

Muskegon Charter Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2013



Muskegon Charter Township

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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, 2013. 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 \$39,090,810 and total liabilities/deferred inflows of resources of \$20,884,213 leaving net position of \$18,206,597, a decrease of 10%.

Of the total \$18,206,597 in net position, the Township may use \$3,434,068 (unrestricted net position) to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, a deficit of \$1,196,246 is shown in governmental activities and a surplus of \$4,630,314 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 provided 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, 2013, the Township's net position from governmental activities totaled \$3,219,012 and \$14,987,585 from business-type activities, creating a total government-wide net position total of \$18,206,597.

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 \$1,196,246. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$14,987,585 in net position including \$4,630,314 in unrestricted net position. The Sanitation Fund and Sewer Fund unrestricted net position are \$551,341 and \$4,078,973, respectively.

Muskegon Charter Township

Management's Discussion and Analysis

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current assets and other assets	\$ 5,320,459	\$ 5,590,101	\$ 5,139,911	\$ 5,606,606	\$ 10,460,370	\$ 11,196,707
Capital assets	3,968,211	4,181,787	24,662,229	25,394,818	28,630,440	29,576,605
Total assets	9,288,670	9,771,888	29,802,140	31,001,424	39,090,810	40,773,312
Current liabilities	764,256	718,909	850,158	615,312	1,614,414	1,334,221
Noncurrent liabilities	2,642,024	2,180,724	13,964,397	14,303,545	16,606,421	16,484,269
Total liabilities	3,406,280	2,899,633	14,814,555	14,918,857	18,220,835	17,818,490
Deferred inflows of resources	2,663,378	2,774,556	-	-	2,663,378	2,774,556
Total liabilities and deferred inflows	6,069,658	5,674,189	14,814,555	14,918,857	20,884,213	20,593,046
Net position						
Net investment in capital assets	3,858,245	4,017,363	10,357,271	10,746,389	14,215,516	14,763,752
Restricted	557,013	747,870	-	-	557,013	747,870
Unrestricted	(1,196,246)	(667,534)	4,630,314	5,336,178	3,434,068	4,668,644
Total net position	\$ 3,219,012	\$ 4,097,699	\$ 14,987,585	\$ 16,082,567	\$ 18,206,597	\$ 20,180,266

Governmental activity capital assets decreased mainly due to normal depreciation. Current assets and other assets decreased as the Township used available resources to finance a portion of the current year's negative change in position. Noncurrent liabilities for governmental activities increased \$461,300 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 \$466,695 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			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 1,101,697	\$ 1,067,604	\$ 3,129,150	\$ 2,906,091	\$ 4,230,847	\$ 3,973,695
Operating grants	121,776	116,156	-	-	121,776	116,156
Capital grants and contributions	-	-	14,949	59,866	14,949	59,866
General revenues						
Property taxes	3,000,023	3,121,683	-	-	3,000,023	3,121,683
Grants and contributions not restricted	1,496,726	1,464,434	-	-	1,496,726	1,464,434
Unrestricted investment earnings	(92,839)	29,521	(81,057)	117,734	(173,896)	147,255
Miscellaneous	206,141	224,969	-	-	206,141	224,969
Gain on sale of capital assets	12,777	49,713	5,000	-	17,777	49,713
Total revenues	5,846,301	6,074,080	3,068,042	3,083,691	8,914,343	9,157,771
Expenses:						
General government	1,187,245	1,263,909	-	-	1,187,245	1,263,909
Public safety	3,808,599	3,726,744	-	-	3,808,599	3,726,744
Public works	1,219,263	980,794	-	-	1,219,263	980,794
Community and economic development	370,594	218,524	-	-	370,594	218,524
Culture and recreation	130,619	155,844	-	-	130,619	155,844
Interest on long term debt	8,668	14,078	-	-	8,668	14,078
Sanitation	-	-	594,822	577,557	594,822	577,557
Sewer	-	-	3,568,202	3,246,696	3,568,202	3,246,696
Total expenses	6,724,988	6,359,893	4,163,024	3,824,253	10,888,012	10,184,146
Change in net position	(878,687)	(285,813)	(1,094,982)	(740,562)	(1,973,669)	(1,026,375)
Net position - Beginning	4,097,699	4,383,512	16,082,567	16,823,129	20,180,266	21,206,641
Net position - Ending	\$ 3,219,012	\$ 4,097,699	\$ 14,987,585	\$ 16,082,567	\$ 18,206,597	\$ 20,180,266

Muskegon Charter Township

Management's Discussion and Analysis

For the year ended December 31, 2013, net position decreased by \$878,687 in governmental activities and by \$1,094,982 in business-type activities. This resulted in a decrease of \$1,973,669 in net position government-wide.

Governmental Activities

Governmental activities revenues decreased mainly due to decreased property tax revenues and investment earnings.

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

Business-Type Activities

Total business-type revenues remained relatively flat in 2013 due to a large drop in investment earnings offsetting another significant sewer rate increase. Capital grants and contributions decreased again in 2013 as new sewer connections are winding down. Expenses increased for both sewer and sanitation expenses. The sewer expenses increase was due to increased wholesale flow costs from the Muskegon County's Wastewater System and the sanitation expense increase was mainly due to increased personnel costs.

