax Dollars
Resident Taxpayers:										
(City resident income, after exemptions, exclusions and deductions is taxed at a flat rate of 1%.)										
$2,500 or less	783	5%	$ 823,492	$ 8,235	0%	1,070	5%	$ 975,237	$ 9,752	0%
$2,501-$7,500	523	3%	4,407,021	44,070	1%	878	4%	5,977,332	59,773	1%
$7,501-$25,000	1,445	8%	46,402,608	464,026	5%	2,237	10%	49,146,862	491,469	6%
$25,001-$50,000	1,463	8%	100,653,666	1,006,537	11%	1,904	8%	96,344,230	963,442	13%
$50,001-$100,000	907	5%	111,941,439	1,119,414	13%	997	4%	92,426,073	924,261	12%
More than $100,000	231	1%	63,647,673	636,477	7%	180	1%	45,729,965	457,300	6%
Subtotal	5,352	31%	$ 327,875,899	$ 3,278,759	37%	7,266	32%	$ 290,599,699	$ 2,905,997	38%
Non-Residents Taxpayers:										
(Non-residents are taxed at a rate of 0.5% on income earned within the City.)										
$2,500 or less	1,605	9%	$ 825,800	$ 7,444	0%	2,084	9%	$ 1,197,966	$ 8,521	0%
$2,501-$7,500	883	5%	4,230,800	38,139	0%	1,346	6%	6,389,890	45,446	1%
$7,501-$25,000	2,055	12%	33,317,000	300,340	3%	3,179	14%	51,410,002	365,645	5%
$25,001-$50,000	2,673	15%	98,380,400	886,860	10%	3,759	17%	137,600,200	978,659	13%
$50,001-$100,000	2,326	13%	155,669,800	1,403,302	16%	2,495	11%	163,822,200	1,165,159	15%
More than $100,000	736	4%	155,118,400	1,371,313	16%	619	3%	138,961,800	988,343	13%
Subtotal	10,278	59%	$ 447,542,200	$ 4,007,398	46%	13,482	60%	$ 499,382,058	$ 3,551,773	46%
All Other Returns										
(Mostly corporate returns which pay at a rate of 1% on income earned in City and partnerships which pay based on partners residence status.)										
Subtotal	1,650	10%		$ 1,472,517	17%	1,850	8%		$ 1,237,010	16%
Total	17,280	100%		$ 8,758,674	100%	22,598	100%		$ 7,694,780	100%

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

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

City of Muskegon

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

	Governmental Activities				Business-Type Activities				
Year	General Obligation Limited Tax Bonds	Special Assessment Bonds	State Loans	Total Governmental Activities	Revenue Bonds	State Loans	Total Business-Type Activities	Total Primary Government	Per Capita
2009	$ 6,623,499	$ 70,000	$ 1,120,000	$ 7,813,499	$ 6,565,000	$ 11,570,000	$ 18,135,000	$ 25,948,499	$ 659
2010*	6,444,605	-	1,065,428	7,510,033	5,995,000	11,570,000	17,565,000	25,075,033	639
2011	5,920,000	-	244,850	6,164,850	5,415,000	10,955,000	16,370,000	22,534,850	587
2012	7,725,000	-	150,253	7,875,253	4,815,000	10,325,000	15,140,000	23,015,253	599
2013	7,350,000	-	130,042	7,480,042	4,205,000	9,685,000	13,890,000	21,370,042	577
2014	6,954,535	-	112,550	7,067,085	3,630,728	9,030,000	12,660,728	19,727,813	533
2015	6,555,436	-	94,708	6,650,144	2,949,368	8,360,000	11,309,368	17,959,512	483
2016	6,243,903	-	76,509	6,320,412	2,246,962	7,675,000	9,921,962	16,242,374	436
2017	5,940,903	-	57,946	5,998,849	1,523,661	6,980,000	8,503,661	14,502,510	378
2018	5,633,903	-	39,012	5,672,915	774,614	6,270,000	7,044,614	12,717,529	331

* 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, 2018

Name of Governmental Unit	Total Debt Outstanding	Self Supporting	Debt Supported by City General Revenues
Direct Debt			
City of Muskegon:			
Revenue Bonds	$ 7,044,614	$ 7,044,614	$ -
Capital Improvement Bonds	5,633,903	-	5,633,903
Intergovernmental Bonds	39,012	-	39,012
Component Unit Debt:			
Downtown Development Authority	1,000,000	1,000,000	-
Local Development Finance Authority	2,563,326	2,563,326	-
Total City Direct Debt	$ 16,280,855	$ 10,607,940	$ 5,672,915

