

PRELIMINARY OFFICIAL STATEMENT
Dated April 11, 2011

NEW ISSUE – Book-Entry-Only

Rating: “S&P Applied for”

Note Counsel is of the opinion that under existing law as presently interpreted, the interest on the Notes is **INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES**. They express no opinion regarding other federal tax consequences arising with respect to the Notes and the interest thereon. Note Counsel is further of the opinion that under existing law, as presently interpreted, the Notes and the interest thereon are exempt from all taxation by the laws of the State of Michigan or by any authority within the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

\$12,000,000
COUNTY OF MUSKEGON
STATE OF MICHIGAN
GENERAL OBLIGATION LIMITED TAX NOTES, SERIES 2010

Dated Date: Date of Delivery

Due: As shown on page 2

PAYMENT TERMS... Interest on the \$12,000,000 County of Muskegon, Michigan (the “County”) General Obligation Limited Tax Notes, Series 2010 (the “Notes”) will accrue from the date of delivery and will be payable December 1 and June 1 of each year commencing December 1, 2011, until maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in \$5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Notes will be payable by the Transfer Agent to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes (see “THE NOTES – Book-Entry-Only System” herein). The initial Transfer Agent is U.S. Bank National Association, Grand Rapids, Michigan (see “THE NOTES – Transfer Agent”).

PURPOSE AND SECURITY... The Notes are issued under the provisions of Act 206, Public Acts of Michigan, 1893, as amended, and pursuant to a resolution duly adopted by the Board of Commissioners of the County for the purpose of establishing a fund to pay part of the 2010 delinquent taxes on real property to the State of Michigan, county and political subdivisions therein. The Notes are issued in anticipation of, and are payable primarily from 2010 delinquent taxes uncollected as of May 1, 2011, described above, including interest and penalties thereon and county property tax administration fees, which amounts the county has pledged for payment of principal and interest on the Notes. The County, as authorized by law, has pledged its full faith and credit for the prompt payment thereof, and, should funds primarily pledged be insufficient for payment, the County is obligated to make such payment from general funds, including the collection of any taxes which it may levy within applicable statutory or constitutional limitations, as a first budget obligation, to the extent provided by law. The rights and remedies of Noteholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally now existing or hereafter enacted, and by the application of general principles of equity including those relating to equitable subordination.

REDEMPTION... The Notes are not subject to redemption prior to the stated maturity.

NOTE COUNSEL... The Notes will be offered for delivery when, as and if issued by the County subject to the legal opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan.

DELIVERY... It is expected the Notes will be available for delivery through DTC on April 29, 2011.

BIDS DUE TUESDAY, APRIL 19, 2011 AT 10:00 AM, EDT

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The securities referenced herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

CUSIP Prefix:

<u>Maturity</u> <u>Date</u>	<u>Par</u> <u>Amount</u>	<u>Coupon</u>	<u>Price</u>	<u>CUSIP</u> <u>Suffix⁽¹⁾</u>
December 1, 2011	\$4,000,000			
June 1, 2012	4,000,000			
December 1, 2012	4,000,000			

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Service Bureau, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. The County and the Financial Advisor take no responsibility for the accuracy of such numbers.

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For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an Official Statement with respect to the Notes described herein that has been "deemed final" by the County as of the date hereof (or of any supplement or correction), except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

USE OF INFORMATION IN PRELIMINARY OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County.

This Preliminary Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, and engineering and other related reports set forth in this Preliminary Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from First Southwest Company, Dallas, Texas, Financial Advisor to the County, 325 North Saint Paul Street, Suite 800, Dallas, Texas 75201, for further information.

This Preliminary Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the County has agreed to keep this Preliminary Official Statement current by amendment or sticker to reflect material changes in the affairs of the County and, to the extent that information actually comes to its attention, the other matters described in this Preliminary Official Statement until delivery of the Notes to the Initial Purchaser and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT--Updating the Official Statement".

SALE AND DISTRIBUTION OF THE NOTES

AWARD OF THE NOTES

After requesting competitive bids for the Notes, the County accepted the bid resulting in the lowest true interest cost, which bid was tendered by _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of ___% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a true interest cost of _____% as calculated pursuant to the Notice of Sale and Bidding Instructions.

PRICES AND MARKETABILITY

The delivery of the Notes is conditioned upon the receipt by the County of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Notes stating the prices at which a substantial amount of the Notes of each maturity has been sold to the public. For this purpose, the term "public" will not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the County has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Notes. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Notes may be changed from time-to-time by the Initial Purchaser after the Notes are released for sale, and the Notes may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Notes into investment accounts. In connection with the offering of the Notes, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Notes at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The County has no control over trading of the Notes in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Notes. In such a secondary market, the difference between the bid and asked price of notes may be greater than the difference between the bid and asked price of notes of comparable maturity and quality issued by other municipal entities.

SECURITIES LAWS

No registration statement relating to the offer and sale of the Notes has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The County assumes no responsibility for registration or qualification of the Notes under the securities laws of any other jurisdiction in which the Notes may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes will not be construed as an interpretation of any kind with regard to the availability of any exemption from

securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL FINANCE QUALIFYING STATEMENTS

The County has been granted qualified status. The Michigan Department of Treasury has determined that the County is in material compliance with the criteria identified in Section 303 (3) of Act 34 of the Public Acts of Michigan 2001, as amended.

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COUNTY OFFICIALS, STAFF AND CONSULTANTS

MUSKEGON COUNTY BOARD OF COMMISSIONERS

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>
Kenneth Mahoney District 1	Dec. 31, 2012	Retired
Alan Jager District 2	Dec. 31, 2012	Private Business Owner
I. John Snider II District 3	Dec. 31, 2012	Attorney
James J. Derezinski District 4	Dec. 31, 2012	Retired
Marvin R. Engle District 5	Dec. 31, 2012	Private Business Owner
Lew Collins District 6	Dec. 31, 2012	Retired
Scott Plummer District 7	Dec. 31, 2012	Building Inspector/Official
Anthony T. Longmire District 8	Dec. 31, 2012	Gerald R. Ford Job Corps Center
Rillastine R. Wilkins District 9	Dec. 31, 2012	Retired
Benjamin E. Cross District 10	Dec. 31, 2012	L-3 Communications
Robert Scolnik District 11	Dec. 31, 2012	Private Business Owner

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>
Tony Moulatsiotis	County Treasurer
Nancy Waters	County Clerk
Tony Tague	County Prosecutor
Mark Fairchild	Register of Deeds
Dave Fisher	Drain Commissioner
Dean Roesler	County Sheriff

COUNTY FINANCIAL STAFF

<u>Name</u>	<u>Position</u>
Bonnie Hammersley	County Administrator
Beth Dick	Accounting Manager
Heath Kaplan	Finance and Management Services Director

PROFESSIONAL SERVICES

Note Counsel..... Miller, Canfield, Paddock and Stone, P.L.C.
Detroit, Michigan

Auditor Rehmann Robson
Muskegon, Michigan

Transfer Agent U.S. Bank National Association
Grand Rapids, Michigan

Financial Advisor..... First Southwest Company
Dallas, Texas

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PRELIMINARY OFFICIAL STATEMENT

\$12,000,000
COUNTY OF MUSKEGON
STATE OF MICHIGAN
GENERAL OBLIGATION LIMITED TAX NOTES, SERIES 2010

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$12,000,000 County of Muskegon, Michigan, General Obligation Limited Tax Notes, Series 2010 (the "Notes"). Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in the resolution adopted by the Board of Commissioners of the County (the "Resolution") which authorize the issuance of the Notes, except as otherwise indicated herein.

DESCRIPTION OF THE COUNTY. . . The County of Muskegon, incorporated in 1859, is located in the western part of the State of Michigan (the "State"), which is considered to be a strong employment area in the State, and one of the top tourism areas. The County of Muskegon currently occupies a land area of 527 square miles and serves a population of 170,200 (2000 U.S. Census). The 2009 population estimate provided by the U.S. Census Bureau indicated the County's population was approximately 173,951. The County of Muskegon is empowered to levy a property tax on both real and personal properties located within its boundaries. The County of Muskegon has operated under the elected Board of Commissioners form of government since 1970. Policy-making and legislative authority are vested in a governing Board consisting of the chairman and ten other members. The governing Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring. The administrator is responsible for carrying out the policies and ordinances of the County's governing body and for overseeing the day-to-day operations of the government. The Board is elected on a partisan basis by district. Board members serve two-year terms. The County provides a full range of municipal services. These services are either mandated by State statute or authorized by the County Board of Commissioners. These include legislative, judicial, public safety (police), health, mental health, welfare, culture, recreation, public improvements, wastewater treatment, solid waste disposal, transportation (airport and bus service), and general administrative services, including vital statistics and record keeping for births, deaths and property. Certain roadway services are provided by a component unit, the Muskegon County Road Commission. The County adopts its annual budget in accordance with the State Uniform Budgeting and Accounting Act. The general, special revenue and debt service funds are under formal budgetary control. All departments of the County of Muskegon are required to submit budget requests to the Administrator in February. The Administrator then presents a proposed budget to the Board for review. The Board holds public hearings in August and September and a final budget is approved prior to September 30, the close of the County's fiscal year. The appropriated budget is prepared by fund and department. Management can do transfers within funds at the departmental level without governing Board approval for other than the General Fund. Transfer of appropriations between funds, however, requires special approval of the Board.

There follows in this Official Statement descriptions of the Notes and certain information regarding the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such documents. Copies of such documents may be obtained from the County's Financial Advisor, First Southwest Company, Dallas, Texas.

PLAN OF FINANCING

PURPOSE AND SECURITY

The Notes are issued under the provisions of Act 206, Public Acts of Michigan, 1893, as amended, and pursuant to The Resolution duly adopted by the Board of Commissioners of the County for the purpose of establishing a fund to pay part of the 2010 delinquent taxes on real property to the State of Michigan, county and political subdivisions therein.

The Notes are issued in anticipation of, and are payable primarily from 2010 delinquent taxes uncollected as of May 1, 2011, described above, including interest and penalties thereon and County property tax administration fees, which amounts the County has pledged for payment of principal and interest on the Notes.

The County, as authorized by law, has pledged its full faith and credit for the prompt payment thereof, and, should funds primarily pledged be insufficient for payment, the County is obligated to make such payment from general funds, including the collection of any taxes which it may levy within applicable statutory or constitutional limitations, as a first budget obligation, to the extent provided by law.

The rights and remedies of Noteholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally now existing or hereafter enacted, and by the application of general principles of equity including those relating to equitable subordination.

