

Muskegon Charter Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2014



Muskegon Charter Township

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

May 5, 2015

Township Board
Muskegon Charter Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Muskegon Charter Township, Michigan, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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.

Township Board
Muskegon Charter Township
May 5, 2015
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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, each major fund, and the aggregate remaining fund information of Muskegon Charter Township, Michigan, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 13 and 43 through 45 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 Muskegon Charter Township, Michigan’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Muskegon, Michigan

Muskegon Charter Township

Management's Discussion and Analysis

As management of Muskegon Charter Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2014. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

At the close of the year, the Township had total assets of \$38,038,759 and total liabilities/deferred inflows of resources of \$20,702,061 leaving net position of \$17,336,698, a decrease of 5%.

Of the total \$17,336,698 in net position, the Township may use \$2,623,639 (unrestricted net position) to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, a deficit of \$1,838,692 is shown in governmental activities and a surplus of \$4,462,331 is shown in business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and culture and recreation activities. The business-type activities of the Township include sanitation and sewer services.

Muskegon Charter Township

Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Public Safety Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The Township has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sanitation and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provide separate information for the Sanitation and Sewer funds, both of which are major funds.

Muskegon Charter Township

Management's Discussion and Analysis

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Public Safety Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

Government-Wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net position for the Township. As stated earlier, net position may be used as an indicator of a government's financial health. As of December 31, 2014, the Township's net position from governmental activities totaled \$2,981,910 and \$14,354,788 from business-type activities, creating a total government-wide net position total of \$17,336,698.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental-type activities actually depicts a deficit balance of \$1,838,692. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$14,354,788 in net position including \$4,462,331 in unrestricted net position. The Sanitation Fund and Sewer Fund unrestricted net position are \$615,798 and \$3,846,533, respectively.

Muskegon Charter Township

Management's Discussion and Analysis

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current assets and other assets	\$ 5,114,240	\$ 5,320,459	\$ 4,867,545	\$ 5,139,911	\$ 9,981,785	\$ 10,460,370
Capital assets	4,214,833	3,968,211	23,842,141	24,662,229	28,056,974	28,630,440
Total assets	9,329,073	9,288,670	28,709,686	29,802,140	38,038,759	39,090,810
Current liabilities	711,506	764,256	766,763	850,158	1,478,269	1,614,414
Noncurrent liabilities	2,956,932	2,642,024	13,588,135	13,964,397	16,545,067	16,606,421
Total liabilities	3,668,438	3,406,280	14,354,898	14,814,555	18,023,336	18,220,835
Deferred inflows of resources	2,678,725	2,663,378	-	-	2,678,725	2,663,378
Total liabilities and deferred inflows	6,347,163	6,069,658	14,354,898	14,814,555	20,702,061	20,884,213
Net position						
Net investment in capital assets	4,128,967	3,858,245	9,892,457	10,357,271	14,021,424	14,215,516
Restricted	691,635	557,013	-	-	691,635	557,013
Unrestricted	(1,838,692)	(1,196,246)	4,462,331	4,630,314	2,623,639	3,434,068
Total net position	\$ 2,981,910	\$ 3,219,012	\$ 14,354,788	\$ 14,987,585	\$ 17,336,698	\$ 18,206,597

Governmental activity capital assets increased and current assets decreased due to the purchase of a new pumper truck and some improvements made to the Township fire stations which were funded with available resources rather than borrowing. Noncurrent liabilities for governmental activities increased \$315,000 as the Township is not making the full annual required contribution for its retiree healthcare plan and is required to show the difference as a liability on the Statement of Net Position. The Township continues to fund its retiree healthcare plan on a pay-as-you-go basis.

Business-type activity current assets decreased \$272,000 due mainly to an operating loss in the Sewer Fund. Capital assets show a decrease as current year depreciation exceeded capital additions. Noncurrent liabilities decreased due to scheduled debt payments.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities, which shows changes in net position.

Muskegon Charter Township

Management's Discussion and Analysis

Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 1,085,752	\$ 1,101,697	\$ 3,232,335	\$ 3,129,150	\$ 4,318,087	\$ 4,230,847
Operating grants	125,972	121,776	-	-	125,972	121,776
Capital grants and contributions	-	-	29,955	14,949	29,955	14,949
General revenues						
Property taxes	2,918,768	3,000,023	-	-	2,918,768	3,000,023
Grants and contributions not restricted	1,530,464	1,496,726	-	-	1,530,464	1,496,726
Unrestricted investment earnings	145,825	(92,839)	252,047	(81,057)	397,872	(173,896)
Miscellaneous	214,577	206,141	-	-	214,577	206,141
Gain on sale of capital assets	35,450	12,777	-	5,000	35,450	17,777
Total revenues	6,056,808	5,846,301	3,514,337	3,068,042	9,571,145	8,914,343
Expenses:						
General government	1,278,869	1,187,245	-	-	1,278,869	1,187,245
Public safety	3,769,473	3,808,599	-	-	3,769,473	3,808,599
Public works	863,279	1,219,263	-	-	863,279	1,219,263
Community and economic development	265,557	370,594	-	-	265,557	370,594
Culture and recreation	109,359	130,619	-	-	109,359	130,619
Interest on long term debt	7,373	8,668	-	-	7,373	8,668
Sanitation	-	-	623,147	594,822	623,147	594,822
Sewer	-	-	3,523,987	3,568,202	3,523,987	3,568,202
Total expenses	6,293,910	6,724,988	4,147,134	4,163,024	10,441,044	10,888,012
Change in net position	(237,102)	(878,687)	(632,797)	(1,094,982)	(869,899)	(1,973,669)
Net position - Beginning	3,219,012	4,097,699	14,987,585	16,082,567	18,206,597	20,180,266
Net position - Ending	\$ 2,981,910	\$ 3,219,012	\$ 14,354,788	\$ 14,987,585	\$ 17,336,698	\$ 18,206,597

Muskegon Charter Township

Management's Discussion and Analysis

For the year ended December 31, 2014, net position decreased by \$237,102 in governmental activities and by \$632,797 in business-type activities. This resulted in a decrease of \$869,899 in net position government-wide.

Governmental Activities

Governmental activities revenues increased mainly due to increased investment earnings.

Public works expenses decreased due to the construction of a non-motorized bike path, a road paving project and other road improvements in 2013. Community and economic development expenses decreased mainly due to the recognition of a loss on the sale of an industrial park lot in 2013.

Business-Type Activities

Total business-type revenues increased due to a large increase in investment earnings. Expenses remained relatively flat for both sewer and sanitation expenses.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2014 fiscal year, the governmental funds reported a combined unassigned fund balance of \$394,275 which is comprised of \$557,365 in the General Fund and a deficit of \$163,090 in other governmental funds. The remainder of the fund balance is restricted, committed, or assigned for various activities as shown on page 15.