	Gross	City Share as Percent of Gross	Net
Overlapping Debt			
Muskegon School District	$ 10,955,000	95.09%	$ 10,417,110
Orchard View School District	40,802,966	18.47%	7,536,308
Reith's Puffer School District	66,069,652	1.67%	1,103,363
Hackley Public Library	2,470,000	95.09%	2,348,723
Muskegon County	80,655,923	12.56%	10,131,640
Muskegon Community College	35,575,000	12.56%	4,468,220
Total Overlapping Debt	$ 236,528,541		36,005,364
Total City Direct and Overlapping Debt			$ 41,678,279

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

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

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

City of Muskegon

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	2009	2010*	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	$ 82,198,965	$ 82,198,965	$ 78,308,925	$ 73,585,150	$ 68,555,700	$ 61,706,477	$ 61,510,980	$ 60,962,090	$ 61,333,841	$ 64,124,907
Total net debt applicable to limit	14,778,499	14,435,033	12,929,850	14,375,253	13,655,042	12,847,550	11,969,708	11,313,794	10,290,785	9,240,855
Legal debt margin	$ 67,420,466	$ 67,763,932	$ 65,379,075	$ 59,209,897	$ 54,900,658	$ 48,858,927	$ 49,541,272	$ 49,648,296	$ 51,043,056	$ 54,884,052
Total net debt applicable to the limit as a percentage of debt limit	17.98%	17.56%	16.51%	19.54%	19.92%	20.82%	19.46%	18.56%	16.78%	14.41%

Legal Debt Margin Calculation for 2018:

Assessed Valuation:		$ 641,249,070
Legal Debt Limit (10%)		64,124,907
Total Indebtedness:	$ 16,280,855	
Debt not Subject to Limitation:		
Paid by Special Assessment	-	
Revenue Bonds	(7,040,000)	
Debt Subject to Limitation		9,240,855
Legal Debt Margin		$ 54,884,052

* 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 Principal	Interest	Total	Coverage
2009	$ 5,906,313	$ 3,498,263	$ 2,408,050	$ 1,110,000	$ 567,462	$ 1,677,462	1.44
2010*	2,904,735	1,575,275	1,329,460	535,000	271,522	806,522	1.65
2011	5,467,785	3,294,530	2,173,255	1,195,000	451,323	1,646,323	1.32
2012	5,273,720	3,441,078	1,832,642	1,230,000	410,187	1,640,187	1.12
2013	5,907,784	3,729,276	2,178,508	1,250,000	384,694	1,634,694	1.33
2014	6,109,144	3,511,477	2,597,667	1,295,000	352,634	1,647,634	1.58
2015	6,388,474	3,774,508	2,613,966	1,330,000	320,857	1,650,857	1.58
2016	7,498,376	4,460,076	3,038,300	1,370,000	283,360	1,653,360	1.84
2017	7,449,646	4,997,912	2,451,734	1,405,000	246,434	1,651,434	1.48
2018	7,507,323	4,949,807	2,557,516	1,450,000	203,106	1,653,106	1.55

Sewage Disposal System

Fiscal Year	Gross Revenue (a)	Direct Operating Expenses (b)	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2009			No Direct System Indebtedness				
2010*			No Direct System Indebtedness				
2011			No Direct System Indebtedness				
2012			No Direct System Indebtedness				
2013			No Direct System Indebtedness				
2014			No Direct System Indebtedness				
2015			No Direct System Indebtedness				
2016			No Direct System Indebtedness				
2017			No Direct System Indebtedness				
2018			No Direct System Indebtedness				

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

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

(a) "Gross Revenue" equals total operating revenues plus interest income.
(b) "Direct Operating Expenses" equal total operating expenses net of depreciation expense.