USE OF PROCEEDS . . . The proceeds from the sale of the Notes will be applied as follows:

Sources of Funds

Par Amount of Notes	\$ -
Reoffering Premium	-
Total Sources of Funds	<u><u>\$ -</u></u>

Uses of Funds

Deposit to Delinquent Taxes Revolving Fund	\$ -
Underwriter's Discount	-
Costs of Issuance	-
Total Uses of Funds	<u><u>\$ -</u></u>

THE NOTES

DESCRIPTION OF THE NOTES . . . The Notes are dated as of the date of delivery, and mature on December 1 and June 1 in each of the years and in the amounts shown on page 2 hereof. Interest on the Notes will accrue from the date of delivery and will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on December 1 and June 1 of each year, commencing December 1, 2011, until maturity. The definitive Notes will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Notes will be payable by the Transfer Agent to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes (see "THE NOTES - Book-Entry-Only System" herein).

LIMITED TAX OBLIGATION

Tax limitation amendments to the Michigan Constitution were approved by the electors of the State on November 7, 1978, and became effective on December 23, 1978. These amendments place certain restrictions on new taxes and tax increases, but do not limit taxes for the payment of principal of and interest on Notes or other evidences of indebtedness outstanding on their effective date, nor do they limit taxes imposed for payment of principal of or interest on Notes or other evidences of indebtedness issued after their effective date, if such obligations are approved by the electors of the issuing public corporation.

Act No. 206 of the Public Acts of Michigan, 1893, as amended (specifically Sections 87c, 87d, 87e and 89), authorizing the County to issue the above described Notes declares that the Notes shall be general obligations of the County supported by a pledge of the County's full faith and credit. These provisions permit the County to pay the principal of and interest on the Notes from ad valorem taxes or any other revenue sources of the County. However, since the Notes have not been approved by the electors of the County and are not otherwise excluded from the above constitutional limitations, any taxes which the County may levy for the payment of the Notes and the interest thereon must be within applicable statutory and constitutional limits.

These limitations are phrased both in terms of tax rate and tax revenues. Factual information as to the County's tax rate, base, levies and collection is set out elsewhere in this Official Statement. The County's tax rate may be increased or new taxes imposed only if approved by the electors of the County. In addition, if the existing tax base, exclusive of new construction and improvements, increases in value in a given year at a greater pace than the United State Consumer Price Index, as defined by law, the County must roll back its tax rate so that it does not collect more tax revenues than could have been collected by application of that tax rate to the tax base increased at the Consumer Price Index rate of growth only.

Further, if the value of the County's tax base is broadened by operation of law, the County may collect in tax revenues only an amount which would have been produced by the application of its tax rate to the prior tax base valuation. Michigan law provides that the tax rate referred to is that authorized by charter or general state law rather than the rate actually levied.

REDEMPTION... The Notes are not subject to redemption prior to the stated maturity.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by DTC, New York, New York, while the Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or any notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Notes. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Transfer Agent, on the payable date in accordance with their respective holdings shown on DTC's

records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the County or the Transfer Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County or the Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the Transfer Agent. Under such circumstances, in the event that a successor depository is not obtained, Notes are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that County believes to be reliable, but County takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Notes are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the County, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued, printed Notes will be issued to the holders and the Notes will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE NOTES - Transfer, Exchange and Registration" below.

TRANSFER AGENT . . . The initial Transfer Agent is U.S. Bank National Association, Grand Rapids, Michigan. In the Resolution, the County retains the right to replace the Transfer Agent. The County covenants to maintain and provide a Transfer Agent at all times until the Notes are duly paid and any successor Transfer Agent shall be a bank or trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Transfer Agent for the Notes. Upon any change in the Transfer Agent for the Notes, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Transfer Agent.

Interest on the Notes shall be paid to the registered owners appearing on the registration books of the Transfer Agent at the close of business on the Record Date (hereinafter defined), and such interest shall be paid by check sent United States mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the expense of, the registered owner, or by such other method, acceptable to the Transfer Agent, requested by, and at the risk and expense of, the registered owner. Principal of the Notes will be paid to the registered owner at the stated maturity upon presentation to the designated payment/transfer office of the Transfer Agent; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Notes, all payments will be made as described under "THE NOTES - Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Notes shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the County where the designated payment/transfer office of the Transfer Agent is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, printed Note certificates will be delivered to the holders and thereafter the Notes may be transferred and exchanged on the registration books of the Transfer Agent only upon presentation and surrender of such printed certificates to the Transfer Agent and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Notes may be assigned by the execution of an assignment form on the respective Notes or by other instrument of transfer and assignment acceptable to the Transfer Agent. New Notes will be delivered by the Transfer Agent, in lieu of the Notes being transferred or exchanged, at the designated office of the Transfer Agent, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Notes to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Transfer Agent. New Notes registered and

delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Notes surrendered for exchange or transfer. See "THE NOTES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Notes.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Notes on any interest payment date means the close of business on the fifteenth day of the month preceding the payment date.

STATE OF MICHIGAN TAXATION

MICHIGAN PROPERTY TAX REFORM PROPOSALS

The state legislature from time to time has considered amendments to Michigan property tax laws that, if enacted, may have an adverse affect on the County's finances. The ultimate nature, extent and impact of any future amendments to Michigan's property tax laws on the County's finances cannot be predicted. Purchasers of the Notes should consult with their legal counsel and financial advisors as to the consequence of any such legislation on the market price or marketability of the Notes, the security therefor and the operations of the County.

PERSONAL PROPERTY TAX ASSESSMENTS

Since the 1960's, Michigan personal property tax assessments have been based on the use of one or more of several different multiplier tables, formulated by the State Tax Commission, against taxpayer-reported original cost, depending upon the assessor's view of the average life of the personal property. The State Tax Commission has approved revisions to the State's personal property tax tables which became effective for the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Tribunal has informally indicated that it may allow the new multipliers to be applied retroactively in pending personal property tax appeals. In anticipation of the new multipliers, many personal property taxpayers filed appeals of their existing tax assessments. In an unpublished, non-precedential opinion, the Michigan Court of Appeals, in *Valassis Communications v. County of Livonia*, recently affirmed a decision of the State Tax Tribunal that the personal property multipliers, which became effective in 2000, could be retroactively applied and used to determine the true cash value of the subject property for the 1999 tax year. In its unpublished opinion, the court held that the controlling factor is whether the method used most accurately reflects the property's true cash value. The court in *Valassis* determined that based upon the facts of the case, the old multipliers (in effect for the 1999 tax year) did not accurately reflect the property's true cash value and that the 2000 multipliers more accurately reflected the property's true cash value. In January 2004, the Michigan Court of Appeals, in *County of Wayne v. Michigan State Tax Commission*, affirmed the use of at least one of the revised multiplier tables by the State Tax Tribunal in determining personal property tax appeals. The Court of Appeals upheld a recent Tax Tribunal ruling authorizing the use of the revised multiplier developed by the State Tax Commission to determine the true cash value of public utility electric transmission and distribution property on the grounds that the multiplier tables, as finalized, did not violate the State constitutional requirements for personal property tax valuation.

REVENUES FROM THE STATE OF MICHIGAN

The County receives revenue sharing payments and other moneys from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"). The table appearing at the end of this section shows State revenue sharing distributions and other moneys received by the County during the County's past six fiscal years, and the estimated receipts for the County's 2010 fiscal year.

The State's fiscal year begins October 1 of each year and ends September 30 of the following calendar year. Before the State's 1996-97 fiscal year the State shared revenues received from personal income tax, intangibles tax, sales tax and single business tax collections with counties, cities, townships and villages. In 1996, the State legislature began reform of both the formula for distribution of State revenue sharing and the designated sources of revenue to be shared. At that time, the State expressly designated the revenues of the sales tax as the sole source for revenue sharing.

At the end of calendar year 1998, the Legislature again amended the Revenue Sharing Act (the "1998 Amendments") which in part created a sunset of the statute including language that revenue sharing after June 30, 2007 would be distributed "as provided by law."

The sales tax revenues come from a 6% State levy on retail sales (other than sales of certain exempt items such as food and drugs). The State Constitution limits the rate of sales tax to 6%, and dedicates 100% of the revenue of sales tax imposed at a rate of 2% to the State School Aid Fund. The State Constitution further mandates that 15% of the total revenues collected from sales taxes levied at the remaining 4% be distributed to townships, cities and villages. The Revenue Sharing Act distributes an additional 21.3% of those revenues to Michigan municipalities. The State's ability to make revenue sharing payments to the County in the amounts and at the times specified in the Revenue Sharing Act is subject to the State's overall financial condition and its ability to finance any temporary cash flow deficiencies.

Under the revised formula for distribution of revenue sharing moneys, the County receives its pro rata share determined per capita of the following amount:

25.06% of 21.3% of the difference between the sales tax collections at a rate of 4% in the 12-month period ending June 30 of the state fiscal year in which the payments are made and \$31,926,947.32.

The County's receipts could therefore vary depending on the population of the County and the County's taxable value per capita compared to the population and taxable value per capita in the State as a whole.

In addition to payments of revenue sharing moneys, the State pays the County to support judges' salaries, as well as other miscellaneous state grants.

Revenue sharing payments and other monies paid to municipalities (other than the portion which is mandated by the State constitution) are subject to annual appropriation by the State legislature, and may be reduced or delayed by Executive Order during any fiscal year in which the Governor, with the approval of the legislature's appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

COUNTY RESERVE FUND

In anticipation of a continued budget deficit, in September 2004, the Governor signed into law Act 356, Public Acts of Michigan, 2004 ("Act 356"), an amendment to the Revenue Sharing Act, and Act 357, Public Acts of Michigan, 2004 ("Act 357") an amendment to the General Property Tax Act. Act 356 and Act 357 accomplish the temporary elimination of approximately \$182.1 million in statutory revenue sharing payments to counties by creating a reserve fund paid for by the permanent advancement of the counties' property tax levy from December to July each year, beginning July 2005. Under Act 356 and Act 357, the county revenue generated from the accelerated levy will be placed in a reserve fund that each county would draw against in lieu of their annual revenue sharing payments. State revenue sharing payments to a county would resume in the first year in which a county's property tax revenue reserve is less than the amount the county would have otherwise received in state revenue sharing payments.

RECENT DEVELOPMENTS

Purchasers of the Notes offered herein should be alert to further modifications to revenue sharing payments to Michigan local government units, to the potential consequent impact upon the County's general fund condition, and to the potential impact upon the market price or marketability of the Notes resulting from changes in revenues received by the County from the State.

ANNUAL REVENUE SHARING PAYMENTS

The following table sets forth the annual revenue sharing payments and other moneys received by the County for the fiscal years ended September, 2006 through September, 2010, and the currently anticipated revenue sharing payments to be received in the fiscal year ending September, 2011.