The General Fund is the chief operating fund of the Township. The General Fund ended the year with a fund balance of \$1,218,369, a decrease of \$79,172 from the 2013 fiscal year. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures and transfers. Unassigned fund balance represents 14% of the General Fund's expenditures and transfers (11% in the prior year). The Township has a minimum fund balance policy requiring unassigned fund balance to be one month of General Fund expenditures or 10 percent of General Fund revenue, whichever is greater.

Muskegon Charter Township

Management's Discussion and Analysis

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Sanitation Fund and Sewer Fund increased by \$15,585 and decreased by \$648,382, respectively. The result was an overall net decrease in the proprietary funds of \$632,797.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original General Fund budget. The most significant of those are listed below:

- Intergovernmental revenues – State were originally budgeted for \$1,495,800 and were amended up to \$1,513,350 as the Township received more revenue sharing from the State of Michigan than initially expected.
- Licenses and permits revenues were originally budgeted for \$414,000 and were amended up to \$436,000 due to additional building permit activity.
- Charges for services revenues were originally budgeted for \$326,732 and were amended up to \$355,807 as the Township began performing plumbing, mechanical and rental inspection services for other local units of government.
- Assessing expenditures were originally budgeted for \$159,400 and were amended up to \$173,179 mainly as a result of more tax tribunals than initially expected.
- Inspection department expenditures were originally budgeted for \$249,021 and were amended up to \$261,166 because of changes resulting from contracting out some of the activities of the department.
- Zoning expenditures were originally budgeted for \$191,841 and were amended up to \$212,341 to reflect some time allocation changes between departments, additional hours worked by code enforcement officers and also additional contractual time for setting up another local unit on the Township's system.
- Park and recreation expenditures were originally budgeted for \$94,200 and were amended down to \$84,200 as not as much activity occurred in the department as originally expected.
- Other governmental function expenditures were originally budgeted for \$316,290 and were amended up to \$367,260 due to the retirement of three Township employees, which necessitated a payout of accumulated compensated absences and increased retiree health insurance costs.
- Capital outlay expenditures were originally budgeted for \$32,000 and were amended up to \$51,700 because of the purchase of a new server.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Licenses and permit revenues were \$15,456 more than budgeted and intergovernmental revenues were \$23,381 more than budgeted because the Township budgeted conservatively and did better than expected.
- Transfers out were \$62,384 less than budgeted as the Public Safety Fund did not require as much of an operating subsidy as originally expected.

Muskegon Charter Township

Management's Discussion and Analysis

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2014 totaled \$28,056,974, (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major capital asset events during the current year included the following:

- Exhaust improvements to both fire stations for \$91,600.
- A new fire pumper truck for \$331,780.
- A new police cruiser for \$29,395.
- A new network server and software upgrades for \$18,138.
- A new mower for \$14,100.
- A new cold patch truck for \$37,948.
- Two new sanitation truck cart tippers for \$15,544.

Capital Assets (Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 1,179,169	\$ 1,179,169	\$ 53,638	\$ 53,638	\$ 1,232,807	\$ 1,232,807
Land improvements	424,660	454,527	-	-	424,660	454,527
Buildings and improvements	1,450,173	1,419,569	-	-	1,450,173	1,419,569
Furniture and equipment	91,213	71,822	-	-	91,213	71,822
Vehicles	1,069,618	843,124	298,495	361,349	1,368,113	1,204,473
Utility systems	-	-	23,333,689	24,083,818	23,333,689	24,083,818
Access rights	-	-	156,319	163,424	156,319	163,424
Total	\$ 4,214,833	\$ 3,968,211	\$ 23,842,141	\$ 24,662,229	\$ 28,056,974	\$ 28,630,440

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

Muskegon Charter Township

Management's Discussion and Analysis

Long-Term Debt

At the end of the 2014 fiscal year, the Township had total outstanding debt of \$17,234,067 consisting of general obligations bonds, compensated absences, and other postemployment benefits.

Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligations bonds	\$ -	\$ -	\$ 13,949,684	\$ 14,304,958	\$ 13,949,684	\$ 14,304,958
Special assessment bonds	-	1,680	-	-	-	1,680
Compensated absences	492,673	513,253	36,451	36,939	529,124	550,192
Other postemployment benefits	<u>2,755,259</u>	<u>2,430,091</u>	<u>-</u>	<u>-</u>	<u>2,755,259</u>	<u>2,430,091</u>
Total	<u>\$ 3,247,932</u>	<u>\$ 2,945,024</u>	<u>\$ 13,986,135</u>	<u>\$ 14,341,897</u>	<u>\$ 17,234,067</u>	<u>\$ 17,286,921</u>

The Township's total debt increased by \$52,854 during the 2014 fiscal year. This increase was due to the Township showing unfunded annual required contributions into its retiree healthcare plan as a long-term liability. This was offset by scheduled debt payments. The Township did not issue any new debt this year.

Additional information on the Township's long-term debt can be found in Note F of the "Notes to Financial Statements" of this report.

General Economic Overview

The Township's General Fund has two major revenue sources - state revenue sharing and property tax revenue. These two sources comprise approximately 75% of our General Fund revenues. In 2014, property tax values appeared to have bottomed and the decline that we have seen over the last several years appears to be reversing itself. We anticipate property values to increase one to three percent in 2015 and continuing to increase at a modest rate in subsequent years. In 2014, the State of Michigan saw an increase in sales tax collections that resulted in a 2.9% increase in our revenue sharing payments year-over-year from 2013. We anticipate revenue sharing to increase between zero and two percent in 2015.

In 2014, the voters in Michigan approved the state legislature changes to the General Property Tax Act effecting the taxation of personal property. These changes will result in the gradual phase-out of personal property taxes between 2016 and 2023. These changes will reduce the amount of tax revenue for Muskegon Township by approximately \$400,000, or 10% of our general fund budget. However, part of the changes approved by the voters includes replacement revenues for municipalities to offset the loss of personal property taxes. Because of the phase-out schedule of personal property and the replacement revenue, we anticipate minimal impact in 2015 from these changes.