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

City of Muskegon

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	Public School Enrollment	Building Permits Number	Building Permits Value	Unemployment
2009	39,401	$ 720,386,117	18,283	32.8	5,931	909	$ 18,417,289	16.2%
2010	39,259	735,734,614	18,741	32.8	5,931	374	11,900,915	17.8%
2011	38,401	737,646,617	19,209	34.1	5,162	835	18,829,825	13.8%
2012	38,225	752,622,470	19,689	34.1	5,428	891	21,932,738	8.5%
2013	37,046	747,644,037	20,182	34.1	4,367	826	24,613,938	12.0%
2014	37,213	769,789,707	20,686	34.1	4,808	1,108	54,065,115	9.6%
2015	37,213	789,034,450	21,203	35.8	4,387	1,102	46,541,966	10.3%
2016	37,213	808,760,311	21,733	35.8	4,206	1,112	58,924,856	8.3%
2017	38,349	854,285,543	22,277	35.8	3,985	1,075	78,271,395	4.8%
2018	38,401	876,830,025	22,834	35.4	3,732	1,202	171,523,877	4.1%

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

City of Muskegon

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

	2018			2008		
Employer	**Employees**	**Rank**	**Percentage of total City employment**	**Employees**	**Rank**	**Percentage of total City employment**
Mercy General Health Partners*	4,372	1	29.1%	1,714	1	10.2%
County of Muskegon	1,089	2	7.2%	852	3	5.1%
ADAC Automotive	805	3	5.4%	494	5	3.0%
Muskegon Public Schools	456	4	3.0%	743	4	4.4%
Port City Group	410	5	2.7%			
Muskegon Area Intermediate	410	5	2.7%			
G.E. Aviation (formerly Johnson Technology Inc.)	348	7	2.3%	481	6	2.9%
Betten Automotive Group	300	8	2.0%			
Hemisphere Design Works	250	9	1.7%			
SAF Holland USA	180	10	1.2%			
State of Michigan				1,064	2	6.4%
Verizon				350	7	2.1%
City of Muskegon				270	8	1.6%
Sappi Fine Paper (Formerly SD Warren)				200	9	1.2%
Brunswick				174	10	1.0%

*** 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	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017	2018
Administration	1.50	-	-	0.40	0.40	0.40	0.40	-	-	-	-
Affirmative Action	1.50	1.50	1.50	1.10	1.10	1.10	1.10	1.30	1.30	1.46	0.40
Cemetaries	3.25	3.25	2.50	2.20	1.75	1.25	1.25	1.25	1.25	1.25	1.25
City Clerk & Elections	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.54	3.80
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	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
City Manager's Office	1.75	3.25	2.25	2.25	2.25	2.25	2.25	2.05	2.05	1.75	2.75
City Treasurer's Office	5.00	5.00	5.00	5.00	5.00	5.00	4.50	5.50	5.50	5.50	5.50
Civil Service	2.00	2.00	2.00	1.00	-	-	-	-	-	-	-
Environmental Services	2.00	2.00	2.00	2.00	5.00	5.00	5.00	2.00	2.00	2.00	2.00
Farmers Market	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	-	0.20
Finance Administration	4.00	4.00	3.00	3.00	3.00	2.00	2.00	3.00	3.00	3.00	3.60
Fire	38.00	38.00	36.00	33.00	35.00	28.00	28.83	32.00	35.00	35.00	35.00
Fire Safety Inspections	12.00	12.00	9.00	8.00	6.00	6.00	0.83	-	-	-	-
General Recreation	1.66	1.66	2.00	-	-	-	-	-	-	-	-
Income Tax Administration	5.00	5.00	5.00	5.00	5.00	5.00	4.50	3.50	3.50	3.50	3.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.50
Parks	8.15	7.99	7.15	6.00	6.05	6.05	6.00	6.00	6.00	7.05	7.05
Planning, Zoning & Economic Development	6.00	6.00	5.00	4.00	3.00	3.00	3.00	3.40	3.40	3.45	3.45
Police	94.00	94.00	88.00	88.00	88.00	88.00	87.34	88.00	88.00	88.00	88.00
Sanitation	1.00	1.00	-	0.30	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Senior Transit	-	-	-	-	0.05	0.05	0.05	-	-	-	-
MVH-Major Streets	15.75	13.75	12.00	12.00	11.70	10.70	10.70	10.70	10.70	10.70	10.70
MVH-Local Streets	6.00	8.00	7.00	7.00	6.70	6.70	6.70	6.70	6.70	6.70	6.70
Community Development	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.55
Home Program	1.00	1.00	0.25	0.25	-	-	-	-	-	-	-
Lead Program	-	-	0.75	0.75	-	-	-	-	-	-	-
Sewer Maintenance	15.20	13.20	10.20	10.20	9.75	9.75	9.80	9.80	9.80	9.80	9.80
Water Filtration	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00
Water Maintenance	13.50	15.40	12.40	12.40	11.75	11.75	11.75	11.75	11.75	11.75	11.75
Hartshorn Marina Fund	0.34	0.05	0.05	0.05	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Public Service Building	3.45	3.70	8.95	8.05	7.95	8.45	8.45	8.50	8.50	8.50	8.50
Engineering	7.45	7.45	5.45	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
Equipment	8.25	8.50	7.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
	280.00	280.00	256.00	244.00	241.00	233.00	227.00	228.00	231.00	232.45	233.50