Fiscal Year Ended	Revenue Sharing Payment
9/30/2006	\$ -
9/30/2007	-
9/30/2008	-
9/30/2009	-
9/30/2010	191,744
9/30/2011	- *

* Projected by the State of Michigan Department of Treasury.

The following table sets forth the annual revenue sharing payments and other monies taken from the County Revenue Reserve Fund (as described above) and the balance for the fiscal years ended September 30, 2006 through September 30, 2010 and the anticipated draw for the fiscal year ending 2011.

<u>Fiscal Year Ended</u>	<u>Draw on Revenue Reserve Fund</u>	<u>Balance at Year Ending</u>
9/30/2006	\$ 3,156,503	\$7,152,342
9/30/2007	3,156,503	11,040,956
9/30/2008	3,156,503	7,884,453
9/30/2009	4,180,574	3,703,879
9/30/2010	3,156,498	547,381
9/30/2011	- *	n/a

* Projected by the State of Michigan Department of Treasury.

PROPERTY VALUATIONS

Article IX Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to author ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Since 1995, taxable property will have two valuations-State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV, or the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

This constitutional amendment and the implementing legislation base the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in Taxable Value of existing property is limited to the lesser of the percentage net change in SEV from the preceding year to the current year, 5% or the inflation rate. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and County. Any property owner may appeal the assessment to the local assessor, the local Board of Review and ultimately to the Michigan Tax Tribunal.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Property that is exempt from property taxes, e.g., churches, government property, and public schools, is not included in the SEV and Taxable Value data in the Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended ("Act 198"), is recorded on a separate tax roll while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value data in the Official Statement except as noted.

PROPERTY VALUATIONS SECTION

Property taxpayers may appeal their assessments to the Michigan Tax Tribunal. Unless otherwise ordered by the Tax Tribunal, before the Tax Tribunal renders a decision on an assessment appeal, the taxpayer must have paid the tax bill. In the County there are approximately 111 tax appeals pending before the Tax Tribunal, and approximately 214 small claims, for a total of 325 open appeals (including Personal Property appeals); none of which will have a significant impact on State Equalized Valuation, Taxable Value or the resulting taxes.

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TABLE 1 - HISTORY OF PROPERTY VALUATIONS

<u>Year</u>	<u>State Equalized Valuation</u>	<u>Taxable Value</u>
2001	\$3,896,510,084	\$3,244,251,018
2002	4,284,270,433	3,453,067,789
2003	4,594,019,022	3,613,148,739
2004	4,840,137,970	3,795,561,731
2005	5,053,598,542	3,995,550,610
2006	5,295,156,733	4,237,701,230
2007	5,543,825,045	4,496,107,219
2008	5,668,789,809	4,646,805,560
2009	5,489,432,423	4,714,942,649
2010	5,221,199,500	4,564,760,559

Source: Muskegon County Equalization Department.

TABLE 2 - ANALYSIS OF THE TOTAL TAXABLE VALUE

	<u>By Class</u>			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Real Property	\$4,142,483,125	\$4,297,389,014	\$4,232,562,222	\$4,101,352,259
Personal Property	422,277,434	417,553,635	414,243,338	394,754,960
Total	<u>\$4,564,760,559</u>	<u>\$4,714,942,649</u>	<u>\$4,646,805,560</u>	<u>\$4,496,107,219</u>

Source: Muskegon County Equalization Department.

TABLE 3 - MAJOR TAXPAYERS

<u>Name of Taxpayer</u>	<u>2010 State Equalized Valuation</u>	<u>2010 Taxable Valuation</u>	<u>As % of Total Taxable Valuation</u>
Consumer Energy	\$ 153,091,900	\$ 139,862,849	3.06%
Howmet	58,721,600	57,799,052	1.27%
DTE Energy	28,545,400	28,489,524	0.62%
Sun Chemical of Mich LLC	23,383,100	23,104,925	0.51%
Maijet Inc.	23,942,500	20,140,668	0.44%
L3 Communications Corp.	19,000,200	18,984,621	0.42%
Bayer Cropscience	18,461,500	18,399,681	0.40%
THF Fruitport Dev LP	23,827,000	17,641,069	0.39%
Diversified Machine Montague Inc.	15,790,300	15,790,300	0.35%
Johnson Technology Inc.	14,092,100	14,083,830	0.31%
	<u>\$ 378,855,600</u>	<u>\$ 354,296,519</u>	<u>7.76%</u>

Note: Taxable Valuation includes the Industrial Facilities Tax valuation.

Source: Muskegon County Equalization Department

TABLE 4 - ASSESSED AND EQUALIZED VALUE OF TAXABLE PROPERTY

County of Muskegon
Ten Years Ended September 30, 2010

Year End Sept. 30	Real Property		Personal Property	Total*
	Assessed	Equalized	Assessed and Equalized	Equalized Value
2001	\$ 3,496,502,024	\$ 3,496,502,024	\$ 400,008,060	\$ 3,896,510,084
2002	3,912,057,046	3,912,057,046	372,213,387	4,284,270,433
2003	4,226,229,077	4,226,229,077	367,789,945	4,594,019,022
2004	4,469,290,770	4,469,290,770	370,847,200	4,840,137,970
2005	4,674,174,842	4,674,174,842	379,423,700	5,053,598,542
2006	4,917,670,733	4,917,670,733	377,486,000	5,295,156,733
2007	5,148,965,554	5,148,965,554	394,859,491	5,543,825,045
2008	5,254,546,471	5,254,546,471	414,243,338	5,668,789,809
2009	5,071,800,703	5,071,800,703	417,631,720	5,489,432,423
2010	4,798,808,300	4,798,808,300	422,391,200	5,221,199,500

* The Michigan Constitution and statutes provide that property is to be assessed and equalized at 50% of its fair market value.
Source: Equalization Report.

TAX COLLECTION, DELINQUENCIES, SALES

Property taxes are due and payable when levied by the State, County, City, township or local school on July 1st and December 1st of each year, and becomes a lien against the property when levied. The total current tax collection due the County is transferred to the Muskegon County Treasurer, who distributes the proceeds to each taxing authority: (County General Fund Operating, Museum, Veterans, Quality of Life, Central Dispatch and Muskegon Community College). Until March 1st of each year, local treasurers are responsible for the collection. Thereafter, a settlement is made by the Muskegon County Treasurer with each local unit. Those not paid by March 1st become delinquent, and property tax administration fees and interest as prescribed by state law begin to accrue. The county-wide delinquent tax roll is prepared from these settlements and becomes the basis of the County General Obligation Tax Note sale each year. The proceeds of this sale are distributed to each taxing authority. If the taxes are not paid by March 1st of the following year, the property is forfeited to the County Treasurer and additional fees apply. If taxes are not paid by March 1st of the second year, Circuit Court enters a judgment of foreclosure and within 30 days all taxpayer redemption rights expire. The property is now owned by the County. Property is then sold at public auction and the delinquent tax fund is made whole. Under the statutes, collection of the total delinquencies is assured.

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TABLE 5 - FIVE YEAR TOTAL COLLECTION HISTORY

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Real Levy:	\$169,167,689	\$174,503,876	\$170,849,981	\$166,307,580	\$157,305,474
Total Tax Collected to March 1:	152,751,114	157,094,231	152,721,723	148,932,856	141,867,911
Percentage Collected:	90.30%	90.02%	89.39%	89.55%	90.19%
Total Tax Returned Delinquent:	16,416,575	17,409,645	18,128,258	17,374,724	15,437,563
Percentage Returned Delinquent:	9.70%	9.98%	10.61%	10.45%	9.81%

CONSTITUTIONAL ROLLBACK AND ASSESSMENT CAPS

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property (State Equalized Valuation) in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be reduced through a Millage Reduction Fraction unless new millage is authorized by a vote of the electorate of the local taxing unit.

TABLE 6 - MUSKEGON COUNTY PROPERTY TAX RATES (PER \$1,000)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating	\$ 5.6984	\$ 5.6984	\$ 5.6984	\$ 5.6984	\$ 5.6984
Veteran Affairs	0.0752	0.0752	0.0752	0.0752	0.0752
Museum Operating	0.3221	0.3221	0.3221	0.3221	0.3321
Quality of Life Millage	0.3000	0.3000	0.3000	0.3400	0.3600
Central Dispatch	0.3000	0.3000	0.3000	0.3000	0.3000
Total	<u>\$ 6.6957</u>	<u>\$ 6.6957</u>	<u>\$ 6.6957</u>	<u>\$ 6.7357</u>	<u>\$ 6.7657</u>

TAX RATE LIMITATION

Article IX, Section 6, of the Michigan Constitution of 1963 provides in part:

“Except as otherwise provided in this Constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized.”

Section 6 further provides that, by a majority vote of the qualified electors of a county, the 15 mill limitation may be increased to a total not to exceed 18 mills, and that the millages of the total units involved shall then be permanently fixed within that greater millage rate limitation.

Act 62, Public Acts of Michigan, 1933, as amended, defines “local units” as “counties, townships, villages, cities, a first class school district (only Detroit schools), community college districts, intermediate school districts, and all other divisions, districts, and organizations of government that are or may be established by law and that have the power to levy taxes against property located

within their respective areas, except villages and cities for which there are provisions in their charters or general law fixing maximum limits on the power to levy taxes against property.”