Muskegon Charter Township

Management's Discussion and Analysis

In 2014, Muskegon Charter Township saw several modest commercial projects either completed or initiated. Some of these projects include the new Biggby Coffee store, the new Taco Bell store, and the new Jimmy Johns store. We also saw the expansion of Mr. B's Restaurant and the approval for Jet's Pizza and Brooklyn Bagels. As for the residential housing market, the number of housing foreclosures continued to decline in 2014 as has the number of units purchased for rental properties. This has allowed home prices to stabilize and begin to recover. We anticipate that the increase in home prices will begin to accelerate in late 2015 and continue to increase in coming years. This increase in property values will be reflected in the 2016 assessment year and should result in higher tax collections for the 2017 fiscal year. For the 2015 fiscal year, we anticipate tax collections to increase slightly compared with 2014 collections. This would be the first increase in property tax collections in seven years. In 2015 we anticipate a slight increase in new residential construction to occur. Commercial projects are anticipated to be sporadic and no large projects are anticipated in 2015, though the Township continues to pursue possible developments. Any increase in property values as a result of these projects would be reflected in the 2016 assessment roll and would provide revenue to the township in 2017. In 2014 the Township continued a Rental Inspections Program that administers the oversight of residential rental properties in the Township. This program is being subsidized by the general fund as the program attempts to maintain the value of the rental stock in the Township. We believe that this program will positively influence the overall property value in the Township and encourage owner-occupied housing.

In 2014, Muskegon Township began actively pursuing contractual agreements to provide building trades services to neighboring municipalities. During this past year, Muskegon Township entered into agreements with Laketon Township, Fruitland Township, Blue Lake Township, Muskegon Heights and Roosevelt Park. We also continued our agreement with Egelston Township. These agreements provide additional revenue to Muskegon Township and helps provide sustainability to our building trades' inspection department. Long-term, the Township will continue to explore possibilities in providing contractual services in building trades and rental inspection services to neighboring municipalities and will enter into such agreements where feasible.

The 2014 General Fund budget increased \$106,051 or 2.83% from 2013. This was a modest budget increase and only the second budgetary increase since 2009. Even with this increase, the 2014 budget was \$180,383 smaller than the 2009 budget. The approved 2015 General Fund budget increased \$21,126 (.5%) compared to the amended 2014 budget and \$161,588 (4.2%) compared to the initially approved 2014 budget. The 2015 budget includes one-time revenue of \$150,000 from the sale of the old Northside Hospital property that the Township owns. This sale is anticipated to close in the first quarter of 2015. The fiscally conservative approach of the Township Board over the last seven years has allowed the Township to maintain its focus on providing a high level of service for minimal costs and to maintain an "A" credit rating with a stable outlook from Standard and Poor's.

In 2009, Muskegon Charter Township and the Muskegon County Road Commission reached an agreement over the funding for the maintenance of local roads within Muskegon Charter Township. In 2012 the parties agreed on an extension of this agreement, which expires at the end of 2014. It is anticipated that this agreement will be extended for 2015-2017 with a slight increase in compensation received.

Muskegon Charter Township

Management's Discussion and Analysis

In recent years, the Township has agreed to significant contractual changes with the employee unions representing our police, fire and public works/clerical staff. The contractual changes agreed to have resulted in significant cost savings for the Township and will also reduce the Township's future retirement obligations. These changes put the Township in compliance with the new legislation passed in 2011 that affects the premium share amounts and retirement plans for all public employees. The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects and other variables in various stages of maturity. These include the sale of lots in the P. Don Aley Industrial Park, the development of a new industrial park located on the Bayer Crop Science property, expansion and improvements of several commercial buildings, and new commercial construction projects planned or proposed for 2015.

Requests for Information

This financial report is designed to provide a general overview of Muskegon Charter Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Muskegon Charter Township, 1990 E. Apple Avenue, Muskegon, Michigan, 49442, (231) 777-2555.

Muskegon Charter Township
STATEMENT OF NET POSITION
December 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 2,873,055	\$ 3,106,528	\$ 5,979,583
Receivables	1,668,135	835,224	2,503,359
Due from other governmental units	595,129	159,744	754,873
Internal balances	(254,671)	254,671	-
Prepaid items	157	-	157
Total current assets	4,881,805	4,356,167	9,237,972
Noncurrent assets			
Special assessments receivable	232,435	511,378	743,813
Capital assets, net			
Nondepreciable	1,179,169	53,638	1,232,807
Depreciable	3,035,664	23,788,503	26,824,167
Total noncurrent assets	4,447,268	24,353,519	28,800,787
Total assets	9,329,073	28,709,686	38,038,759
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	199,517	133,961	333,478
Due to other governmental units	220,989	234,802	455,791
Bonds and other obligations, due within one year	291,000	398,000	689,000
Total current liabilities	711,506	766,763	1,478,269
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	2,956,932	13,588,135	16,545,067
Total liabilities	3,668,438	14,354,898	18,023,336
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent fiscal year	2,678,725	-	2,678,725
Total liabilities and deferred inflows of resources	6,347,163	14,354,898	20,702,061
NET POSITION			
Net investment in capital assets	4,128,967	9,892,457	14,021,424
Restricted			
Public safety	13,008	-	13,008
Street lights	181,517	-	181,517
Hydrants	146,348	-	146,348
Water purposes	350,762	-	350,762
Unrestricted	(1,838,692)	4,462,331	2,623,639
Total net position	\$ 2,981,910	\$ 14,354,788	\$ 17,336,698

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 1,278,869	\$ 298,669	\$ -	\$ -	\$ (980,200)	\$ -	\$ (980,200)
Public safety	3,769,473	635,485	53,625	-	(3,080,363)	-	(3,080,363)
Public works	863,279	51,595	72,347	-	(739,337)	-	(739,337)
Community and economic development	265,557	78,062	-	-	(187,495)	-	(187,495)
Culture and recreation	109,359	21,941	-	-	(87,418)	-	(87,418)
Interest on long-term debt	7,373	-	-	-	(7,373)	-	(7,373)
Total governmental activities	6,293,910	1,085,752	125,972	-	(5,082,186)	-	(5,082,186)
Business-type activities							
Sanitation	623,147	619,567	-	-	-	(3,580)	(3,580)
Sewer	3,523,987	2,612,768	-	29,955	-	(881,264)	(881,264)
Total business-type activities	4,147,134	3,232,335	-	29,955	-	(884,844)	(884,844)
Total government	\$ 10,441,044	\$ 4,318,087	\$ 125,972	\$ 29,955	(5,082,186)	(884,844)	(5,967,030)
General revenues							
Property taxes, levied for							
General purposes					1,699,854	-	1,699,854
Specific purposes					1,218,914	-	1,218,914
Grants and contributions not restricted to specific programs					1,530,464	-	1,530,464
Unrestricted investment earnings					145,825	252,047	397,872
Gain on sale of capital assets					35,450	-	35,450
Miscellaneous					214,577	-	214,577
Total general revenues					4,845,084	252,047	5,097,131
Change in net position					(237,102)	(632,797)	(869,899)
Net position at January 1, 2014					3,219,012	14,987,585	18,206,597
Net position at December 31, 2014					\$ 2,981,910	\$ 14,354,788	\$ 17,336,698