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

SOURCE: City of Muskegon Finance Department

City of Muskegon

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2009	2010*	2011	2012	2013	2014	2015	2016	2017	2018
Administrative Services										
Elections										
Number of registered voters	26,136	26,136	26,330	26,324	26,098	26,025	24,014	24,005	24,612	26,136
Number of votes cast:										
Last general election	15,271	15,271	8,106	1,933	13,487	3,029	7,763	2,547	13,179	15,271
Last city election	2,254	2,254	8,106	1,933	2,131	3,029	7,763	2,547	13,179	2,254
Percentage of registered voters voting:										
Last general election	58%	58%	31%	7%	52%	12%	32%	11%	54%	58%
Last city election	9%	9%	31%	7%	8%	12%	32%	11%	54%	9%
Financial Services										
Property Tax Bills	15,435	-	15,351	15,261	15,291	15,211	14,528	14,611	14,243	14,229
Income Tax Returns	21,071	19,963	19,688	18,699	17,857	18,222	17,839	17,800	17,792	17,280
Paper Check Issued to Vendors	3,113	1,486	2,986	3,746	1,677	1,404	1,527	1,608	1,675	1,782
Electronic Payments to Vendors	963	450	884	1,334	1,251	1,579	1,471	1,849	1,998	2,104
Public Safety										
Fire Protection										
Number of firefighter and officer positions	37	37	37	36	41	38	35	35	35	23
Number of emergency calls	4,220	2,062	4,402	4,676	4,563	4,354	4,881	4,938	4,895	4,948
Police Protection										
Number of sworn officer positions	79	79	79	79	79	76	76	76	75	79
Part I (Major) Crimes	3,071	1,305	2,859	2,772	2,647	2,240	2,107	1,989	2,816	2,357
Public Works										
Refuse Collected (Tons per Year)	10,526	6,042	12,703	10,153	9,958	10,217	10,512	10,994	11,009	10,801
Recyclables Collected (Tons per Year)	309	-	-	-	-	-	-	-	-	-
Water & Sewer										
Number of consumers	12,987	12,966	13,037	13,109	13,144	13,086	13,223	13,307	13,248	13,104
Average daily water consumption (GPD)	7,976,000	7,163,000	8,417,000	7,700,000	7,651,000	7,666,000	8,293,570	11,027,945	10,947,233	9,559,304
Water main breaks repaired	17	6	12	5	11	30	15	16	12	15
Sewer flows (Millions Gallons per Year)	1,979	965	1,625	1,695	1,777	1,833	2,013	1,794	1,815	1,832
Sewer Service Calls	508	263	591	522	508	532	501	521	462	451

* 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	2009	2010*	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Fire Protection										
Number of stations	3	3	3	3	3	3	3	3	3	3
Police Protection										
Number of stations	1	1	1	1	1	1	1	1	1	1
Highways, Streets and Bridges										
Miles of Streets	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95	196.95
Number of streetlights	3,192	3,125	3,065	2,838	2,838	2,838	2,838	2,900	2,984	2,967
Culture and Recreation										
Number of parks (acres)	701	701	701	701	701	701	701	701	701	701
Lake Michigan beaches (acres)	119	119	119	119	119	119	119	119	119	119
Hockey/Entertainment Arena	1	1	1	1	1	1	1	1	1	1
Sewer										
Sanitary sewers (miles)	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04	177.04
Storm sewers (miles)	184.35	184.35	184.35	184.35	184.35	184.25	184.35	184.35	184.35	184.35
Water										
Water mains (miles)	195.69	195.69	195.69	195.40	195.95	195.95	195.95	195.95	195.95	195.95

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

SOURCE: City of Muskegon Departments

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SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

City Commission
City of Muskegon
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muskegon as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Muskegon's basic financial statements, and have issued our report thereon dated December 21, 2018.