The amount of mills allocated to the County, townships in the County and the intermediate school district have been fixed by vote as follows:

<u>Government</u>	<u>Mills</u>
County of Muskegon	\$ 6.2000
Townships	1.3000
School Districts	7.0000
Intermediate School District	<u>0.5000</u>
Total	<u><u>\$ 15.0000</u></u>

The County’s tax levy has been authorized as follows:

<u>Millage</u>	<u>Election Date</u>	<u>Millage Authorized</u>	2010 <u>Maximum Allowed after Rollback</u>	<u>Expiration Date of Levy</u>
Operating	11/5/1974	\$ 5.6984	\$ 5.6984	Fixed
Veteran Affairs	8/5/2008	0.0770	0.0752	12/31/2018
Museum Operating	11/6/2001	0.3250	0.3221	12/31/2010
Quality of Life Millage	11/7/1995	0.4700	0.4700	Debt Paid
Central Dispatch	11/4/2008	<u>0.3000</u>	<u>0.3000</u>	12/1/2015
		<u><u>\$ 6.8704</u></u>	<u><u>\$ 6.8657</u></u>	

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2010 TOTAL RETURNED DELINQUENT REAL TAXES

DELINQUENT TAXES

Unit	Total Delinquent
Villages:	
Casnovia	\$ 3,145.83
Fruitport	18,284.18
Lakewood Club	32,854.07
Ravenna	21,082.55
Subtotal Villages	<u>\$ 75,366.63</u>

Cities:	
Montague	\$ 167,500.76
Muskegon	4,537,552.11
Muskegon Heights	2,350,346.51
North Muskegon	243,616.81
Noton Shores	1,883,763.73
Roosevelt Park	406,931.69
Whitehall	333,599.86
Subtotal Cities	<u>\$ 9,923,311.47</u>

Townships:	
Blue Lake	\$ 198,333.68
Casnovia	277,061.63
Cedar Creek	184,362.08
Dalton	849,910.21
Egelston	638,704.45
Fruitland	434,509.80
Fruitport	822,713.66
Holton	254,637.21
Laketon	400,215.33
Montague	144,888.90
Moorland	136,052.49
Muskegon	1,287,382.48
Ravenna	161,380.01
Sullivan	152,113.80
White River	255,555.23
Whitehall	220,076.20
Subtotal Townships	<u>\$ 6,417,897.16</u>

Total All Units **\$ 16,416,575.26**

DISTRIBUTIONS

By: City/Twp Or Village
\$ 3,145.83
18,284.18
32,854.07
21,082.55
<u>\$ 75,366.63</u>

\$ 48,730.37
1,341,598.90
764,201.93
83,052.29
324,899.76
110,928.40
68,482.58
<u>\$ 2,741,894.23</u>

\$ 29,658.73
30,435.72
6,107.71
172,937.87
116,282.72
18,573.16
160,687.38
30,583.84
55,120.17
7,259.74
16,571.55
357,900.68
19,037.05
17,998.65
14,359.93
7,868.41
<u>\$ 1,061,383.31</u>

Total All Units **\$ 16,416,575.26**

By: County	
County Operating	\$ 1,483,031.92
Delinquent Interest	84,786.08
Community College	843,367.47
Quality of Life	116,880.44
Museum	123,066.39
Central Dispatch	114,613.06
Veteran Services	28,678.07
Subtotal County	<u>\$ 2,794,423.43</u>

By: Intermediate School Districts	
Muskegon Intermediate	\$ 1,298,970.78
Ottawa Intermediate	42,535.43
Kent Intermediate	16,100.91
Newaygo Intermediate	27,492.06
Subtotal I.S.D.'s	<u>\$ 1,385,099.18</u>

By: School Districts	
Coopersville	\$ 9,821.69
Fremont	8,141.97
Fruitport	241,278.47
Grand Haven	167,086.32
Grant	41,851.97
Holton	203,752.92
Kent City	51,422.56
Mona Shores	646,805.78
Montague	194,013.42
Muskegon	1,561,243.75
Muskegon Heights	899,061.52
North Muskegon	80,337.29
Oakridge	242,019.96
Orchard View	425,977.43
Ravenna	134,785.90
Reeths Puffer	633,304.35
Whitehall	502,783.80
Subtotal School's	<u>\$ 6,043,689.10</u>

By: Other	
Hackley Public Library	\$ 225,106.12
Montague Dist Fire Authority	25,139.61
Muskegon Area Library	188,879.64
Spring Lake Improvement	1,520.00
State Education	1,651,638.72
T.I.F.A.-City-N-Shores	126,833.00
White Lake Ambulance	26,953.60
White Lake Fire Authority	39,029.44
White Lake Library	29,619.25
Subtotal Other	<u>\$ 2,314,719.38</u>

Total All Units **\$ 16,416,575.26**

TABLE 7A - ACTUAL CASH FLOW 2009 DELINQUENT TAX REVOLVING FUND (AMOUNTS SHOWN IN \$1,000'S)

Total Note Issue: \$11,000,000
 Total Tax Delinquency: \$17,409,645

	Ad Valorem Taxes	Interest On Taxes	Penalties On Taxes	Total	Cumulative Total	Percentage Collected
Mar-10	\$ 1,465	\$ 12	\$ 52	\$ 1,529	\$ 1,529	8.78%
Apr-10	1,091	22	43	1,156	2,685	15.42%
May-10	795	30	30	855	3,540	20.33%
Jun-10	1,557	61	62	1,680	5,220	29.98%
Jul-10	1,018	50	40	1,108	6,328	36.35%
Aug-10	822	46	31	899	7,227	41.51%
Sep-10	760	53	30	843	8,070	46.35%
Oct-10	446	36	18	500	8,570	49.23%
Nov-10	440	39	17	496	9,066	52.07%
Dec-10	590	59	24	673	9,739	55.94%
Jan-11	494	52	19	565	10,304	59.19%
Feb-11	1,652	198	66	1,916	12,220	70.19%
Mar-11 *	224	43	9	276	12,496	71.78%
	<u>\$ 11,354</u>	<u>\$ 701</u>	<u>\$ 441</u>	<u>\$ 12,496</u>		

* Through March 25, 2011.

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TABLE 7B - ACTUAL CASH FLOW 2008 DELINQUENT TAX REVOLVING FUND

Total Note Issue: \$11,000,000
 Total Tax Delinquency: \$18,128,258

	Ad Valorem Taxes	Interest On Taxes	Penalties On Taxes	Total	Cumulative Total	Percentage Collected
Mar-09	\$ 1,482	\$ 15	\$ 57	\$ 1,554	\$ 1,554	8.57%
Apr-09	1,603	25	52	1,680	3,234	17.84%
May-09	964	29	38	1,031	4,265	23.53%
Jun-09	1,308	51	53	1,412	5,677	31.32%
Jul-09	974	48	39	1,061	6,738	37.17%
Aug-09	1,126	67	45	1,238	7,976	44.00%
Sep-09	717	50	28	795	8,771	48.38%
Oct-09	523	42	21	586	9,357	51.62%
Nov-09	422	38	17	477	9,834	54.25%
Dec-09	844	88	35	967	10,801	59.58%
Jan-10	527	57	21	605	11,406	62.92%
Feb-10	1,785	71	72	1,928	13,334	73.55%
Mar-10	776	108	25	909	14,243	78.57%
Apr-10	302	62	12	376	14,619	80.64%
May-10	185	37	6	228	14,847	81.90%
Jun-10	183	43	7	233	15,080	83.19%
Jul-10	155	38	6	199	15,279	84.28%
Aug-10	318	81	13	412	15,691	86.56%
Sep-10	364	101	14	479	16,170	89.20%
Oct-10	281	84	11	376	16,546	91.27%
Nov-10	283	85	11	379	16,925	93.36%
Dec-10	300	76	9	385	17,310	95.49%
Jan-11	454	151	18	623	17,933	98.92%
Feb-11	636	228	25	889	18,822	103.83%
Mar-11 *	351	131	14	496	19,318	106.56%
	<u>\$ 16,863</u>	<u>\$ 1,806</u>	<u>\$ 649</u>	<u>\$ 19,318</u>		

* Through March 25, 2011.

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TABLE 7C - ACTUAL CASH FLOW 2007 DELINQUENT TAX REVOLVING FUND

Total Note Issue: \$11,000,000
 Total Tax Delinquency: \$17,374,724

	<u>Ad Valorem Taxes</u>	<u>Interest On Taxes</u>	<u>Penalties On Taxes</u>	<u>Total</u>	<u>Cumulative Total</u>	<u>Percentage Collected</u>
Mar-08	\$ 1,560	\$ 16	\$ 60	\$ 1,636	\$ 1,636	9.42%
Apr-08	1,137	22	44	1,203	2,839	16.34%
May-08	1,182	30	40	1,252	4,091	23.55%
Jun-08	1,718	68	67	1,853	5,944	34.21%
Jul-08	1,021	50	40	1,111	7,055	40.60%
Aug-08	943	56	38	1,037	8,092	46.57%
Sep-08	668	46	27	741	8,833	50.84%
Oct-08	530	42	21	593	9,426	54.25%
Nov-08	399	35	16	450	9,876	56.84%
Dec-08	613	60	24	697	10,573	60.85%
Jan-09	404	44	16	464	11,037	63.52%
Feb-09	1,440	172	57	1,669	12,706	73.13%
Mar-09	439	74	18	531	13,237	76.19%
Apr-09	333	59	13	405	13,642	78.52%
May-09	120	27	5	152	13,794	79.39%
Jun-09	240	56	10	306	14,100	81.15%
Jul-09	610	154	24	788	14,888	85.69%
Aug-09	325	87	13	425	15,313	88.13%
Sep-09	285	81	11	377	15,690	90.30%
Oct-09	37	11	1	49	15,739	90.59%
Nov-09	261	78	10	349	16,088	92.59%
Dec-09	320	99	13	432	16,520	95.08%
Jan-10	367	120	15	502	17,022	97.97%
Feb-10	337	114	13	464	17,486	100.64%
Mar-10	1,431	237	26	1,694	19,180	110.39%
Apr-10	57	22	2	81	19,261	110.86%
May-10	57	9	1	67	19,328	111.24%
Jun-10	35	15	1	51	19,379	111.54%
Jul-10	39	15	1	55	19,434	111.85%
Aug-10	40	16	2	58	19,492	112.19%
Sep-10	18	9	1	28	19,520	112.35%
	<u>\$ 16,966</u>	<u>\$ 1,924</u>	<u>\$ 630</u>	<u>\$ 19,520</u>		

TABLE 7D - ACTUAL CASH FLOW 2006 DELINQUENT TAX REVOLVING FUND

Total Note Issue: \$11,000,000
 Total Tax Delinquency: \$15,437,563

	<u>Ad Valorem Taxes</u>	<u>Interest On Taxes</u>	<u>Penalties On Taxes</u>	<u>Total</u>	<u>Cumulative Total</u>	<u>Percentage Collected</u>
Mar-07	\$ 1,739	\$ 18	\$ 66	\$ 1,823	\$ 1,823	11.81%
Apr-07	995	18	38	1,051	2,874	18.62%
May-07	1,174	31	41	1,246	4,120	26.69%
Jun-07	1,199	47	47	1,293	5,413	35.06%
Jul-07	1,031	43	34	1,108	6,521	42.24%
Aug-07	759	45	30	834	7,355	47.64%
Sep-07	585	40	23	648	8,003	51.84%
Oct-07	674	54	27	755	8,758	56.73%
Nov-07	817	71	32	920	9,678	62.69%
Dec-07	425	42	17	484	10,162	65.83%
Jan-08	551	60	22	633	10,795	69.93%
Feb-08	1,765	212	69	2,046	12,841	83.18%
Mar-08	210	44	9	263	13,104	84.88%
Apr-08	183	37	7	227	13,331	86.35%
May-08	184	40	7	231	13,562	87.85%
Jun-08	235	55	9	299	13,861	89.79%
Jul-08	126	30	5	161	14,022	90.83%
Aug-08	231	56	9	296	14,318	92.75%
Sep-08	257	73	11	341	14,659	94.96%
Oct-08	166	49	7	222	14,881	96.39%
Nov-08	193	61	8	262	15,143	98.09%
Dec-08	239	72	8	319	15,462	100.16%
Jan-09	418	140	16	574	16,036	103.88%
Feb-09	407	144	16	567	16,603	107.55%
Mar-09	318	119	13	450	17,053	110.46%
Apr-09	52	17	1	70	17,123	110.92%
May-09	17	7	1	25	17,148	111.08%
Jun-09	17	7	1	25	17,173	111.24%
Jul-09	16	6	-	22	17,195	111.38%
Aug-09	56	22	2	80	17,275	111.90%
Sep-09	400	7	16	423	17,698	114.64%
	<u>\$ 15,439</u>	<u>\$ 1,667</u>	<u>\$ 592</u>	<u>\$ 17,698</u>		