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
BALANCE SHEET
 Governmental Funds
 December 31, 2014

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 1,114,118	\$ 475,397	\$ 1,283,540	\$ 2,873,055
Receivables				
Accounts	91,922	-	-	91,922
Property taxes	657,732	546,674	338,680	1,543,086
Special assessments	-	-	247,706	247,706
Other	2,435	10,919	4,502	17,856
Due from other governmental units	544,922	30,348	19,859	595,129
Prepaid items	157	-	-	157
Total assets	\$ 2,411,286	\$ 1,063,338	\$ 1,894,287	\$ 5,368,911
LIABILITIES				
Accounts payable	\$ 31,289	\$ 36,681	\$ 31,205	\$ 99,175
Accrued liabilities	19,833	74,363	6,146	100,342
Due to other governmental units	-	-	220,989	220,989
Advances from other funds	-	-	168,805	168,805
Total liabilities	51,122	111,044	427,145	589,311
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent fiscal year	1,141,795	949,000	587,930	2,678,725
Unavailable revenues - special assessments	-	-	232,435	232,435
Total deferred inflows of resources	1,141,795	949,000	820,365	2,911,160
FUND BALANCES (DEFICITS)				
Nonspendable - prepaid items	157	-	-	157
Restricted				
Public safety	9,714	3,294	-	13,008
Street lights	-	-	181,517	181,517
Hydrants	-	-	146,348	146,348
Water purposes	-	-	350,762	350,762
Committed				
Buildings and grounds improvements	310,000	-	-	310,000
Public safety	100,000	-	131,240	231,240
Compensated absences	50,000	-	-	50,000
Other	95,000	-	-	95,000
Assigned for subsequent year's budget appropriation of fund balance	96,133	-	-	96,133
Unassigned	557,365	-	(163,090)	394,275
Total fund balances	1,218,369	3,294	646,777	1,868,440
Total liabilities, deferred inflows of resources and fund balances	\$ 2,411,286	\$ 1,063,338	\$ 1,894,287	\$ 5,368,911

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 December 31, 2014

Total fund balances—governmental funds		\$ 1,868,440
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	\$8,667,104	
Accumulated depreciation	<u>(4,652,122)</u>	4,014,982
Other long-term assets, such as special assessments receivable, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.		
		232,435
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	(492,673)	
Other postemployment benefits	<u>(2,755,259)</u>	(3,247,932)
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.		
		<u>113,985</u>
Net position of governmental activities		<u>\$ 2,981,910</u>

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended December 31, 2014

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 1,354,537	\$ 971,601	\$ 592,629	\$ 2,918,767
Licenses and permits	451,456	-	-	451,456
Intergovernmental revenues				
State	1,536,731	25,969	-	1,562,700
Local	-	27,656	65,000	92,656
Charges for services	360,251	5,747	343,189	709,187
Fines and forfeitures	8,261	23,788	-	32,049
Investment earnings	27,410	438	132,692	160,540
Other	52,759	36,123	78,351	167,233
Total revenues	<u>3,791,405</u>	<u>1,091,322</u>	<u>1,211,861</u>	<u>6,094,588</u>
EXPENDITURES				
Current				
General government	875,431	-	-	875,431
Public safety	257,853	3,049,249	88,834	3,395,936
Public works	9,390	-	782,846	792,236
Community and economic development	244,607	-	-	244,607
Culture and recreation	78,243	-	-	78,243
Other governmental functions	361,346	-	-	361,346
Debt service				
Principal	-	-	1,680	1,680
Interest and fees	-	-	7,373	7,373
Capital outlay	43,693	29,396	430,103	503,192
Total expenditures	<u>1,870,563</u>	<u>3,078,645</u>	<u>1,310,836</u>	<u>6,260,044</u>
Excess of revenues over (under) expenditures	1,920,842	(1,987,323)	(98,975)	(165,456)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	3,450	-	32,000	35,450
Transfers in	-	1,987,323	129,141	2,116,464
Transfers out	(2,003,464)	-	(113,000)	(2,116,464)
Total other financing sources (uses)	<u>(2,000,014)</u>	<u>1,987,323</u>	<u>48,141</u>	<u>35,450</u>
Net change in fund balances	(79,172)	-	(50,834)	(130,006)
Fund balances at January 1, 2014	1,297,541	3,294	697,611	1,998,446
Fund balances at December 31, 2014	<u>\$ 1,218,369</u>	<u>\$ 3,294</u>	<u>\$ 646,777</u>	<u>\$ 1,868,440</u>

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended December 31, 2014

Net change in fund balances—total governmental funds \$ (130,006)

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	\$ (266,864)	
Capital outlay	<u>503,192</u>	236,328

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (73,230)

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		1,680
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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 other postemployment benefits	(325,168)	
Change in compensated absences	<u>20,580</u>	(304,588)

The internal service fund is used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities. 32,714

Change in net position of governmental activities		<u><u>\$ (237,102)</u></u>
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The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF NET POSITION
 Proprietary Funds
 December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitation	Sewer	Total	
ASSETS				
Current assets				
Cash and investments	\$ 513,487	\$ 2,593,041	\$ 3,106,528	\$ -
Receivables				
Accounts	144,878	546,147	691,025	-
Special assessments	-	133,109	133,109	-
Other	2,319	8,771	11,090	-
Due from other governmental units	-	159,744	159,744	-
Total current assets	660,684	3,440,812	4,101,496	-
Noncurrent assets				
Advances to other funds	-	254,671	254,671	-
Special assessments receivable	-	511,378	511,378	-
Capital assets				
Land	-	53,638	53,638	-
Utility systems	-	37,508,555	37,508,555	-
Furniture and equipment	-	600	600	-
Vehicles	933,422	116,160	1,049,582	301,838
Access rights	-	213,162	213,162	-
Less accumulated depreciation	(730,796)	(14,252,600)	(14,983,396)	(101,987)
Net capital assets	202,626	23,639,515	23,842,141	199,851
Total noncurrent assets	202,626	24,405,564	24,608,190	199,851
Total assets	863,310	27,846,376	28,709,686	199,851
LIABILITIES				
Current liabilities				
Accounts payable	25,100	1,371	26,471	-
Accrued liabilities	5,830	101,660	107,490	-
Due to other governmental units	-	234,802	234,802	-
Bonds and other obligations, due within one year	8,000	390,000	398,000	-
Total current liabilities	38,930	727,833	766,763	-
Noncurrent liabilities				
Advances from other funds	-	-	-	85,866
Bonds and other obligations, less amounts due within one year	5,956	13,582,179	13,588,135	-
Total noncurrent liabilities	5,956	13,582,179	13,588,135	85,866
Total liabilities	44,886	14,310,012	14,354,898	85,866
NET POSITION				
Net investment in capital assets	202,626	9,689,831	9,892,457	113,985
Unrestricted	615,798	3,846,533	4,462,331	-
Total net position	\$ 818,424	\$ 13,536,364	\$ 14,354,788	\$ 113,985