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.

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 DeLong, P.C.

Muskegon, Michigan
December 21, 2018

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

City Commission
City of Muskegon
Muskegon, Michigan

Report on Compliance for Each Major Federal Program
We have audited the City of Muskegon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Muskegon's major federal programs for the year ended June 30, 2018. The City of Muskegon's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Responses.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the City of Muskegon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Responses, as **Finding 2018-001**. Our opinion on each major federal 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. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Muskegon's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 2018-001**, that we consider to be a significant deficiency.

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. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brickley DeLong, P.C.

Muskegon, Michigan
December 21, 2018

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2017	Adjustments and Transfers	Cash or Payments In-Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2018	Passed Through to Subrecipents
U.S. Department of Agriculture								
Direct programs								
Farmers Market Promotion Program	10.168							
15FMPPMI0088		$ 75,000	$ 11,688	$ -	$ 19,952	$ 8,264	$ -	$ -
U.S. Department of Housing and Urban Development								
Direct programs								
Community Development Block Grants/Entitlement Grants	14.218							
B-14-MC-26-0026		897,025	-	-	29,074	135,446	106,372	-
B-15-MC-26-0026		895,410	9,440	-	20,238	17,342	6,544	-
B-16-MC-26-0026		886,662	286,175	-	280,338	161,154	166,991	-
B-17-MC-26-0026		871,542	-	-	191,909	403,752	211,843	-
Program Income		73,476	-	-	35,532	35,532	-	-
Total Community Development Block Grants/ Entitlement Grants		3,624,115	295,615	-	557,091	753,226	491,750	-
HOME Investment Partnerships Program	14.239							
M-13-MC-26-0215		282,526	-	-	42,379	42,379	-	-
M-14-MC-26-0215		275,421	-	-	48,979	48,979	-	-
M-15-MC-26-0215		268,639	18,345	-	81,318	80,500	17,527	-
M-16-MC-26-0215		264,277	98,750	-	47,712	95,135	146,173	-
M-17-MC-26-0215		249,537	-	-	24,954	199,270	174,316	-
Program Income		133,726	-	-	1,713	1,713	-	-
Total HOME Investment Partnerships Program		1,474,126	117,095	-	247,055	467,976	338,016	-
Total U.S. Department of Housing and Urban Development		5,098,241	412,710	-	804,146	1,221,202	829,766	-

City of Muskegon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Identifying Number	Federal CFDA Number	Program or Award Amount	Accrued (Unearned) Revenue July 1, 2017	Adjustments and Transfers	Cash or Payments In-Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Unearned) Revenue June 30, 2018	Passed Through to Subrecipients
U.S. Department of Justice								
Direct programs								
Bulletproof Vest Partnership Grant	16.607							
2015 Grant		$ 4,628	$ -	$ -	$ 2,732	$ 2,732	$ -	$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738							
2016-DJ-BX-0581		45,788	-	-	10,056	10,056	-	-
Total direct programs		50,416	-	-	12,788	12,788	-	-
Passed through Ottawa County								
Edward Byrne Memorial Justice Assistance Grant Program	16.738							
2016-MU-BX-0703		11,200	-	-	11,200	11,200	-	-
Total U.S. Department of Justice		61,616	-	-	23,988	23,988	-	-
U.S. Environmental Protection Agency								
Direct programs								
Great Lakes Program	66.469							
00E01414		110,449	2,580	-	2,580	-	-	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818							
00E01538		400,000	49,022	-	117,623	140,354	71,753	-
Total U.S. Environmental Protection Agency		510,449	51,602	-	120,203	140,354	71,753	-
TOTAL FEDERAL ASSISTANCE		**$ 5,745,306**	**$ 476,000**	**$ -**	**$ 968,289**	**$ 1,393,808**	**$ 901,519**	**$ -**

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, 2018

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in net position of the City.

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

3. The following is a reconciliation of federal revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of the City of Muskegon's financial statements for the year ended June 30, 2018 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per City of Muskegon financial statements	
General Fund	$ 23,988
Major Street and Trunkline Fund	728,782
Other governmental funds	1,332,575
	2,085,345
Plus program income	37,245
Less MDOT contracted projects as shown below	(728,782)
Federal expenditures per the Schedule of Expenditures of Federal Awards	**$ 1,393,808**

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, 2018 the federal aid received and expended by the City of Muskegon was $728,782 for contracted projects as shown below. Contracted projects are defined as projects performed by private contractors and paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the City of Muskegon administers the grant and either performs the work or contracts it out.