TABLE 8 - TAX SALES – LAST FOUR FISCAL YEARS

	Fiscal Year Ending September 30			
	2010	2009	2008	2007
<u>Cities</u>				
Montague	\$ 2.00	\$ -	\$ -	\$ -
Muskegon	197,225.00	116,685.04	140,524.86	91,875.64
Muskegon Heights	87,327.00	74,957.55	68,103.00	116,131.13
North Muskegon	-	-	-	-
Norton Shores	1,702.00	45,970.00	21,750.00	23,134.46
Roosevelt Park	3,450.00	-	-	-
Whitehall	1.00	-	-	-
Total Cities	<u>\$ 289,707.00</u>	<u>\$ 237,612.59</u>	<u>\$ 230,377.86</u>	<u>\$ 231,141.23</u>
<u>Townships</u>				
Blue Lake	\$ 2.00	\$ 5,801.00	\$ 3,700.00	\$ 4,542.11
Casnovia	-	-	-	-
Cedar Creek	2,700.00	2,200.00	-	874.05
Dalton	5,554.09	24,381.08	6,362.40	11,050.87
Egelston	4,150.00	8,181.00	300.00	1,081.80
Fruitland	1.00	1,200.00	-	7,714.74
Fruitport	1.00	15,889.27	-	4,200.00
Holton	-	-	200.00	2,200.00
Laketon	2,402.00	90.00	400.00	-
Montague	-	2,650.00	10.00	-
Moorland	1.00	1,610.00	-	-
Muskegon	4,655.00	14,351.00	17,401.00	2,543.50
Ravenna	-	-	3,348.69	-
Sullivan	1.00	-	-	150.00
White River	-	-	-	-
Whitehall	-	-	300.00	-
Total Townships	<u>\$ 19,467.09</u>	<u>\$ 76,353.35</u>	<u>\$ 32,022.09</u>	<u>\$ 34,357.07</u>
<u>Villages</u>				
Casnovia	\$ -	\$ -	\$ -	\$ -
Fruitport	-	-	-	-
Lakewood	4,152.72	1,634.62	6,350.00	984.00
Ravenna	5,940.98	-	-	-
Total Villages	<u>\$ 10,093.70</u>	<u>\$ 1,634.62</u>	<u>\$ 6,350.00</u>	<u>\$ 984.00</u>
Total All Units	<u><u>\$ 319,267.79</u></u>	<u><u>\$ 315,600.56</u></u>	<u><u>\$ 268,749.95</u></u>	<u><u>\$ 266,482.30</u></u>

TABLE 9 - CHARGEBACKS – UNPAID TAXES – LAST FOUR FISCAL YEARS

	Fiscal Year Ending September 30			
	2010	2009	2008	2007
<u>Cities</u>				
Muskegon	\$121,704.97	\$ 54,179.94	\$ 65,854.94	\$ 43,506.20
Muskegon Hts.	207,617.06	88,943.68	42,061.57	29,699.47
Montague	8,478.78	-	-	-
Whitehall	6,895.90	-	-	-
Roosevelt Park	1,285.00	-	-	-
Norton Shores	15,847.41	10,423.77	3,974.59	-
Total Cities	<u>\$361,829.12</u>	<u>\$ 153,547.39</u>	<u>\$ 111,891.10</u>	<u>\$ 73,205.67</u>
 <u>Townships</u>				
Blue Lake	\$ 58.44	\$ 9,211.75	\$ 14.57	\$ 9,380.70
Cedar Creek	2,650.65	554.13	-	-
Dalton	10,802.54	7,676.15	72.35	18,866.23
Fruitport	3,035.45	4,728.81	-	-
Montague	-	924.16	9.93	-
Moorland	2,396.02	771.03	-	-
Muskegon	16,737.53	6,314.77	5,689.88	8,231.07
Whitehall	-	-	1.47	-
Fruitland	63.90	207.61	-	-
Holton	-	-	437.31	-
Laketon	1,414.42	22.74	189.13	-
Sullivan	1,494.94	-	-	-
Egelston	(1,941.69)	2,402.64	13.32	-
Total Townships	<u>\$ 36,712.20</u>	<u>\$ 32,813.79</u>	<u>\$ 6,427.96</u>	<u>\$ 36,478.00</u>
 <u>Villages</u>				
Lakewood Club	\$ (882.95)	\$ 145.61	\$ 23.69	\$ -
Ravenna	(1,287.50)	-	-	-
Total Villages	<u>\$ (2,170.45)</u>	<u>\$ 145.61</u>	<u>\$ 23.69</u>	<u>\$ -</u>
 Total All Units	 <u><u>\$396,370.87</u></u>	 <u><u>\$ 186,506.79</u></u>	 <u><u>\$ 118,342.75</u></u>	 <u><u>\$ 109,683.67</u></u>

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ESTIMATED CASH FLOW ON 2010 DELINQUENT TAX NOTE ISSUE

Cumm Percent Collected	7.83%	15.24%	20.54%	30.82%	37.49%	42.52%	47.56%	50.54%	53.46%	57.43%	60.67%
Cumm Tax Collective	\$1,285,815	\$2,501,808	\$3,371,509	\$5,059,338	\$6,154,544	\$6,979,804	\$7,807,899	\$8,297,106	\$8,776,634	\$9,428,717	\$9,959,613

Date	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12
Monthly Collections	\$ 1,285,815	\$ 1,215,993	\$ 869,702	\$ 1,687,828	\$ 1,095,206	\$ 825,260	\$ 828,095	\$ 489,207	\$ 479,527	\$ 652,084	\$ 530,895
Prop Tax Admin Fee	43,780	48,640	34,788	67,513	43,808	33,010	33,124	19,568	19,181	26,083	21,236
Notes Proceeds	-	-	12,000,000	-	-	-	-	-	-	-	-
Interest on Taxes	11,090	24,320	26,091	67,513	54,760	49,516	57,967	39,137	43,157	65,208	58,398
Total Income	\$ 1,340,685	\$ 1,288,952	\$ 12,930,581	\$ 1,822,855	\$ 1,193,775	\$ 907,786	\$ 919,185	\$ 547,912	\$ 541,866	\$ 743,376	\$ 610,529
Note Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000,000	\$ -
Tax Payments to Muni's	-	-	15,217,986	-	-	-	-	-	-	-	-
Note Interest	-	-	-	-	-	-	-	-	-	88,333	-
Issuance Costs	-	-	27,000	-	-	-	-	-	-	-	-
Total Expenses	\$ -	\$ -	\$ 15,244,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,088,333	\$ -

ASSETS

Cash	\$ 1,340,685	\$ 2,629,637	\$ 315,232	\$ 2,138,086	\$ 3,331,861	\$ 4,239,647	\$ 5,158,833	\$ 5,706,745	\$ 6,248,611	\$ 2,903,653	\$ 3,514,183
Taxes Rec.	16,416,575	13,914,767	13,045,066	11,357,237	10,262,031	9,436,771	8,608,676	8,119,469	7,639,941	6,987,858	6,456,962
Total Assets	\$ 17,757,260	\$ 16,544,405	\$ 13,360,298	\$ 13,495,324	\$ 13,593,893	\$ 13,676,419	\$ 13,767,509	\$ 13,826,214	\$ 13,888,552	\$ 9,891,511	\$ 9,971,145

LIABILITIES

Note Payable	\$ -	\$ -	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 8,000,000	\$ 8,000,000
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Cumm Percent Collected	71.69%	73.81%	75.73%	76.66%	77.83%	78.82%	80.67%	83.01%	84.81%	86.54%	88.04%
Cumm Tax Collective	\$11,769,441	\$12,117,625	\$12,432,575	\$12,584,491	\$12,776,920	\$12,939,448	\$13,243,634	\$13,627,750	\$13,923,525	\$14,207,343	\$14,452,391

Date	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Monthly Collections	\$ 1,809,829	\$ 348,184	\$ 314,950	\$ 151,916	\$ 192,430	\$ 162,528	\$ 304,186	\$ 384,116	\$ 295,775	\$ 283,818	\$ 245,049
Prop Tax Admin Fee	72,393	13,927	12,598	6,077	7,697	6,501	12,167	15,365	11,831	11,353	9,802
Notes Proceeds	-	-	-	-	-	-	-	-	-	-	-
Interest on Taxes	217,179	67,896	66,139	34,181	46,183	41,445	82,130	109,473	88,732	89,403	80,866
Total Income	\$ 2,099,401	\$ 430,007	\$ 393,687	\$ 192,174	\$ 246,310	\$ 210,474	\$ 398,484	\$ 508,953	\$ 396,338	\$ 384,573	\$ 335,716
Note Principal	\$ -	\$ -	\$ -	\$ -	\$ 4,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000,000
Tax Payments to Muni's	-	-	-	-	-	-	-	-	-	-	-
Note Interest	-	-	-	-	60,000	-	-	-	-	-	35,000
Issuance Costs	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ 4,060,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,035,000

ASSETS

Cash	\$ 5,617,517	\$ 6,047,524	\$ 6,441,211	\$ 6,633,385	\$ 2,819,695	\$ 3,030,169	\$ 3,428,653	\$ 3,937,606	\$ 4,333,944	\$ 4,718,517	\$ 1,019,233
Taxes Rec.	4,647,134	4,298,950	3,984,000	3,832,084	3,639,655	3,477,127	3,172,941	2,788,825	2,493,050	2,209,232	1,964,184
Total Assets	\$ 10,264,651	\$ 10,346,474	\$ 10,425,212	\$ 10,465,469	\$ 6,459,350	\$ 6,507,295	\$ 6,601,593	\$ 6,726,431	\$ 6,826,994	\$ 6,927,749	\$ 2,983,417

LIABILITIES

Note Payable	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ -
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DEBT INFORMATION

TABLE 10 - DEBT STATEMENT

As of March 31, 2011

<u>County Credit Pledged</u>	<u>Gross</u>	<u>Self-supporting or paid directly by benefiting municipalities</u>	<u>Net</u>
General Obligation Tax Notes ⁽¹⁾	\$ 19,500,000	\$ 19,500,000	\$ -
General Obligation Limited Tax	7,140,000	-	7,140,000
Building Authority Unlimited Tax	6,770,000	-	6,770,000
Building Authority Limited Tax	11,120,000	-	11,120,000
Wastewater Limited Tax	40,600,604	40,600,604	-
Wastewater Revenue	58,241,710	58,241,710	-
Water Limited Tax	<u>20,810,000</u>	<u>20,810,000</u>	<u>-</u>
Total Direct Debt	<u>\$ 164,182,314</u>	<u>\$ 139,152,314</u>	<u>\$ 25,030,000</u>
<u>Overlapping Debt</u>			
Cities, Villages and Townships ⁽²⁾			\$ 88,265,000
School Districts ⁽²⁾			408,575,915
Intermediate School District ⁽²⁾			75,375
Libraries ⁽²⁾			1,065,000
Community Colleges ⁽²⁾			14,920,000
Michigan Transportation Fund Bonds			<u>800,000</u>
Total Overlapping Debt			<u>\$513,701,290</u>

(1) Includes the Notes.