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Proprietary Funds
For the year ended December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitation	Sewer	Total	
OPERATING REVENUES				
Charges for services	\$ 619,567	\$ 2,612,768	\$ 3,232,335	\$ 63,786
OPERATING EXPENSES				
Administration	53,082	157,000	210,082	-
Operations	505,649	1,934,149	2,439,798	-
Depreciation and amortization	64,416	771,216	835,632	27,654
Total operating expenses	<u>623,147</u>	<u>2,862,365</u>	<u>3,485,512</u>	<u>27,654</u>
Operating income (loss)	(3,580)	(249,597)	(253,177)	36,132
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	19,165	232,882	252,047	-
Connection fees	-	29,955	29,955	-
Interest expense	-	(661,622)	(661,622)	(3,418)
Total nonoperating revenues (expenses)	<u>19,165</u>	<u>(398,785)</u>	<u>(379,620)</u>	<u>(3,418)</u>
Change in net position	15,585	(648,382)	(632,797)	32,714
Net position at January 1, 2014	<u>802,839</u>	<u>14,184,746</u>	<u>14,987,585</u>	<u>81,271</u>
Net position at December 31, 2014	<u>\$ 818,424</u>	<u>\$ 13,536,364</u>	<u>\$ 14,354,788</u>	<u>\$ 113,985</u>

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitation	Sewer	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 598,720	\$ 2,545,673	\$ 3,144,393	\$ -
Receipts from interfund services provided	3,886	4,107	7,993	63,786
Payments to suppliers	(411,890)	(1,990,832)	(2,402,722)	-
Payments to employees	(136,835)	(119,646)	(256,481)	-
Net cash provided by operating activities	53,881	439,302	493,183	63,786
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances to other funds (net)	-	57,685	57,685	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Advances from other funds (net)	-	-	-	(22,420)
Connection fees	-	131,500	131,500	-
Purchases of capital assets	(15,544)	(92,500)	(108,044)	(37,948)
Principal paid on capital debt	-	(361,516)	(361,516)	-
Interest paid on capital debt	-	(657,940)	(657,940)	(3,418)
Net cash used for capital and related financing activities	(15,544)	(980,456)	(996,000)	(63,786)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	16,979	236,588	253,567	-
Net increase (decrease) in cash and investments	55,316	(246,881)	(191,565)	-
Cash and investments at January 1, 2014	458,171	2,839,922	3,298,093	-
Cash and investments at December 31, 2014	\$ 513,487	\$ 2,593,041	\$ 3,106,528	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (3,580)	\$ (249,597)	\$ (253,177)	\$ 36,132
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization expense	64,416	771,216	835,632	27,654
Change in assets and liabilities				
Accounts receivable	(16,961)	2,834	(14,127)	-
Due from other governmental units	-	(65,822)	(65,822)	-
Accounts payable	7,157	(6,389)	768	-
Accrued liabilities	2,849	(739)	2,110	-
Due to other governmental units	-	(12,201)	(12,201)	-
Net cash provided by operating activities	\$ 53,881	\$ 439,302	\$ 493,183	\$ 63,786

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Agency Funds
 December 31, 2014

	Agency Funds				
	Trust and Agency	Current Tax Account	Payroll	Muskegon Central Dispatch	Total
ASSETS					
Cash and investments	\$ 48,851	\$ 2,345,659	\$ 33,936	\$ 1,358,267	\$ 3,786,713
Receivables	-	-	-	270,018	270,018
Total assets	\$ 48,851	\$ 2,345,659	\$ 33,936	\$ 1,628,285	\$ 4,056,731
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 33,936	\$ 200,705	\$ 234,641
Due to other governmental units	41,433	2,334,330	-	1,427,580	3,803,343
Deposits held for others	7,418	11,329	-	-	18,747
Total liabilities	\$ 48,851	\$ 2,345,659	\$ 33,936	\$ 1,628,285	\$ 4,056,731

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Muskegon Charter Township (Township) 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 Township's accounting policies are described below.

Reporting Entity

The Township is a municipal corporation governed by an elected seven-member Board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included as component units in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

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 Township. 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.

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 Township'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 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 Township's 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 Township's funds, including its fiduciary funds. 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 Township 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 Public Safety Fund is used to account for a special tax millage levied by the Township for the operation of the police and fire departments.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

The Township reports the following major enterprise funds:

The Sanitation Fund accounts for user charges and for operating expenses of the Township's sanitation department.

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

Additionally, the Township reports the following fund types:

The Internal Service Fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

The Agency funds are custodial in nature and used to account for assets held by the Township as an agent for another organization or individual.

During the course of operations the Township 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.

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.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

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 Township 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.

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 due 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 Township'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 Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township 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.

Prepaid Items

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.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the Township constructs or acquires additional capital assets each period, 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, and equipment of the Township are depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	20-30
Utility systems	50
Buildings and improvements	30-40
Furniture and equipment	5-10
Vehicles	5-10
Access rights	20

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

Sometimes the Township 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 Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Fund Balance Flow Assumptions

Sometimes the Township 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 Township'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 government 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 Township's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the Township Treasurer to assign fund balance. The Township Board 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 Township Board has adopted a financial policy to maintain a minimum level of unassigned fund balance in the General Fund of one month of General Fund expenditures (approximately 8.3 percent) or 10 percent of General Fund revenues, whichever is greater. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally replenishment should occur at the earliest possible opportunity.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

The Township 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 each 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. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred inflows. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2013 state taxable value for real/personal property of the Township totaled approximately \$343,121,000. The ad valorem taxes levied consisted of 4.3124, .7 and 2.75 mills for the Township's general operating, street lighting and public safety purposes, respectively. These amounts are recognized in the General Fund, Street Lighting Fund, and Public Safety Fund, respectively. The Township has designated 1.0 mill of its general operating levy for local streets and recognized that amount in the Local Streets Fund.

Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Employees must use earned vacation time during the anniversary year following the one in which it was earned. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 180 days for employees. One half of all unused accumulated sick leave is paid to employees upon retirement. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in 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.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the General Fund and the fund level for all other governmental funds.

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

Fund Deficit

As of December 31, 2014, the Township's Paving Projects Capital Projects Fund had an unassigned fund deficit of \$163,090. The deficit will be eliminated through future special assessment collections.