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 2013 fiscal year, the governmental funds reported a combined unassigned fund balance of \$210,576 which is comprised of \$408,532 in the General Fund and a deficit of \$197,956 in other governmental funds. The remainder of the fund balance is restricted, committed or assigned for various activities as shown on page 5.

The General Fund is the chief operating fund of the Township. The General Fund ended the year with a fund balance of \$1,297,541, a decrease of \$124,112 from the 2012 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 11% of the General Fund's expenditures and transfers (18% 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 decreased by \$34,427 and \$1,060,555, respectively. The result was an overall net decrease in the proprietary funds of \$1,094,982.

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:

- Inspection department expenditures were originally budgeted for \$236,787 and were amended up to \$248,207 because of more demolitions and legal expenditures than originally anticipated.
- Other governmental function expenditures were originally budgeted for \$3,850 and were amended up to \$75,822 due to a non-motorized bike path project and other improvements to industrial park.
- Capital outlay expenditures were originally budgeted for \$68,000 and were amended up to \$85,700 because of additional landscaping improvement costs at Township Hall.

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

- Property tax revenues were \$28,805 less than budgeted because of lower than anticipated administration fees due to the timing of collections and overly optimistic taxable value.
- Other governmental functions expenditures were \$36,582 higher than budgeted because the non-motorized bike path engineering costs were incorrectly assumed to be covered by the project grant.

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2013 totaled \$28,630,440, (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:

- The completion of township hall grounds improvements for \$82,310.
- A new fire rescue boat for \$28,565.
- Various public safety vehicles for \$88,836.
- A new vac-truck for \$92,500.

Muskegon Charter Township

Management's Discussion and Analysis

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,179,169	\$ 1,288,203	\$ 53,638	\$ 53,638	\$ 1,232,807	\$ 1,341,841
Construction in progress	-	14,638	-	-	-	14,638
Land improvements	454,527	392,055	-	-	454,527	392,055
Buildings and improvements	1,419,569	1,488,824	-	-	1,419,569	1,488,824
Furniture and equipment	71,822	52,705	-	-	71,822	52,705
Vehicles	843,124	945,362	361,349	336,702	1,204,473	1,282,064
Utility systems	-	-	24,083,818	24,833,948	24,083,818	24,833,948
Access rights	-	-	163,424	170,530	163,424	170,530
Total	\$ 3,968,211	\$ 4,181,787	\$ 24,662,229	\$ 25,394,818	\$ 28,630,440	\$ 29,576,605

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

Long-Term Debt

At the end of the 2013 fiscal year, the Township had total outstanding debt of \$17,286,921 consisting of general obligations bonds, special assessment debt, compensated absences and other postemployment benefits. The special assessment debt is backed by the full-faith and credit of the Township.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligations bonds	\$ -	\$ -	\$ 14,304,958	\$ 14,648,429	\$ 14,304,958	\$ 14,648,429
Special assessment bonds	1,680	3,360	-	-	1,680	3,360
Compensated absences	513,253	547,595	36,939	13,116	550,192	560,711
Other postemployment benefits	2,430,091	1,952,769	-	-	2,430,091	1,952,769
Total	\$ 2,945,024	\$ 2,503,724	\$ 14,341,897	\$ 14,661,545	\$ 17,286,921	\$ 17,165,269

The Township's total debt increased by \$121,652 during the 2013 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.

Muskegon Charter Township

Management's Discussion and Analysis

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 2013, the property tax values continued to decline as we have seen over the last several years. We anticipate property values increasing one to three percent in 2014 and continuing to increase at a modest rate in subsequent years. This year we saw an increase in state sales tax collections that resulted in a 2.4% increase in revenue sharing payments year-over-year from 2012. We anticipate revenue sharing to increase two to four percent in 2014.

In 2011, the state legislature changed the statutory revenue sharing program to an Economic Vitality Incentive Program (EVIP). This program reduced the available funds to municipalities by one-third. It then created three sets of criteria that municipalities had to comply with. Each set of criteria was worth one-third of the total funding the municipalities were eligible for. The EVIP program is currently under review and there is a growing sentiment among our state leaders to revert back to the original statutory revenue sharing model with different formularies. This would be a positive change for municipal financing and would likely result in a slight increase in our final two payments of 2014 and would provide stability in funding for future years.

In 2013, Muskegon Charter Township saw several modest commercial projects completed, including the new CVS and O'Reilly's retail stores, as well as the new corporate headquarters for Jackson-Merkey. As for the residential housing market, the number of housing foreclosures continued to decline in 2013. This has allowed home prices to stabilize and begin to recover. We anticipate that the increase in home prices will begin to accelerate in 2014 and continue to increase in coming years. This increase in property values will be reflected in the 2014 assessment year and should result in slightly higher tax collections for the 2015 fiscal year. For the 2015 fiscal year, we anticipate tax collections to increase approximately 1.25% compared with 2014 collections. This would be the first increase in property tax collections in six years. In 2014 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 2014, though the Township continues to pursue possible developments. Any increase in property values as a result of these projects would be reflected in the 2015 assessment roll and would provide revenue to the township in 2016. In 2013, 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. Long-term, the Township will explore possibilities in providing contractual rental inspection services to neighboring municipalities to mitigate the general fund subsidy for this program. We believe that this program will positively influence the overall property value in the Township and encourage owner-occupied housing.