(2) As reported by the Municipal Advisory Council of Michigan.

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TABLE 11 - DEBT RATIOS

Debt Ratios ⁽¹⁾	
Per Capita 2010 Taxable Value (\$4,564,760,559)	\$ 26,242
Per Capita 2010 State Equalized Valuation (\$5,221,199,500)	\$ 30,015
Per Capita 2010 True Cash Value (\$10,442,280,660)	\$ 60,030
Per Capita Gross Direct Debt	\$ 944
Per Capita Net Direct Debt	\$ 144
Per Capita Gross Direct and Total Overlapping Debt	\$ 3,897
Percent of Gross Direct Debt to 2010 Taxable Value	3.60%
Percent of Net Direct Debt to 2010 Taxable Value	0.55%
Percent of Gross Direct Debt to 2010 True Cash Value	14.85%
Percent of Gross Direct Debt to 2010 State Equalized Valuation	3.14%
Percent of Net Direct Debt to 2010 State Equalized Valuation	0.48%
Percent of Gross Direct Debt to 2010 True Cash Value	12.98%
Percent of Gross Direct Debt to 2010 True Cash Value	1.57%
Percent of Net Direct Debt to 2010 True Cash Value	0.24%
Percent of Gross Direct Debt to 2010 True Cash Value	6.49%

(1) Per capita ratios calculated utilizing the U.S. Census 2009 population estimate (173,951).

PAYMENT RECORD

The County has no record of default.

ANTICIPATED ISSUANCE OF ADDITIONAL DEBT

The County anticipates the issuance of wastewater system revenue bonds for the purpose of refunding of existing revenue bonds.

The County may issue additional debt in response to request by local units.

TABLE 12 - STATEMENT OF LEGAL DEBT MARGIN

2010 State Equalized Value	\$ 5,221,199,500
Debt limit - 10% of State Equalized Valuation	522,119,950
Amount of Direct Debt Outstanding ⁽¹⁾	\$ 164,182,314
Total Existing Net Direct Debt Applicable to Debt Limit	\$ 164,182,314
Additional Legal Debt Capacity	\$ 357,937,636

(1) Includes the Notes.

TABLE 13 – SCHEDULE OF BOND MATURITIES

Fiscal Year Ending 9/30	Limited Tax General Obligation Notes ⁽¹⁾	Limited Tax General Obligation Bonds	Unlimited Tax Building Authority Bonds	Limited Tax Building Authority Bonds	Wastewater Limited Tax Bonds ⁽²⁾	Wastewater Revenue Bonds ⁽²⁾	Water Limited Tax Bonds	Michigan Transportation Fund Notes ⁽³⁾
2011	\$ 7,500,000	\$ -	\$ 1,035,000	\$ 435,000	\$ 1,385,000	\$ 3,029,000	\$ 840,000	\$ 200,000
2012	11,500,000	285,000	1,080,000	270,000	1,420,000	3,075,000	920,000	200,000
2013	4,000,000	200,000	1,110,000	555,000	1,465,000	3,135,000	960,000	200,000
2014	-	200,000	1,145,000	575,000	1,510,000	3,185,000	970,000	200,000
2015	-	200,000	1,180,000	600,000	1,545,000	3,240,000	1,015,000	-
2016	-	200,000	1,220,000	620,000	1,595,000	3,285,000	1,050,000	-
2017	-	275,000	-	650,000	1,645,000	3,345,000	1,100,000	-
2018	-	290,000	-	675,000	1,695,000	3,400,000	1,170,000	-
2019	-	300,000	-	700,000	1,745,000	3,455,000	1,215,000	-
2020	-	300,000	-	730,000	1,795,000	3,519,287	1,260,000	-
2021	-	300,000	-	755,000	1,850,000	3,485,000	765,000	-
2022	-	310,000	-	785,000	1,910,000	3,540,000	795,000	-
2023	-	390,000	-	265,000	1,975,000	3,600,000	745,000	-
2024	-	400,000	-	280,000	2,040,000	3,665,000	775,000	-
2025	-	400,000	-	295,000	2,105,000	3,725,000	815,000	-
2026	-	410,000	-	310,000	2,170,000	3,795,000	845,000	-
2027	-	490,000	-	325,000	2,195,604	2,787,865	885,000	-
2028	-	500,000	-	340,000	1,285,000	1,055,558	930,000	-
2029	-	500,000	-	355,000	875,000	-	975,000	-
2030	-	590,000	-	370,000	920,000	-	345,000	-
2031	-	600,000	-	390,000	965,000	-	365,000	-
2032	-	-	-	410,000	1,010,000	-	380,000	-
2033	-	-	-	430,000	1,065,000	-	400,000	-
2034	-	-	-	-	1,115,000	-	420,000	-
2035	-	-	-	-	1,175,000	-	440,000	-
2036	-	-	-	-	1,235,000	-	460,000	-
2037	-	-	-	-	1,305,000	-	485,000	-
	<u>\$ 23,000,000</u>	<u>\$ 7,140,000</u>	<u>\$ 6,770,000</u>	<u>\$ 11,120,000</u>	<u>\$ 40,995,604</u>	<u>\$ 58,321,710</u>	<u>\$ 21,325,000</u>	<u>\$ 800,000</u>

(1) Includes the Notes.

(2) Includes only the maturities applicable to current draws on the bonds sold to the Michigan Finance Authority.

(3) The County's credit is not pledged to the payment of the Michigan Transportation Fund Notes.

MUSKEGON COUNTY TOTAL DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Total Direct Debt Service Requirements ⁽¹⁾				The Notes ⁽³⁾			Self-Supporting Debt						Net General Obligation	% of Principal Retired
								Less: Delinquent Tax Notes	Less: Wastewater System No. 1	Less: Wastewater System No. 2	Less: Wastewater Mgmt System	Less: Water System No. 1	Less: Water Supply Mgmt System		
	Principal	Interest	Subsidy ⁽²⁾	Total D/S	Principal	Interest	Total D/S	Debt Service ⁽⁴⁾	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	
2011	\$ 14,224,000	\$ 5,349,112	\$ (281,799)	\$ 19,291,313	\$ -	\$ -	\$ -	\$ 7,626,742	\$ 2,336,097	\$ 4,679,665	\$ 445,001	\$ 401,809	\$ 1,248,421	\$ 2,553,578	
2012	10,550,000	4,930,853	(219,477)	15,261,376	8,000,000	148,333	8,148,333	11,673,708	2,331,235	4,636,043	446,801	500,850	1,249,306	2,571,766	
2013	7,425,000	4,689,461	(211,871)	11,902,591	4,000,000	35,000	4,035,000	4,035,000	2,335,466	4,608,296	448,201	508,150	1,253,898	2,748,579	
2014	7,585,000	4,459,075	(205,598)	11,838,478	-	-	-	-	2,338,604	4,569,265	449,201	491,150	1,247,268	2,742,991	
2015	7,780,000	4,223,203	(199,325)	11,803,878	-	-	-	-	2,330,754	4,534,071	449,801	499,300	1,249,406	2,740,546	35.31%
2016	7,970,000	3,973,841	(193,052)	11,750,789	-	-	-	-	2,331,997	4,486,527	455,001	501,850	1,245,208	2,730,205	
2017	7,015,000	3,713,434	(185,602)	10,542,832	-	-	-	-	2,337,041	4,451,843	454,601	508,950	1,249,529	1,540,868	
2018	7,230,000	3,485,816	(176,742)	10,539,074	-	-	-	-	2,335,885	4,410,405	458,801	535,450	1,252,139	1,546,393	
2019	7,415,000	3,249,103	(167,489)	10,496,613	-	-	-	-	2,338,529	4,365,980	457,401	535,750	1,253,486	1,545,468	
2020	7,604,287	3,006,212	(158,080)	10,452,419	-	-	-	-	2,334,866	4,329,558	460,601	535,600	1,253,415	1,538,379	57.39%
2021	7,155,000	2,756,869	(148,670)	9,763,198	-	-	-	-	2,334,979	4,193,126	462,891	-	1,247,024	1,525,179	
2022	7,340,000	2,518,349	(139,104)	9,719,245	-	-	-	-	2,338,282	4,146,926	464,079	-	1,244,143	1,525,815	
2023	6,975,000	2,269,714	(128,126)	9,116,588	-	-	-	-	2,344,650	4,104,442	464,204	-	1,161,088	1,042,205	
2024	7,160,000	2,028,411	(115,737)	9,072,674	-	-	-	-	2,344,382	4,065,629	468,673	-	1,157,828	1,036,162	
2025	7,340,000	1,778,490	(103,191)	9,015,299	-	-	-	-	2,346,991	4,020,279	466,798	-	1,162,203	1,019,028	78.71%
2026	7,530,000	1,521,021	(90,488)	8,960,533	-	-	-	-	2,342,460	3,983,520	469,248	-	1,154,503	1,010,803	
2027	6,683,469	1,253,057	(76,374)	7,860,153	-	-	-	-	2,296,714	2,868,047	470,593	-	1,154,847	1,069,952	
2028	4,110,558	1,023,901	(60,848)	5,073,611	-	-	-	-	1,313,631	1,074,816	470,813	-	1,157,875	1,056,476	
2029	2,705,000	845,627	(45,166)	3,505,462	-	-	-	-	1,315,156	-	-	-	1,158,822	1,031,484	
2030	2,225,000	714,410	(28,072)	2,911,338	-	-	-	-	1,319,194	-	-	-	498,297	1,093,847	92.50%
2031	2,320,000	590,038	(9,410)	2,900,629	-	-	-	-	1,320,603	-	-	-	501,650	1,078,376	
2032	1,800,000	481,388	-	2,281,388	-	-	-	-	1,319,931	-	-	-	498,956	462,500	
2033	1,895,000	389,253	-	2,284,253	-	-	-	-	1,326,947	-	-	-	500,431	456,875	
2034	1,535,000	292,491	-	1,827,491	-	-	-	-	1,326,534	-	-	-	500,956	-	
2035	1,615,000	216,081	-	1,831,081	-	-	-	-	1,331,375	-	-	-	499,706	-	97.93%
2036	1,695,000	132,769	-	1,827,769	-	-	-	-	1,331,125	-	-	-	496,644	-	
2037	1,790,000	45,053	-	1,835,053	-	-	-	-	1,337,625	-	-	-	497,428	-	100.00%
	<u>\$ 156,672,314</u>	<u>\$ 59,937,031</u>	<u>\$(2,944,217)</u>	<u>\$ 213,665,128</u>	<u>\$ 12,000,000</u>	<u>\$ 183,333</u>	<u>\$ 12,183,333</u>	<u>\$ 23,335,450</u>	<u>\$ 52,941,052</u>	<u>\$ 73,528,438</u>	<u>\$ 8,262,709</u>	<u>\$ 5,018,859</u>	<u>\$ 27,094,478</u>	<u>\$ 35,667,475</u>	

- (1) Excludes the Michigan Transportation Fund Notes. The Notes issued through the Michigan Finance Authority show only the principal amounts currently outstanding.
- (2) The Limited Tax General Obligation Capital Improvement Notes, Series 2010 were issued as Recovery Zone Economic Development Notes (Build America Bonds) with a 45% interest subsidy from the United States Treasury.
- (3) Preliminary, subject to change.
- (4) Includes the Notes.