NOTE C—DEPOSITS AND INVESTMENTS

As of December 31, 2014, the Township had the following investments:

Investment Type	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Negotiable certificates of deposit	\$ 193,564	49	not rated	4.8 %
US agency obligations	<u>3,811,666</u>	135	AAA	<u>95.2</u>
Total fair value	<u><u>\$ 4,005,230</u></u>			<u><u>100.0 %</u></u>
Portfolio weighted average maturity		<u><u>131</u></u>		

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township 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. More than 5 percent of the Township's investments are in various individual investments including Federal Home Loan Bank obligations, Federal Home Loan Mortgage Corporation obligations, Federal National Mortgage Association obligations, and Federal Agricultural Mortgage Corporation obligations. These investments are 34.9 percent, 15.6 percent, 16.8 percent, and 27.9 percent, respectively, of the Township's investments.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2014, \$4,845,631 of the Township's bank balance of \$5,845,636 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk

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

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,179,169	\$ -	\$ -	\$ 1,179,169
Capital assets, being depreciated:				
Land improvements	1,138,868	-	-	1,138,868
Buildings and improvements	2,694,813	103,055	-	2,797,868
Furniture and equipment	553,021	38,961	-	591,982
Vehicles	2,982,197	399,124	120,266	3,261,055
Total capital assets, being depreciated	7,368,899	541,140	120,266	7,789,773
Less accumulated depreciation:				
Land improvements	684,341	29,867	-	714,208
Buildings and improvements	1,275,244	72,451	-	1,347,695
Furniture and equipment	481,199	19,570	-	500,769
Vehicles	2,139,073	172,630	120,266	2,191,437
Total accumulated depreciation	4,579,857	294,518	120,266	4,754,109
Total capital assets, being depreciated, net	2,789,042	246,622	-	3,035,664
Capital assets, net	\$ 3,968,211	\$ 246,622	\$ -	\$ 4,214,833

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE D—CAPITAL ASSETS—Continued

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 53,638	\$ -	\$ -	\$ 53,638
Capital assets, being depreciated:				
Utility systems	37,508,555	-	-	37,508,555
Furniture and equipment	600	-	-	600
Vehicles	1,034,038	15,544	-	1,049,582
Access rights	213,162	-	-	213,162
Total capital assets, being depreciated	38,756,355	15,544	-	38,771,899
Less accumulated depreciation:				
Utility systems	13,424,737	750,129	-	14,174,866
Furniture and equipment	600	-	-	600
Vehicles	672,689	78,398	-	751,087
Access rights	49,738	7,105	-	56,843
Total accumulated depreciation	14,147,764	835,632	-	14,983,396
Total capital assets, being depreciated, net	24,608,591	(820,088)	-	23,788,503
Capital assets, net	\$ 24,662,229	\$ (820,088)	\$ -	\$ 23,842,141

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 40,997
Public safety	189,195
Public works	9,235
Culture and recreation	27,437
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	27,654
	\$ 294,518

Business-type activities:

Sanitation	\$ 64,416
Sewer	771,216
	\$ 835,632

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Advances To/From Other Funds:

Other governmental funds and the Equipment Fund owe the Sewer Fund \$168,805 and \$85,866, respectively for capital projects as of December 31, 2014.

Interfund transfers:

	Transfers In:		Total	Purpose
	Public Safety Fund	Other Governmental Funds		
Transfers Out:				
General Fund	\$ 1,874,323	\$ 129,141	\$ 2,003,464	Operations subsidy
Other governmental funds	113,000	-	113,000	Operations subsidy
	\$ 1,987,323	\$ 129,141	\$ 2,116,464	

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended December 31, 2014:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Due Within One Year
Governmental activities:					
Special assessment debt with Township commitment	\$ 1,680	\$ -	\$ 1,680	\$ -	\$ -
Compensated absences	513,253	236,994	257,574	492,673	291,000
Other postemployment benefits	2,430,091	509,401	184,233	2,755,259	-
Governmental activities long-term liabilities	\$ 2,945,024	\$ 746,395	\$ 443,487	\$ 3,247,932	\$ 291,000
Business-type activities:					
General obligation bonds	\$ 14,394,558	\$ -	\$ 361,516	\$ 14,033,042	\$ 377,000
Discount	(89,600)	-	(6,242)	(83,358)	-
Compensated absences	36,939	27,296	27,784	36,451	21,000
Business-type activities long-term liabilities	\$ 14,341,897	\$ 27,296	\$ 383,058	\$ 13,986,135	\$ 398,000

	Interest Rate	Date of Maturity	Balance
Business-type activities:			
General obligation bonds:			
2006 Muskegon County Wastewater Management Bonds	4.25%-5%	November 2036	\$14,033,042

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

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

In prior years, the County of Muskegon defeased certain Township general obligation water bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Township’s financial statements. On December 31, 2014, \$4,455,000 of these outstanding bonds are considered defeased.

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 Township 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 Township’s portion of the debt on December 31, 2014 was \$1,100,821. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$7,900,000 Water Supply System Bond in 2006 to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township’s portion of the debt on December 31, 2014 was \$1,753,700. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$9,215,000 Water Supply System Bond in 2008 to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township’s portion of the debt on December 31, 2014 was \$1,728,750. The Township 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 December 31, 2014 follow:

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2015	\$ 377,000	\$ 642,575
2016	397,000	626,550
2017	412,000	609,699
2018	431,000	592,187
2019	451,000	573,848
2020-2024	2,589,000	2,559,786
2025-2029	3,257,000	1,927,127
2030-2034	4,144,000	1,104,645
2035-2036	1,975,042	149,466
	\$ 14,033,042	\$ 8,785,883

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE G—OTHER INFORMATION

Risk Management

The Township 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 for which the Township carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring 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 Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state 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 Township expects such amounts, if any, to be immaterial.

NOTE H—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS

Defined Benefit Pension Plan

Plan Description

The Township is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the Township. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Muskegon Charter Township
1990 E. Apple Avenue
Muskegon, MI 49442

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE H—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Funding Policy

Non-union division employees hired prior to July 2011, DPW/clerical and police division employees hired prior to January 2012 and fire division employees hired prior to March 2013 participate in the defined benefit pension plan. Township employees are required to contribute 7.52 to 10 percent of their annual covered payroll to the Plan depending on employee contract. The Township is required to contribute at an actuarially-determined amount; the current amount is \$31,251 per month. The contribution requirements of plan members and the Township are established and may be amended by the Township depending on the MERS contribution program adopted by the Township.

Annual Pension Cost

For the year ended December 31, 2014, the Township's annual pension cost of approximately \$375,000 was equal to the Township's required and actual contributions.