Muskegon Charter Township

Management's Discussion and Analysis

The 2014 General Fund budget increased \$106,051 or 2.83% from 2013. This is a modest budget increase and only the second budgetary increase since 2009. Even with this increase, the 2014 budget is \$180,383 smaller than the 2009 budget. The fiscally conservative approach of the Township Board over the last six 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 again be extended.

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 Don Aley Industrial Park and the new Bayer Crop Science Industrial Park, expansion and improvements of several commercial buildings, and any new commercial construction projects planned for 2014.

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.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

May 28, 2014

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, 2013, 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 of 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 28, 2014
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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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 i through x and 32 through 34 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
STATEMENT OF NET POSITION
December 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 3,259,178	\$ 3,298,093	\$ 6,557,271
Receivables	1,518,717	828,010	2,346,727
Due from other governmental units	549,102	93,922	643,024
Internal balances	(312,356)	312,356	-
Prepaid items	153	-	153
Total current assets	5,014,794	4,532,381	9,547,175
Noncurrent assets			
Special assessments receivable	305,665	607,530	913,195
Capital assets, net			
Nondepreciable	1,179,169	53,638	1,232,807
Depreciable	2,789,042	24,608,591	27,397,633
Total noncurrent assets	4,273,876	25,269,759	29,543,635
Total assets	9,288,670	29,802,140	39,090,810
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	175,142	225,655	400,797
Due to other governmental units	286,114	247,003	533,117
Bonds and other obligations, due within one year	303,000	377,500	680,500
Total current liabilities	764,256	850,158	1,614,414
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	2,642,024	13,964,397	16,606,421
Total liabilities	3,406,280	14,814,555	18,220,835
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent fiscal year	2,663,378	-	2,663,378
Total liabilities and deferred inflows of resources	6,069,658	14,814,555	20,884,213
NET POSITION			
Net investment in capital assets	3,858,245	10,357,271	14,215,516
Restricted			
Public safety	11,070	-	11,070
Street lights	108,620	-	108,620
Hydrants	120,117	-	120,117
Water purposes	317,206	-	317,206
Unrestricted	(1,196,246)	4,630,314	3,434,068
Total net position	\$ 3,219,012	\$ 14,987,585	\$ 18,206,597

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

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	\$ 1,187,245	\$ 304,088	\$ -	\$ -	\$ (883,157)	\$ -	\$ (883,157)
Public safety	3,808,599	670,496	49,659	-	(3,088,444)	-	(3,088,444)
Public works	1,219,263	105,363	72,117	-	(1,041,783)	-	(1,041,783)
Community and economic development	370,594	-	-	-	(370,594)	-	(370,594)
Culture and recreation	130,619	21,750	-	-	(108,869)	-	(108,869)
Interest on long-term debt	8,668	-	-	-	(8,668)	-	(8,668)
Total governmental activities	6,724,988	1,101,697	121,776	-	(5,501,515)	-	(5,501,515)
Business-type activities							
Sanitation	594,822	576,083	-	-	-	(18,739)	(18,739)
Sewer	3,568,202	2,553,067	-	14,949	-	(1,000,186)	(1,000,186)
Total business-type activities	4,163,024	3,129,150	-	14,949	-	(1,018,925)	(1,018,925)
Total government	\$ 10,888,012	\$ 4,230,847	\$ 121,776	\$ 14,949	(5,501,515)	(1,018,925)	(6,520,440)
General revenues							
Property taxes, levied for							
General purposes					1,745,250	-	1,745,250
Specific purposes					1,254,773	-	1,254,773
Grants and contributions not restricted to specific programs					1,496,726	-	1,496,726
Unrestricted investment earnings					(92,839)	(81,057)	(173,896)
Gain on sale of capital assets					12,777	5,000	17,777
Miscellaneous					206,141	-	206,141
Total general revenues					4,622,828	(76,057)	4,546,771
Change in net position					(878,687)	(1,094,982)	(1,973,669)
Net position at January 1, 2013					4,097,699	16,082,567	20,180,266
Net position at December 31, 2013					\$ 3,219,012	\$ 14,987,585	\$ 18,206,597

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
BALANCE SHEET
 Governmental Funds
 December 31, 2013

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 1,313,466	\$ 523,603	\$ 1,422,109	\$ 3,259,178
Receivables				
Accounts	79,370	-	-	79,370
Property taxes	602,293	500,276	309,552	1,412,121
Special assessments	-	-	321,859	321,859
Other	767	5,043	5,222	11,032
Due from other governmental units	522,142	5,673	21,287	549,102
Prepaid items	153	-	-	153
Total assets	<u>\$ 2,518,191</u>	<u>\$ 1,034,595</u>	<u>\$ 2,080,029</u>	<u>\$ 5,632,815</u>
LIABILITIES				
Accounts payable	\$ 28,627	\$ 34,189	\$ 38,621	\$ 101,437
Accrued liabilities	14,808	53,550	5,347	73,705
Due to other governmental units	42,025	-	244,089	286,114
Advances from other funds	-	-	204,070	204,070
Total liabilities	85,460	87,739	492,127	665,326
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent fiscal year	1,135,190	943,562	584,626	2,663,378
Unavailable revenues - special assessments	-	-	305,665	305,665
Total deferred inflows of resources	1,135,190	943,562	890,291	2,969,043
FUND BALANCES (DEFICITS)				
Nonspendable - prepaid items	153	-	-	153
Restricted				
Public safety	7,776	3,294	-	11,070
Street lights	-	-	108,620	108,620
Hydrants	-	-	120,117	120,117
Water purposes	-	-	317,206	317,206
Committed				
Buildings and grounds improvements	310,000	-	-	310,000
Public safety	100,000	-	349,624	449,624
Hydrants	150,000	-	-	150,000
Compensated absences	50,000	-	-	50,000
Other	95,000	-	-	95,000
Assigned for subsequent year's budget appropriation of fund balance	176,080	-	-	176,080
Unassigned	408,532	-	(197,956)	210,576
Total fund balances	<u>1,297,541</u>	<u>3,294</u>	<u>697,611</u>	<u>1,998,446</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,518,191</u>	<u>\$ 1,034,595</u>	<u>\$ 2,080,029</u>	<u>\$ 5,632,815</u>