OVERLAPPING DEBT STATEMENT AS REPORTED BY THE MUNICIPAL ADVISORY COUNCIL OF MICHIGAN

As of March 31, 2011

<u>School Districts</u>		<u>Net Tax- Supported Debt</u>	<u>County's Share</u>
3.14%	Coopersville	\$ 84,819,780	\$ 2,663,341
1.39%	Freemont	54,890,000	762,971
85.08%	Fruitport	23,750,000	20,206,500
5.67%	Grand Haven	50,970,000	2,889,999
15.96%	Grant Newaygo	8,505,000	1,357,398
93.44%	Holton	16,888,339	15,780,464
17.84%	Kent City	23,949,563	4,272,602
100.00%	Mona Shores	35,785,000	35,785,000
67.37%	Montague	52,960,079	35,679,205
100.00%	Muskegon	34,275,000	34,275,000
100.00%	Muskegon Heights	27,536,938	27,536,938
100.00%	North Muskegon	21,443,543	21,443,543
99.81%	Oakridge	23,292,517	23,248,261
100.00%	Orchard View	47,194,572	47,194,572
87.96%	Ravenna	28,390,061	24,971,898
100.00%	Reeths Puffer	67,593,030	67,593,030
100.00%	Whitehall	42,915,193	42,915,193
		<u>\$ 645,158,615</u>	<u>\$ 408,575,915</u>
<u>Cities</u>			
100.00%	Montague	\$ 2,115,590	\$ 2,115,590
100.00%	Muskegon	18,383,037	18,383,037
100.00%	Muskegon Heights	2,444,312	2,444,312
100.00%	North Muskegon	1,071,975	1,071,975
100.00%	Norton Shores	5,241,231	5,241,231
100.00%	Roosevelt Park	2,920,502	2,920,502
100.00%	Whitehall	1,595,692	1,595,692
		<u>\$ 33,772,339</u>	<u>\$ 33,772,339</u>

<u>Townships</u>	<u>Net Tax- Supported Debt</u>	<u>County's Share</u>
100.00% Blue Lake	\$ -	\$ -
100.00% Casnovia	-	-
100.00% Cedar Creek	-	-
100.00% Dalton	6,614,462	6,614,462
100.00% Egelston	2,182,465	2,182,465
100.00% Fruitland	3,843,750	3,843,750
100.00% Fruitport	4,518,001	4,518,001
100.00% Holton	70,000	70,000
100.00% Laketon	9,876,165	9,876,165
100.00% Montague	-	-
100.00% Moorland	-	-
100.00% Muskegon	26,469,908	26,469,908
100.00% Ravenna	-	-
100.00% Sullivan	-	-
100.00% White River	-	-
100.00% Whitehall	<u>917,909</u>	<u>917,909</u>
	\$ 54,492,660	\$ 54,492,660
<u>Villages</u>		
50.00% Casnovia	\$ -	\$ -
100.00% Fruitport	-	-
100.00% Lakewood Club	-	-
100.00% Ravenna	<u>-</u>	<u>-</u>
	\$ -	\$ -
<u>Intermediate School District</u>		
0.15% Kent ISD	\$ -	\$ -
95.18% Muskegon ISD	-	-
3.16% Newaygo ISD	-	-
1.25% Ottawa ISD	<u>6,030,000</u>	<u>75,375</u>
	\$ 6,030,000	\$ 75,375
<u>Community College</u>		
100.00% Muskegon Community College	<u>14,920,000</u>	<u>14,920,000</u>
	\$ 14,920,000	\$ 14,920,000
<u>Library</u>		
100.00% White Lake District Library	<u>1,065,000</u>	<u>1,065,000</u>
		\$ 1,065,000
	TOTAL	<u><u>\$512,901,289</u></u>

PENSION FUND

OTHER POST EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION...The County has a defined benefit postemployment healthcare plan for its employees that provides health and dental benefits to its retired employees and beneficiaries that commenced on October 1, 2006. The plan is administered by the Municipal Employees Retirement System (MERS), an agent multiple employer postemployment healthcare plan. MERS issues a publicly available financial report that includes financial statements and required information for the County.

FUNDING POLICY... Retired employees are required to contribute from 0-100% of the monthly medical and dental premiums based on their eligible years of service at time of retirement. Retires employees pay the full cost for spousal or family coverage. The County is required to contribute the annual required contribution of the employer (ARC) at an actuarially determined rate as required by the parameters within GASB Statement 45. 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 30 years. The current ARC rate is 14.7% of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the County Board of Commissioners.

ANNUAL OPEB COST... For 2010 the County's annual OPEB cost was \$6,502,590 with the full amount being paid. The required contribution was determined as part of the December 31, 2007 actuarial valuation, using the entry age normal actuarial cost method. The actuarial assumptions include: a) 8% Investment Rate of Return (net of administrative expenses) and b) projected salary increases of 4.5-12.9% per year. The actuarial value of the County's OPEB plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The County's unfunded actuarial accrued liability is being amortized as a level percent of payroll over the next 26 years. The amortization period is closed. The net OPEB obligation for 2010 was as follows (dollar amounts are in thousands):

Period Ending	OPEB Cost (ARC)	% of ARC Contributed	Obligation
9/30/2008	\$ 7,584	100%	\$ -
9/30/2009	6,818	100%	-
9/30/2010	6,502	100%	-

The schedule of funding progress, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The actuarial valuation is completed every two years.

Analysis of Funding Progress

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded (Overfunded) Actuarial Liability	Annual Covered Payroll	Ratio of Unfunded (Funding Excess) to Covered Payroll
12/31/2005	\$ 13,842,778	\$ 90,915,056	15.23%	\$ 77,072,278	\$ 44,152,941	174.56%
12/31/2007	19,886,261	91,103,381	21.83%	71,217,120	46,309,080	153.79%
12/31/2009	25,682,655	92,999,977	27.62%	67,317,322	45,503,711	147.94%

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 employees, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to nominal revision as actual results are compared with past expectations and new estimates are made about the future.

ACTUARIAL METHODS AND ASSUMPTIONS... Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

PENSION FUND (MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN)

<u>Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Unfunded (Overfunded) Actuarial Liability</u>	<u>Annual Covered Payroll</u>	<u>Ratio of Unfunded (Funding Excess) to Covered Payroll</u>
12/31/2007	\$ 161,096,222	\$ 188,720,415	85.36%	\$ 27,624,193	\$ 46,309,080	59.65%
12/31/2008	165,135,098	201,704,111	81.87%	36,569,013	47,382,743	77.18%
12/31/2009	168,849,136	205,371,215	82.22%	36,522,079	45,503,711	80.26%

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OTHER FINANCIAL INFORMATION

FINANCIAL MANAGEMENT

The County's Comprehensive Annual Financial Report is audited annually. The report for the period ending September 30, 2010 was audited by Rehmann Robson, an independent firm of certified public accountants. The financial statements of the county are prepared in compliance with applicable state statutes and generally accepted accounting principles as stated in Governmental Accounting, Auditing and Financial Reporting (GAAFR).

The Governmental Finance Officers Association of the United States and Canada (GFOA) first awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Muskegon, Michigan, for its annual financial report for the fiscal year ended December 31, 1976. The county has been awarded the certificate for each fiscal year since.

INVESTMENT POLICY

The County of Muskegon invests its idle and surplus funds strictly according to State Statute, Act 20 of Public Acts of 1943, as amended. The pertinent portion of the act is as follows:

(1) Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in 1 or more of the following:

(a) Notes, securities, and other obligations of the United States or an agency or instrumentality of the United States.

(b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2), or certificates of deposit obtained through a financial institution as provided in subsection (5).

(c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

(d) Repurchase agreements consisting of instruments listed in subdivision (a).

(e) Bankers' acceptances of United States banks.

(f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

(g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:

(i) The purchase of securities on a when-issued or delayed delivery basis'

(ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of securities loaned.

(iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

(h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

(i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.

(j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Muskegon County Board of Commissioners has authorized the Muskegon County Treasurer to invest its idle or surplus funds according to state law.

CONTINUING DISCLOSURE

Prior to the delivery of the Notes, the County will execute a Continuing Disclosure Undertaking (the “Undertaking”), for the benefit of the Noteholders or beneficial owners, to send certain financial information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of the Securities and Exchange Commission’s Rule 15c2-12 as adopted under the Securities and Exchange Act of 1934. See APPENDIX E – FORM OF CONTINUING DISCLOSURE UNDERTAKING.

ANNUAL REPORTS. . . The County will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement under Tables numbered 1 through 13 and in Appendix C. The County will update and provide this information within six months after the end of each fiscal year ending in or after 2011.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation.

The County’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS. . . The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event) as described in the Form of Continuing Disclosure Undertaking in Appendix E.