	Federal CFDA Number	Revenue Recognized	Federal Expenditures
***U.S Department of Transportation, Federal Highway Administration* (contracted projects)**			
Passed through the Michigan Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		
Proj EMRP 1761(016) Fed Item HK 1620 Contract 17-5353		$ 728,782	$ 728,782

City of Muskegon
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2018

SECTION I—SUMMARY OF AUDITOR'S RESULTS

A. *Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
   - Material weakness(es) identified? _____ yes __**X**__ no
   - Significant deficiency(ies) identified? _____ yes __**X**__ none reported
3. Noncompliance material to financial statements noted? _____ yes __**X**__ no

B. *Federal Awards*

1. Internal control over major federal programs:
   - Material weakness(es) identified? _____ yes __**X**__ no
   - Significant deficiency(ies) identified? __**X**__ yes _____ none reported
2. Type of auditor's report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __**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: **$750,000**
6. Auditee qualified as low-risk auditee? _____ yes __**X**__ no

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-001: Time and Effort Documentation Procedures

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

Specific Requirement: Allowable Costs/Cost Principles

Criteria: Section 200.430 of the cost principles of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires that a) the charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed; b) the records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; c) budget estimates may be used for interim accounting purposes provided that the estimates are reasonable, significant changes in the corresponding work activity are identified and entered into the accounting records in a timely manner, and necessary adjustments are made to the accounting records based on an after-the-fact review of interim charges to federal awards.

Questioned Costs: The estimated questioned costs are approximately $58,000 for the improper time and effort documented for the one employee who worked exclusively in the CDBG program.

Condition: During our testing of the CDBG program time and effort documentation, we noted one employee worked exclusively in the CDBG program, but semi-annual certifications were not prepared in accordance with federal requirements. They were prepared and certified as of the beginning of each six-month period instead of at the end of each six-month period worked by the employee.

Context: During the year ended June 30, 2018, there was one salaried employee who worked exclusively in the CDBG program and was, therefore, eligible for semi-annual certifications. The semi-annual certifications were completed and signed by the CDBG Project Coordinator and Community and Neighborhood Services Director as of the first day of each six-month period worked by the employee.

We also tested the personnel activity reports for 2 of the 3 additional employees who work in the CDBG program. All of the personnel activity reports tested were properly prepared and contained an after-the-fact documented supervisor approval. The accounting records were appropriately adjusted after each pay period to reflect the actual payroll costs per the personnel activity reports.

The samples were not statistically valid samples.

Effect: Failure to prepare proper time and effort documentation could cause improper amounts to be charged to the CDBG program, and certain expenditures charged to the CDBG program could be disallowed.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS—Continued

Finding 2018-001: Time and Effort Documentation Procedures—Continued

Cause: Personnel responsible for the program were not aware of the detailed requirements surrounding time and effort documentation.

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

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

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

CLIENT DOCUMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MUSKEGON

West Michigan's Shoreline City
www.shorelinecity.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

The City of Muskegon respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2017 dated December 1, 2017.

SECTION II – FINANCIAL STATEMENT FINDINGS

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

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

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

Current Status: This recommendation was implemented during the year ended June 30, 2018. **No** similar finding was reported during the single audit for the year ended June 30, 2018.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were ***no*** findings reported in relation to major federal award programs during the single audit for the year ended June 30, 2017.

Sincerely,

Elizabeth Lewis
Finance Director
December 21, 2018

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

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

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

City Manager
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FAX (231)722-1214

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

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

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

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

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

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

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

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

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

Planning/Zoning
(231)724-6702
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MUSKEGON

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CORRECTIVE ACTION PLAN

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, 2018.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2018

The findings from the Schedule of Findings and Responses for the year ended June 30, 2018 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 statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-001: Time and Effort Documentation Procedures

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

Action Taken: The City has directed staff to begin doing the semi-annual certifications at the conclusion of each six-month period rather than at the beginning of each six-month period.

Responsible Person and Anticipated Completion Date: Community and Neighborhood Services Director – January 2019

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

Sincerely,

Elizabeth Lewis
Finance Director
December 21, 2018