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, 2013

Total fund balances—governmental funds		\$ 1,998,446
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	\$8,284,178	
Accumulated depreciation	<u>(4,505,524)</u>	3,778,654
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.		
		305,665
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable	(1,680)	
Compensated absences	(513,253)	
Other postemployment benefits	<u>(2,430,091)</u>	(2,945,024)
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>81,271</u>
Net position of governmental activities		<u><u>\$ 3,219,012</u></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, 2013

	General Fund	Public Safety Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 1,384,704	\$ 1,000,163	\$ 615,156	\$ 3,000,023
Licenses and permits	494,687	-	-	494,687
Intergovernmental revenues				
State	1,493,418	28,869	-	1,522,287
Local	-	20,290	65,000	85,290
Charges for services	261,247	6,609	332,468	600,324
Fines and forfeitures	14,332	37,144	-	51,476
Investment earnings	4,715	125	(64,081)	(59,241)
Other	55,506	44,799	76,410	176,715
Total revenues	3,708,609	1,137,999	1,024,953	5,871,561
EXPENDITURES				
Current				
General government	818,254	-	-	818,254
Public safety	246,974	3,032,368	35,763	3,315,105
Public works	12,404	-	1,049,928	1,062,332
Community and economic development	233,625	-	-	233,625
Culture and recreation	87,214	-	-	87,214
Other governmental functions	403,201	-	-	403,201
Debt service				
Principal	-	-	1,680	1,680
Interest and fees	-	-	8,668	8,668
Capital outlay	84,231	57,611	64,867	206,709
Total expenditures	1,885,903	3,089,979	1,160,906	6,136,788
Excess of revenues over (under) expenditures	1,822,706	(1,951,980)	(135,953)	(265,227)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	14,570	-	-	14,570
Transfers in	-	1,951,980	119,408	2,071,388
Transfers out	(1,961,388)	-	(110,000)	(2,071,388)
Total other financing sources (uses)	(1,946,818)	1,951,980	9,408	14,570
Net change in fund balances	(124,112)	-	(126,545)	(250,657)
Fund balances at January 1, 2013	1,421,653	3,294	824,156	2,249,103
Fund balances at December 31, 2013	\$ 1,297,541	\$ 3,294	\$ 697,611	\$ 1,998,446

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, 2013

Net change in fund balances—total governmental funds \$ (250,657)

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	\$ (270,739)	
Capital outlay	<u>206,709</u>	(64,030)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) on net position.

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining undepreciated cost of the capital assets sold.	(123,157)
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Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(25,932)
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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	(477,322)	
Change in compensated absences	<u>34,342</u>	(442,980)

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.

	<u>26,389</u>
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Change in net position of governmental activities	<u><u>\$ (878,687)</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, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitation	Sewer	Total	
ASSETS				
Current assets				
Cash and investments	\$ 458,171	\$ 2,839,922	\$ 3,298,093	\$ -
Receivables				
Accounts	127,917	548,981	676,898	-
Special assessments	-	138,502	138,502	-
Other	133	12,477	12,610	-
Due from other governmental units	-	93,922	93,922	-
Total current assets	586,221	3,633,804	4,220,025	-
Noncurrent assets				
Advances to other funds	-	312,356	312,356	-
Special assessments receivable	-	607,530	607,530	-
Capital assets				
Land	-	53,638	53,638	-
Utility systems	-	37,508,555	37,508,555	-
Furniture and equipment	-	600	600	-
Vehicles	917,878	116,160	1,034,038	263,890
Access rights	-	213,162	213,162	-
Less accumulated depreciation	(666,380)	(13,481,384)	(14,147,764)	(74,333)
Net capital assets	251,498	24,410,731	24,662,229	189,557
Total noncurrent assets	251,498	25,330,617	25,582,115	189,557
Total assets	837,719	28,964,421	29,802,140	189,557
LIABILITIES				
Current liabilities				
Accounts payable	17,943	100,260	118,203	-
Accrued liabilities	3,925	103,527	107,452	-
Due to other governmental units	-	247,003	247,003	-
Bonds and other obligations, due within one year	1,500	376,000	377,500	-
Total current liabilities	23,368	826,790	850,158	-
Noncurrent liabilities				
Advances from other funds	-	-	-	108,286
Bonds and other obligations, less amounts due within one year	11,512	13,952,885	13,964,397	-
Total noncurrent liabilities	11,512	13,952,885	13,964,397	108,286
Total liabilities	34,880	14,779,675	14,814,555	108,286
NET POSITION				
Net investment in capital assets	251,498	10,105,773	10,357,271	81,271
Unrestricted	551,341	4,078,973	4,630,314	-
Total net position	\$ 802,839	\$ 14,184,746	\$ 14,987,585	\$ 81,271