Three-Year Trend Information

<u>Year Ended</u>	<u>Approximate Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/12	\$ 341,000	100 %	\$ -
12/31/13	383,000	100	-
12/31/14	375,000	100	-

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method with changes to assumptions made subsequently when divisions were closed. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 13 percent, and (c) 1 percent to 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 ranged from 23-26 years, depending on the division. This period will be reduced annually by 2 years until the period reaches 5 years.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 78 percent funded. The actuarial accrued liability for benefits was approximately \$18,445,000, and the actuarial value of assets was approximately \$14,442,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$4,003,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,477,000, and the ratio of the UAAL to the covered payroll was 162 percent.

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

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE H—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS—Continued

Defined Contribution Plan

The Township also maintains a defined contribution plan offered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Depending on employee group, the Plan covers all Township employees hired after July 2011 to March 2013. The authority for establishing or amending the Plan's provisions and for establishing or amending contribution requirements rests with the Township Board as determined by negotiated labor contracts. The Plan requires the Township to contribute an amount equal to 2 percent of the employee's annual compensation each plan year and also match employee contributions for up to an additional 6 percent (maximum Township contribution of 8 percent). Employees are not required to contribute. After five years of employment, employees are fully vested in the Township's contribution.

For the year ended December 31, 2014, the Township's total contribution to the Plan was \$31,867, and the employee contributions were \$25,620.

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

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

NOTE I—OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The Township administers a single-employer defined benefit healthcare plan (Retiree Healthcare Plan). The Retiree Healthcare Plan provides health insurance to eligible retirees and their spouses. Act No. 149 of the Public Acts of 1999 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the Retiree Healthcare Plan to the respective employer entities; that authority rests with the Township. The Retiree Healthcare Plan does not issue a publicly available financial report and a legal trust has not been established for the Plan.

Funding Policy

Plan members are not required to contribute to the Plan. The contribution requirements of plan members and the Township are established and may be amended by the Township Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Township. For the year ended December 31, 2014, the Township contributed \$184,233 to the Retiree Healthcare Plan which was entirely for current year premiums.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE I—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Annual OPEB Cost and Net OPEB Obligation

The Township’s other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an actuarially-determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township’s annual OPEB cost for the year, the amount actually contributed to the Retiree Healthcare Plan, and changes in the Township’s net OPEB obligation:

Annual required contribution	\$ 552,730
Interest on net OPEB obligation	97,204
Adjustment to annual required contribution	(140,533)
Net OPEB cost	<u>509,401</u>
Payments made to or on behalf of retirees	(184,233)
Contributions made to OPEB trust	<u>-</u>
Increase in net OPEB obligation	325,168
Net OPEB obligation at beginning of year	<u>2,430,091</u>
Net OPEB obligation at end of year	<u><u>\$ 2,755,259</u></u>

Trend Information

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/12	\$ 625,528	21.3 %	\$ 1,952,769
12/31/13	616,746	22.6	2,430,091
12/31/14	509,401	36.2	2,755,259

Actuarial Methods and Assumptions

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

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE I—OTHER POSTEMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Methods and Assumptions—Continued

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

The required contribution was determined as part of the December 31, 2014 actuarial valuation using the level dollar method. The actuarial assumptions included (a) 4 percent discount rate and (b) an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates include a 4.5 percent inflation assumption. The OPEB Plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2014 is 30 years.

Prior to the December 31, 2014 valuation, the Township used the projected unit credit actuarial method.

Funded Status and Progress

As of December 31, 2014, the most recent actuarial valuation date, the OPEB Plan was not funded. The actuarial accrued liability for benefits was approximately \$7,786,000 and the actuarial value of assets was none, resulting in an unfunded actuarial liability (UAAL) of approximately \$7,786,000. Information on the covered payroll (annual payroll of active employees covered by the Retiree Healthcare Plan) and the ratio of the UAAL to the covered payroll was not available.

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

NOTE J—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 41 percent of General Fund revenues.

NOTE K—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 68—*Accounting and Financial Reporting for Pensions* was issued by the GASB in June 2012 and will be effective for the Township's 2015 fiscal year. The statement requires governments that participate in defined benefit pension plans to report in their Statement of Net Position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Charter Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,347,290	\$ 1,352,290	\$ 1,354,537	\$ 2,247
Licenses and permits	414,000	436,000	451,456	15,456
Intergovernmental revenues - State	1,495,800	1,513,350	1,536,731	23,381
Charges for services	326,732	355,807	360,251	4,444
Fines and forfeitures	15,000	10,500	8,261	(2,239)
Investment earnings	15,000	15,000	27,410	12,410
Other	52,500	53,800	52,759	(1,041)
Total revenues	3,666,322	3,736,747	3,791,405	54,658
EXPENDITURES				
Current				
General government				
Board of trustees	37,791	37,791	36,569	1,222
Supervisor	88,444	88,644	88,142	502
Elections	22,160	25,860	25,088	772
Assessing	159,400	173,179	169,865	3,314
Professional services	65,500	65,500	55,664	9,836
Clerk	242,335	239,435	238,765	670
Treasurer	199,719	200,303	199,840	463
Township hall	58,831	64,231	60,359	3,872
Board of appeals	1,744	1,744	1,139	605
Public safety				
Inspection department	249,021	261,166	257,853	3,313
Public works				
Leaf collection	9,100	10,350	9,390	960
Community and economic development				
Planning	37,212	38,312	35,837	2,475
Zoning	191,841	212,341	208,770	3,571
Culture and recreation				
Parks and recreation	94,200	84,200	78,243	5,957
Other governmental functions				
Insurance	264,000	295,000	291,707	3,293
Payroll benefits	48,440	66,410	63,706	2,704
Other	3,850	5,850	5,933	(83)
Capital outlay	32,000	51,700	43,693	8,007
Total expenditures	1,805,588	1,922,016	1,870,563	51,453
Excess of revenues over expenditures	1,860,734	1,814,731	1,920,842	106,111
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	3,450	(1,550)
Transfers out	(2,041,814)	(2,065,848)	(2,003,464)	62,384
Total other financing sources (uses)	(2,036,814)	(2,060,848)	(2,000,014)	60,834
Net change in fund balance	<u>\$ (176,080)</u>	<u>\$ (246,117)</u>	(79,172)	<u>\$ 166,945</u>
Fund balance at January 1, 2014			1,297,541	
Fund balance at December 31, 2014			<u>\$ 1,218,369</u>	