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, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitation	Sewer	Total	
OPERATING REVENUES				
Charges for services	\$ 576,083	\$ 2,553,067	\$ 3,129,150	\$ 56,805
OPERATING EXPENSES				
Administration	53,082	157,000	210,082	-
Operations	478,619	1,972,521	2,451,140	-
Depreciation and amortization	63,121	761,968	825,089	26,389
Total operating expenses	<u>594,822</u>	<u>2,891,489</u>	<u>3,486,311</u>	<u>26,389</u>
Operating income (loss)	(18,739)	(338,422)	(357,161)	30,416
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	(20,688)	(60,369)	(81,057)	-
Connection fees	-	14,949	14,949	-
Gain on sale of capital assets	5,000	-	5,000	-
Interest expense	-	(676,713)	(676,713)	(4,027)
Total nonoperating revenues (expenses)	<u>(15,688)</u>	<u>(722,133)</u>	<u>(737,821)</u>	<u>(4,027)</u>
Change in net position	(34,427)	(1,060,555)	(1,094,982)	26,389
Net position at January 1, 2013	<u>837,266</u>	<u>15,245,301</u>	<u>16,082,567</u>	<u>54,882</u>
Net position at December 31, 2013	<u>\$ 802,839</u>	<u>\$ 14,184,746</u>	<u>\$ 14,987,585</u>	<u>\$ 81,271</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, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitation	Sewer	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 565,882	\$ 2,483,006	\$ 3,048,888	\$ -
Receipts from interfund services provided	3,172	3,734	6,906	56,805
Payments to suppliers	(369,273)	(1,891,692)	(2,260,965)	-
Payments to employees	(157,122)	(93,987)	(251,109)	-
Net cash provided by operating activities	42,659	501,061	543,720	56,805
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances to other funds (net)	-	76,889	76,889	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Advances from other funds (net)	-	-	-	(52,778)
Connection fees	-	119,965	119,965	-
Principal paid on capital debt	-	(349,854)	(349,854)	-
Interest paid on capital debt	-	(672,809)	(672,809)	(4,027)
Proceeds from sale of capital assets	5,000	-	5,000	-
Net cash provided by (used for) capital and related financing activities	5,000	(902,698)	(897,698)	(56,805)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	(19,479)	(66,371)	(85,850)	-
Net increase (decrease) in cash and investments	28,180	(391,119)	(362,939)	-
Cash and investments at January 1, 2013	429,991	3,231,041	3,661,032	-
Cash and investments at December 31, 2013	\$ 458,171	\$ 2,839,922	\$ 3,298,093	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (18,739)	\$ (338,422)	\$ (357,161)	\$ 30,416
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization expense	63,121	761,968	825,089	26,389
Change in assets and liabilities				
Receivables, net	(7,029)	(66,006)	(73,035)	-
Due from other governmental units	-	(321)	(321)	-
Accounts payable	230	3,512	3,742	-
Accrued liabilities	5,076	19,544	24,620	-
Due to other governmental units	-	120,786	120,786	-
Net cash provided by operating activities	\$ 42,659	\$ 501,061	\$ 543,720	\$ 56,805

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Agency Funds
 December 31, 2013

	Agency Funds				Total
	Trust and Agency	Current Tax Account	Payroll	Muskegon Central Dispatch	
ASSETS					
Cash and investments	\$ 42,378	\$ 2,279,855	\$ 47,587	\$ 990,262	\$ 3,360,082
Receivables	-	-	-	203,551	203,551
Total assets	\$ 42,378	\$ 2,279,855	\$ 47,587	\$ 1,193,813	\$ 3,563,633
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 47,587	\$ 269,961	\$ 317,548
Due to other governmental units	35,414	2,273,769	-	923,852	3,233,035
Deposits held for others	6,964	6,086	-	-	13,050
Total liabilities	\$ 42,378	\$ 2,279,855	\$ 47,587	\$ 1,193,813	\$ 3,563,633

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013

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, 2013

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.

Inventories and Prepaid Items

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

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

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013

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, 2013

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 2012 state taxable value for real/personal property of the Township totaled approximately \$357,427,000. 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, 2013

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.

Excess of Expenditures over Appropriations

During the year ended December 31, 2013, actual expenditures exceeded appropriations for Other expenditures in the General Fund by \$36,582. These overexpenditures were funded with available fund balance.

Fund Deficit

As of December 31, 2013, the Township's Paving Projects Capital Projects Fund had an unassigned fund deficit of \$197,956. The deficit will be eliminated through future special assessment collections.

NOTE C—DEPOSITS AND INVESTMENTS

As of December 31, 2013, the Township had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	Moody's	Percent
Negotiable certificates of deposit	\$ 191,558	61	not rated	5.2 %
US agency obligations	<u>3,482,320</u>	146	AAA	<u>94.8</u>
Total fair value	<u>\$ 3,673,878</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>142</u>		

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, Federal Agricultural Mortgage Corporation obligations, and Bank Northern Michigan Petoskey Negotiable Certificate of Deposit. These investments are 34.8 percent, 15.4 percent, 16.8 percent, 27.8 percent, and 5.2 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, 2013, \$3,023,258 of the Township's bank balance of \$4,273,258 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, 2013

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,288,203	\$ -	\$ 109,034	\$ 1,179,169
Construction in progress	14,638	67,672	82,310	-
Total capital assets, not being depreciated	1,302,841	67,672	191,344	1,179,169
Capital assets, being depreciated:				
Land improvements	1,048,558	90,310	-	1,138,868
Buildings and improvements	2,694,813	-	-	2,694,813
Furniture and equipment	510,820	42,201	-	553,021
Vehicles	3,030,275	88,836	136,914	2,982,197
Total capital assets, being depreciated	7,284,466	221,347	136,914	7,368,899
Less accumulated depreciation:				
Land improvements	656,503	27,838	-	684,341
Buildings and improvements	1,205,989	69,255	-	1,275,244
Furniture and equipment	458,115	23,084	-	481,199
Vehicles	2,084,913	176,951	122,791	2,139,073
Total accumulated depreciation	4,405,520	297,128	122,791	4,579,857
Total capital assets, being depreciated, net	2,878,946	(75,781)	14,123	2,789,042
Capital assets, net	\$ 4,181,787	\$ (8,109)	\$ 205,467	\$ 3,968,211

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE D—CAPITAL ASSETS—Continued

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
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	941,538	92,500	-	1,034,038
Access rights	213,162	-	-	213,162
Total capital assets, being depreciated	38,663,855	92,500	-	38,756,355
Less accumulated depreciation:				
Utility systems	12,674,607	750,130	-	13,424,737
Furniture and equipment	600	-	-	600
Vehicles	604,836	67,853	-	672,689
Access rights	42,632	7,106	-	49,738
Total accumulated depreciation	13,322,675	825,089	-	14,147,764
Total capital assets, being depreciated, net	25,341,180	(732,589)	-	24,608,591
Capital assets, net	\$ 25,394,818	\$ (732,589)	\$ -	\$ 24,662,229

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 33,541
Public safety	197,042
Public works	12,919
Culture and recreation	27,237
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	26,389
	\$ 297,128

Business-type activities:

Sanitation	\$ 63,121
Sewer	761,968
	\$ 825,089

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Advances To/From Other Funds:

Other governmental funds and the Equipment Fund owe the Sewer Fund \$204,070 and \$108,286, respectively for capital projects as of December 31, 2013.

Interfund transfers:

	Transfers In:		Total	Purpose
	Public Safety Fund	Other Governmental Funds		
Transfers Out:				
General Fund	\$ 1,841,980	\$ 119,408	\$ 1,961,388	Operations subsidy
Other governmental funds	110,000	-	110,000	Operations subsidy
	\$ 1,951,980	\$ 119,408	\$ 2,071,388	

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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, 2013:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Governmental activities:					
Special assessment debt with Township commitment	\$ 3,360	\$ -	\$ 1,680	\$ 1,680	\$ -
Compensated absences	547,595	269,965	304,307	513,253	303,000
Other postemployment benefits	1,952,769	616,746	139,424	2,430,091	-
Governmental activities long-term liabilities	\$ 2,503,724	\$ 886,711	\$ 445,411	\$ 2,945,024	\$ 303,000
Business-type activities:					
General obligation bonds	\$ 14,744,412	\$ -	\$ 349,854	\$ 14,394,558	\$ 362,000
Discount	(95,983)	-	(6,383)	(89,600)	-
Compensated absences	13,116	25,810	1,987	36,939	15,500
Business-type activities long-term liabilities	\$ 14,661,545	\$ 25,810	\$ 345,458	\$ 14,341,897	\$ 377,500

	Interest Rate	Date of Maturity	Balance
Governmental activities:			
Special assessment debt with Township commitment:			
1991 Northside Water Special Assessment Bonds	8%	July 2015	\$ 1,680
Business-type activities:			
General obligation bonds:			
2006 Muskegon County Wastewater Management Bonds	4.25%-5%	November 2036	14,394,558

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, 2013

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, 2013, \$4,775,000 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, 2013 was \$1,176,507. 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, 2013 was \$1,797,900. 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, 2013 was \$1,818,750. 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, 2013 follow:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ 336	\$ 362,000	\$ 657,940
2015	1,680	168	377,000	642,575
2016	-	-	397,000	626,550
2017	-	-	412,000	609,699
2018	-	-	431,000	592,187
2019-2023	-	-	2,472,000	2,666,797
2024-2028	-	-	3,110,000	2,067,069
2029-2033	-	-	3,945,000	1,287,128
2034-2036	-	-	2,888,558	293,878
	\$ 1,680	\$ 504	\$ 14,394,558	\$ 9,443,823

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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.

Commitments

The Township has committed \$324,602 to purchase a new pumper/tanker as of December 31, 2013. These expenditures will be covered with available fund balance.

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, 2013

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 9 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 \$31,806 per month. The contribution requirements of plan members and the Township are established and may be amended by the Township.