Muskegon Charter Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Public Safety Fund
 For the year ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 966,802	\$ 971,302	\$ 971,601	\$ 299
Intergovernmental revenues				
State	23,300	23,300	25,969	2,669
Local	20,290	27,656	27,656	-
Charges for services	4,500	4,500	5,747	1,247
Fines and forfeitures	25,000	25,000	23,788	(1,212)
Investment earnings	100	100	438	338
Other	16,000	36,000	36,123	123
Total revenues	<u>1,055,992</u>	<u>1,087,858</u>	<u>1,091,322</u>	<u>3,464</u>
EXPENDITURES				
Current				
Public safety				
Police department	1,624,564	1,690,064	1,684,463	5,601
Fire department	1,410,381	1,369,881	1,364,786	5,095
Capital outlay	27,328	29,428	29,396	32
Total expenditures	<u>3,062,273</u>	<u>3,089,373</u>	<u>3,078,645</u>	<u>10,728</u>
Excess of revenues over (under) expenditures	(2,006,281)	(2,001,515)	(1,987,323)	14,192
OTHER FINANCING SOURCES				
Transfers in	2,006,281	2,001,515	1,987,323	(14,192)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance at January 1, 2014			<u>3,294</u>	
Fund balance at December 31, 2014			<u>\$ 3,294</u>	

Muskegon Charter Township
 Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS
 For the year ended December 31, 2014

SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/11	\$ 13,219	\$ 16,337	\$ 3,118	81 %	\$ 2,634	118 %
12/31/12	13,696	16,945	3,249	81	2,661	122
12/31/13	14,442	18,445	4,003	78	2,477	162

**OTHER POSTEMPLOYMENT BENEFITS PLAN
 SCHEDULE OF FUNDING PROGRESS**

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/09	\$ -	\$ 4,608	\$ 4,608	- %	\$ 2,747	168 %
12/31/11	-	6,232	6,232	-	2,634	236
12/31/14	-	7,786	7,786	-	not available	not available

OTHER SUPPLEMENTAL INFORMATION

Muskegon Charter Township
COMBINING BALANCE SHEET
 Other Governmental Funds
 December 31, 2014

	Total Other Governmental Funds	Special Revenue Funds						Local Water Improvement	Capital Projects Fund Paving Projects
		Local Streets	Fire Equipment	Street Lighting	Hydrant	Northside Water System	Southside Water System		
ASSETS									
Cash and investments	\$ 1,283,540	\$ 160,578	\$ 130,967	\$ 299,581	\$ 300,121	\$ 135,594	\$ 58,934	\$ 196,446	\$ 1,319
Receivables									
Property taxes	338,680	199,536	-	139,144	-	-	-	-	-
Special assessments	247,706	-	-	-	-	764	142,672	-	104,270
Other	4,502	-	273	955	1,637	546	-	1,091	-
Due from other governmental units	19,859	-	-	-	-	-	-	19,859	-
Total assets	\$ 1,894,287	\$ 360,114	\$ 131,240	\$ 439,680	\$ 301,758	\$ 136,904	\$ 201,606	\$ 217,396	\$ 105,589
LIABILITIES									
Accounts payable	\$ 31,205	\$ 7,847	\$ -	\$ 16,618	\$ 4,510	\$ 2,197	\$ -	\$ 33	\$ -
Accrued liabilities	6,146	5,882	-	-	-	-	-	264	-
Due to other governmental units	220,989	-	-	-	150,900	1,680	68,409	-	-
Advances from other funds	168,805	-	-	-	-	-	-	-	168,805
Total liabilities	427,145	13,729	-	16,618	155,410	3,877	68,409	297	168,805
DEFERRED INFLOWS OF RESOURCES									
Property taxes levied for subsequent year	587,930	346,385	-	241,545	-	-	-	-	-
Unavailable revenues - special assessments	232,435	-	-	-	-	-	132,561	-	99,874
Total deferred inflows of resources	820,365	346,385	-	241,545	-	-	132,561	-	99,874
FUND BALANCES (DEFICITS)									
Restricted									
Street lights	181,517	-	-	181,517	-	-	-	-	-
Hydrants	146,348	-	-	-	146,348	-	-	-	-
Water purposes	350,762	-	-	-	-	133,027	636	217,099	-
Committed - public safety	131,240	-	131,240	-	-	-	-	-	-
Unassigned	(163,090)	-	-	-	-	-	-	-	(163,090)
Total fund balances (deficits)	646,777	-	131,240	181,517	146,348	133,027	636	217,099	(163,090)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 1,894,287	\$ 360,114	\$ 131,240	\$ 439,680	\$ 301,758	\$ 136,904	\$ 201,606	\$ 217,396	\$ 105,589

Muskegon Charter Township
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 Other Governmental Funds
 For the year ended December 31, 2014

	Total Other Governmental Funds	Special Revenue Funds						Local Water Improvement	Capital Projects Fund
		Local Streets	Fire Equipment	Street Lighting	Hydrant	Northside Water System	Southside Water System		Paving Projects
REVENUES									
Property taxes	\$ 592,629	\$ 345,317	\$ -	\$ 247,312	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues - Local	65,000	65,000	-	-	-	-	-	-	-
Charges for services	343,189	-	323,330	-	-	-	-	19,859	-
Investment earnings	132,692	-	51,500	2,638	30,740	14,143	9,895	19,236	4,540
Other	78,351	4,925	-	-	-	1,680	49,120	196	22,430
Total revenues	1,211,861	415,242	374,830	249,950	30,740	15,823	59,015	39,291	26,970
EXPENDITURES									
Current									
Public safety	88,834	-	88,834	-	-	-	-	-	-
Public works	782,846	522,660	-	177,053	4,509	-	59,047	19,577	-
Debt service									
Principal	1,680	-	-	-	-	1,680	-	-	-
Interest and fees	7,373	-	-	-	-	269	-	-	7,104
Capital outlay	430,103	6,723	423,380	-	-	-	-	-	-
Total expenditures	1,310,836	529,383	512,214	177,053	4,509	1,949	59,047	19,577	7,104
Excess of revenues over (under) expenditures	(98,975)	(114,141)	(137,384)	72,897	26,231	13,874	(32)	19,714	19,866
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of capital assets	32,000	-	32,000	-	-	-	-	-	-
Transfers in	129,141	114,141	-	-	-	-	-	-	15,000
Transfers out	(113,000)	-	(113,000)	-	-	-	-	-	-
Total other financing sources (uses)	48,141	114,141	(81,000)	-	-	-	-	-	15,000
Net change in fund balances (deficits)	(50,834)	-	(218,384)	72,897	26,231	13,874	(32)	19,714	34,866
Fund balances (deficits) at January 1, 2014	697,611	-	349,624	108,620	120,117	119,153	668	197,385	(197,956)
Fund balances (deficits) at December 31, 2014	\$ 646,777	\$ -	\$ 131,240	\$ 181,517	\$ 146,348	\$ 133,027	\$ 636	\$ 217,099	\$ (163,090)