Annual Pension Cost

For the year ended December 31, 2013, the Township's annual pension cost of approximately \$383,000 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>
12/31/11	\$ 323,000	100 %	\$ -
12/31/12	341,000	100	-
12/31/13	383,000	100	-

The required contribution was determined as part of the December 31, 2011 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 8.4 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, 2011 was 27 years. With the closing of the divisions noted above, this period will be reduced by annually by 2 years until the period reaches 5 years.

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was approximately \$16,945,000, and the actuarial value of assets was approximately \$13,696,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$3,249,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,661,000, and the ratio of the UAAL to the covered payroll was 122 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, 2013

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 contributions 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, 2013, the Township's total contribution to the Plan was \$16,960, and the employee contributions were \$14,793.

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, 2013, the Township contributed \$139,424 to the Retiree Healthcare Plan which was entirely for current year premiums.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

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	\$ 651,578
Interest on net OPEB obligation	78,110
Adjustment to annual required contribution	(112,942)
Net OPEB cost	<u>616,746</u>
Payments made to or on behalf of retirees	(139,424)
Contributions made to OPEB trust	<u>-</u>
Increase in net OPEB obligation	477,322
Net OPEB obligation at beginning of year	<u>1,952,769</u>
Net OPEB obligation at end of year	<u><u>\$ 2,430,091</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>
12/31/11	\$ 635,008	16.4 %	\$ 1,460,436
12/31/12	625,528	21.3	1,952,769
12/31/13	616,746	21.6	2,430,091

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, 2013

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, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4 percent discount rate and (b) an annual healthcare trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 5 years. Both rates assume include a 5 percent inflation assumption. The Retiree Healthcare Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2011 is 30 years.

Funded Status and Progress

As of December 31, 2011, the most recent actuarial valuation date, the OPEB Plan was not funded. The actuarial accrued liability for benefits was approximately \$6,232,000 and the actuarial value of assets was none, resulting in an unfunded actuarial liability (UAAL) of approximately \$6,232,000. The covered payroll (annual payroll of active employees covered by the Retiree Healthcare Plan) was approximately \$2,634,000, and the ratio of the UAAL to the covered payroll was 236 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of 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 40 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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,413,509	\$ 1,413,509	\$ 1,384,704	\$ (28,805)
Licenses and permits	478,100	488,100	494,687	6,587
Intergovernmental revenues - State	1,476,318	1,478,818	1,493,418	14,600
Charges for services	259,857	259,857	261,247	1,390
Fines and forfeitures	20,000	20,000	14,332	(5,668)
Investment earnings	20,000	20,000	4,715	(15,285)
Other	57,100	67,100	55,506	(11,594)
Total revenues	3,724,884	3,747,384	3,708,609	(38,775)
EXPENDITURES				
Current				
General government				
Board of trustees	37,009	37,009	35,595	1,414
Supervisor	86,120	87,270	86,697	573
Elections	8,300	8,300	7,941	359
Assessing	159,794	159,794	159,482	312
Professional services	70,000	58,000	54,447	3,553
Clerk	231,777	233,377	231,821	1,556
Treasurer	192,979	182,479	180,111	2,368
Township hall	56,605	64,635	62,118	2,517
Board of appeals	1,723	1,723	42	1,681
Public safety				
Inspection department	236,787	248,207	246,974	1,233
Public works				
Leaf collection	8,650	12,713	12,404	309
Community and economic development				
Planning	36,971	33,971	31,709	2,262
Zoning	197,800	203,330	201,916	1,414
Culture and recreation				
Parks and recreation	96,550	94,550	87,214	7,336
Other governmental functions				
Insurance	238,500	243,000	241,421	1,579
Payroll benefits	55,848	50,848	49,376	1,472
Other	3,850	75,822	112,404	(36,582)
Capital outlay	68,000	85,700	84,231	1,469
Total expenditures	1,787,263	1,880,728	1,885,903	(5,175)
Excess of revenues over (under) expenditures	1,937,621	1,866,656	1,822,706	(43,950)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	13,300	14,570	1,270
Transfers out	(1,902,738)	(1,997,366)	(1,961,388)	35,978
Total other financing sources (uses)	(1,897,738)	(1,984,066)	(1,946,818)	37,248
Net change in fund balance	<u>\$ 39,883</u>	<u>\$ (117,410)</u>	(124,112)	<u>\$ (6,702)</u>
Fund balance at January 1, 2013			1,421,653	
Fund balance at December 31, 2013			<u>\$ 1,297,541</u>	

Muskegon Charter Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Public Safety Fund
 For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,011,657	\$ 1,002,657	\$ 1,000,163	\$ (2,494)
Intergovernmental revenues				
State	23,300	28,500	28,869	369
Local	20,290	20,290	20,290	-
Charges for services	3,500	3,500	6,609	3,109
Fines and forfeitures	20,000	34,500	37,144	2,644
Investment earnings	2,000	2,000	125	(1,875)
Other	9,000	44,900	44,799	(101)
Total revenues	1,089,747	1,136,347	1,137,999	1,652
EXPENDITURES				
Current				
Public safety				
Police department	1,592,502	1,653,352	1,645,956	7,396
Fire department	1,368,775	1,403,975	1,386,412	17,563
Capital outlay	27,000	58,328	57,611	717
Total expenditures	2,988,277	3,115,655	3,089,979	25,676
Excess of revenues over (under) expenditures	(1,898,530)	(1,979,308)	(1,951,980)	27,328
OTHER FINANCING SOURCES				
Transfers in	1,898,530	1,979,308	1,951,980	(27,328)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance at January 1, 2013			3,294	
Fund balance at December 31, 2013			<u>\$ 3,294</u>	

Muskegon Charter Township
 Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS
 For the year ended December 31, 2013

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS) PENSION 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>
12/31/10	\$ 12,639	\$ 14,942	\$ 2,303	85 %	\$ 2,671	86 %
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

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

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

OTHER SUPPLEMENTAL INFORMATION

Muskegon Charter Township
COMBINING BALANCE SHEET
 Other Governmental Funds
 December 31, 2013

	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	\$ 1,422,109	\$ 185,979	\$ 349,320	\$ 239,968	\$ 268,563	\$ 121,233	\$ 81,050	\$ 175,823	\$ 173
Receivables									
Property taxes	309,552	182,209	-	127,343	-	-	-	-	-
Special assessments	321,859	-	-	-	-	2,376	191,238	-	128,245
Other	5,222	-	1,584	-	2,454	474	-	710	-
Due from other governmental units	21,287	-	-	-	-	-	-	21,287	-
Total assets	\$ 2,080,029	\$ 368,188	\$ 350,904	\$ 367,311	\$ 271,017	\$ 124,083	\$ 272,288	\$ 197,820	\$ 128,418
LIABILITIES									
Accounts payable	\$ 38,621	\$ 18,732	\$ 1,280	\$ 18,511	\$ -	\$ -	\$ -	\$ 98	\$ -
Accrued liabilities	5,347	5,010	-	-	-	-	-	337	-
Due to other governmental units	244,089	-	-	-	150,900	3,250	89,939	-	-
Advances from other funds	204,070	-	-	-	-	-	-	-	204,070
Total liabilities	492,127	23,742	1,280	18,511	150,900	3,250	89,939	435	204,070
DEFERRED INFLOWS OF RESOURCES									
Property taxes levied for subsequent year	584,626	344,446	-	240,180	-	-	-	-	-
Unavailable revenues - special assessments	305,665	-	-	-	-	1,680	181,681	-	122,304
Total deferred inflows of resources	890,291	344,446	-	240,180	-	1,680	181,681	-	122,304
FUND BALANCES (DEFICITS)									
Restricted									
Street lights	108,620	-	-	108,620	-	-	-	-	-
Hydrants	120,117	-	-	-	120,117	-	-	-	-
Water purposes	317,206	-	-	-	-	119,153	668	197,385	-
Committed - public safety	349,624	-	349,624	-	-	-	-	-	-
Unassigned	(197,956)	-	-	-	-	-	-	-	(197,956)
Total fund balances (deficits)	697,611	-	349,624	108,620	120,117	119,153	668	197,385	(197,956)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 2,080,029	\$ 368,188	\$ 350,904	\$ 367,311	\$ 271,017	\$ 124,083	\$ 272,288	\$ 197,820	\$ 128,418

Muskegon Charter Township
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 Other Governmental Funds
 For the year ended December 31, 2013

	Total Other Governmental Funds	Special Revenue Funds						Capital Projects Fund	
		Local Streets	Fire Equipment	Street Lighting	Hydrant	Northside Water System	Southside Water System	Local Water Improvement	Paving Projects
REVENUES									
Property taxes	\$ 615,156	\$ 360,546	\$ -	\$ 254,610	\$ -	\$ -	\$ -	\$ -	
Intergovernmental revenues - Local	65,000	65,000	-	-	-	-	-	-	
Charges for services	332,468	-	311,181	-	-	-	21,287	-	
Investment earnings	(64,081)	137	(36,695)	189	(25,180)	(13,402)	17,197	(22,419)	
Other	76,410	6,778	-	-	-	1,680	45,587	-	
Total revenues	1,024,953	432,461	274,486	254,799	(25,180)	(11,722)	62,784	(1,132)	
EXPENDITURES									
Current									
Public safety	35,763	-	35,763	-	-	-	-	-	
Public works	1,049,928	546,792	-	222,168	150,900	-	62,737	23,629	
Debt service									
Principal	1,680	-	-	-	-	1,680	-	-	
Interest and fees	8,668	-	-	-	-	403	-	8,265	
Capital outlay	64,867	5,077	59,790	-	-	-	-	-	
Total expenditures	1,160,906	551,869	95,553	222,168	150,900	2,083	62,737	23,629	
Excess of revenues over (under) expenditures	(135,953)	(119,408)	178,933	32,631	(176,080)	(13,805)	47	(24,761)	
OTHER FINANCING SOURCES (USES)									
Transfers in	119,408	119,408	-	-	-	-	-	-	
Transfers out	(110,000)	-	(110,000)	-	-	-	-	-	
Total other financing sources (uses)	9,408	119,408	(110,000)	-	-	-	-	-	
Net change in fund balances (deficits)	(126,545)	-	68,933	32,631	(176,080)	(13,805)	47	(24,761)	
Fund balances (deficits) at January 1, 2013	824,156	-	280,691	75,989	296,197	132,958	621	222,146	
Fund balances (deficits) at December 31, 2013	\$ 697,611	\$ -	\$ 349,624	\$ 108,620	\$ 120,117	\$ 119,153	\$ 668	\$ 197,385	\$ (197,956)