AVAILABILITY OF INFORMATION. . . In connection with its continuing disclosure agreement entered into with respect to the Notes, the County will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the County has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

LEGALITY AND NOTES COUNSEL RESPONSIBILITIES

The approving opinion of Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, will be furnished without expense to the original purchaser of the Notes and a copy of the opinion will be provided with the Notes. The fees of Miller, Canfield, Paddock and Stone, P.L.C., for services rendered in connection with such approving opinion may be paid from the note proceeds. Except to the extent necessary to issue their approving opinion as to the validity of the above Notes, Miller, Canfield, Paddock and Stone, P.L.C., has made no inquiry as to any such financial information, statements or materials contained in the Official Statement or otherwise relating to the Notes and has not independently verified any financial information, statements or materials that have been or may be furnished in the connection with the authorization, issuance or marketing of Notes, and accordingly, will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

TAX STATUS

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Note Counsel, based on their examination of the documents described in their opinions, under existing law as presently interpreted, the interest on the Notes is includable in gross income for federal income tax purposes.

Note Counsel are further of the opinion that under existing law as presently interpreted, the Notes and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except for estate and inheritance

taxes, and taxes on gains realized from the sale, payment or other disposition thereof.

LITIGATION

The County of Muskegon Corporate Counsel advised that the County is involved in a number of law suits and claims arising out of the normal course of county operations. Most of these claims are covered by insurance placed with private carriers requiring a \$50,000 deductible for which the County has established ample reserves. In their opinion, an adverse outcome in one or all of these cases would not have a material impact on the County's financial condition. They also advise that there is no litigation pending or threatened that would affect the County's ability to issue the County of Muskegon \$12,000,000 General Obligation Limited Tax Notes, Series 2010.

RATINGS

The County's existing long term limited tax debt is rated "AA" by Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P"). An application for a contract rating on the Notes has been made to S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Notes.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the County in connection with the issuance of the Notes, and has assisted in the preparation of this Official Statement. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. First Southwest Company, in its capacity as Financial Advisor to the County, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the County has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the County, that are not purely historical, are forward-looking statements, including statements regarding the County's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. The County's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the County's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinance authorizing the issuance of the Notes also approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Notes by the Underwriters.

ATTEST:

Tony Moulatsiotis
Muskegon County, Treasurer

Bonnie Hammersley
Muskegon County Administrator

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APPENDIX A
GENERAL INFORMATION REGARDING THE COUNTY

MUSKEGON COUNTY LOCATION AND DESCRIPTION

Muskegon County is located on the west shore in the central portion of Michigan's Lower Peninsula and has 25 miles of Lake Michigan shoreline. Muskegon Lake serves as a deep water harbor and is connected to Lake Michigan by a navigable channel 6,050 feet long, 240 feet wide and a depth of 27 feet. There are six berths and warehousing facilities available for ocean vessels. The County encompasses an area of 527 square miles of relatively flat terrain. There are 16 townships and 7 incorporated cities within the corporate boundaries of the County.

The County's legislative body is a nine member Board of Commissioners who are elected for two year terms on a district basis determined by population, representing all geographical areas within the County. The Commissioners elect a Chairperson and a Vice Chairperson from within their ranks. The administration of the County is vested in a county administrator who is the chief administrative official of the County.

MISCELLANEOUS STATISTICAL DATA

Voter Registration and Participation

Number of registered voters in 2008	132,844
Notes cast in last general election	84,854
Percentage voters voting in last general election	64%

Source: Muskegon County Clerk

Census Data

Population, 1990 U.S. Census	158,983
Population, 2000 U.S. Census	170,200
Population, 2009 U.S. Census Estimate	173,951

Source: U.S. Census Bureau.

Age Distribution of Population (2000 Census)

<u>Age</u>	<u>Male</u>	<u>%</u>	<u>Female</u>	<u>%</u>	<u>Total</u>	<u>%</u>
0 to 4 Years	6,071	7.2%	5,604	6.5%	11,675	6.9%
5 to 9 Years	6,920	8.2%	6,387	7.4%	13,307	7.8%
10 to 19 Years	13,760	16.3%	12,702	14.8%	26,462	15.5%
20 to 44 Years	29,196	34.6%	30,387	35.4%	59,583	35.0%
45 to 64 Years	19,480	23.1%	17,806	20.7%	37,286	21.9%
Over 65 Years	8,932	10.6%	12,955	15.2%	21,887	12.9%
Totals	84,359	100.0%	85,841	100.0%	170,200	100.0%

Source: 2000 U.S. Census.

Unemployment Statistics (as reported by the State of Michigan)

<u>Year</u>	<u>Average Annual Unemployment Rate</u>		
	<u>Muskegon Co.</u>	<u>Michigan</u>	<u>U.S.A.</u>
2011*	11.3%	11.0%	9.5%
2010	13.4%	12.5%	9.6%
2009	14.4%	13.3%	9.3%
2008	8.5%	8.3%	5.8%
2007	7.0%	7.1%	4.6%

* 2011 Data is for February 2011; latest information available.

Major Employers

According to County officials, the top 10 employers in the County as of 2010 are as follows:

<u>Name</u>	<u>Industry</u>	<u>Approx. Number of Employees</u>
Howmet Corporation	Aerospace and Precision Castings	2,420
Mercy Health Partners	Healthcare	1,714
Muskegon Public Schools	Education	1,118
County of Muskegon	Government	1,046
SD Warren Co.	Paper Mill Manufacturers	615
L3 Communications	Defense Contractor	600
Lift-Tech International Inc.	Hoist Manufacturer	500
Wesco, Inc.	Retail	500
Johnson Technology, Inc.	Aerospace Manufacturing	480
Eagle Group	Precision Castings	430

Labor Characteristics (as of the 2000 U.S. Census)

<u>Occupation</u>	<u>Number of Employees</u>
Management, professional and related occupations	18,682
Service occupations	12,002
Sales and office occupations	19,211
Farming, forestry and fishing occupations	349
Construction, extraction and maintenance occupations	6,730
Production, transportation and material moving occupations	19,814
	<u>76,788</u>

<u>Industry</u>	<u>Number of Employees</u>
Agriculture, forestry, fishing, hunting and mining	566
Construction	4,455
Manufacturing	23,402
Wholesale trade	2,025
Retail trade	10,202
Transportation and warehousing, and utilities	2,230
Information	1,303
Finance, insurance, real estate, rental and leasing	2,875
Professional, scientific, management, administrative and waste management services	3,853
Educational, health and social services	13,960
Arts, entertainment, recreation, accomodation and food services	5,491
Other professional and related services	3,682
Public Administration	2,744
	<u>76,788</u>

Income Characteristics

According to the 2000 Census, there were 63,491 households in the County which had a median household income of \$38,008. A breakdown of the income for the County's households was as follows:

<u>Income of Households</u>	<u>Number of Households</u>
Less than \$10,000	5,805
\$10,000 to \$14,999	5,114
\$15,000 to \$24,999	9,030
\$25,000 to \$34,999	9,189
\$35,000 to \$49,999	11,404
\$50,000 to \$74,999	13,246
\$75,000 to \$99,999	5,542
\$100,000 to \$149,999	2,911
\$150,000 or more	1,250

Educational Characteristics

According to the 2000 U.S. Census, the educational characteristics of the County were as follows:

<u>Years of School Completed</u>	<u>% of Persons 25 and Over</u>
Less than 9th grade	4.7%
9th to 12th grade, no diploma	12.2%
High school graduate	35.5%
Some college, no degree	25.2%
Associate degree	8.6%
Bachelor's degree	9.4%
Graduate or professional degree	4.4%

The primary and secondary educational needs of the residents of the County are handled by the 12 public school districts.

“M-TEC” Muskegon Education and Training Center is operated by the Muskegon Public School System through the cooperation of the Michigan Employment Security Commission, provides a cooperative training program for disadvantaged persons for employment in the automotive, machine, welding, house repair, building maintenance, and clerical trade areas. The programs are funded through the Michigan Department of labor from the Federal government.

The Muskegon County Community College offers high education opportunities and offers two-year programs in a broad range of academic and vocational programs which are accepted by Michigan’s major colleges and universities.

The Muskegon Center for Higher Education, on campus at Muskegon Community College, houses an academic consortium consisting of Ferris State University, Grand Valley State University, Muskegon Community College, and Western Michigan University. The primary objective of the consortium is to offer a variety of baccalaureate degree completion courses at the junior and senior level and graduate programs in coordination with the cooperating institutions.

Baker College of Muskegon is a private, non-profit, self-supporting, co-educational institution serving the needs of industry through a comprehensive program of business education. The College is accredited by the North Central Association of Colleges and Schools and is approved by the Michigan State Board of Education to grant certifications, associate, bachelor, and master’s degrees in over 70 programs. Baker serves the needs of the community and employers through a comprehensive offering of business, medical, and technical education emphasizing practical, hands-on training in combination with meaningful work experience.

Grand Valley State University and Western Michigan University also offer degree credit classes at various locations throughout the County, providing education opportunities at both undergraduate and graduate levels.

UTILITIES AND PUBLIC SERVICES

Electric energy is provided by Consumers Energy. Consumers Energy owns and operated the B.C. Cobb plant, located in the County of Muskegon. The plant has a capacity of 288 net megawatts.

Natural gas service is provided by DTE Energy.

Telephone service is provided by Verizon. They maintain their Michigan headquarters in the County of Muskegon.

Sewage treatment is provided by the Muskegon county Wastewater Management System to sixteen contractual municipal and industrial users.

Solid Waste facilities are provided by the Muskegon county Solid Waste Facility.

The Muskegon Area Transit System (MATS) operated by the County of Muskegon, provides metropolitan public transit services to the community.

The Muskegon County Airport, owned and operated by the County of Muskegon, provides air passenger and freight service for the region. It is currently served by United Airlink.

BANKING

The banking needs of the County’s residents are served by the following banks, all of which have branches located in the County.

Choice One Bank	The Huntington National Bank
Citizens Bank	JPMorgan Chase Bank
Comerica Bank	Muskegon Commerce Bank
Community Shores Bank	PNC Bank
Fifth Third Bank	The Shelby Bank
Flagstar Bank, FSB	Independent Bank
State Farm Bank	Bank of America
Bank One Michigan	

COUNTY OF MUSKEGON LABOR AGREEMENTS

	<u>Expiration Date of Current Contracts</u>
Local 517M, Service Employees International, AFL-CIO, Professional and Clerical Division: Public Works Unit	9/30/11
Local 79, Service Employees Internal Union: Brookhaven Practical Nurses Unit	9/30/10*
Local 570, Council 25, American Federation of State, County and Municipal Employees, AFL-CIO: Brookhaven Employees	9/30/10*
Teamsters Local 214, affiliated with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America: Sherriff Corrections Officers	9/30/11
Sheriff Deputies	9/30/11
Sheriff Command Officers	9/30/11
District Court Employees	9/30/10*
General Employees Unit	9/30/11

CMH Aide Unit
Child Haven/Juvenile Detention Center Hourly Unit
Transit Hourly Unit

9/30/11
Certified –No Contract
Certified– No Contract

Michigan Nurses Association
Public Health Nurses

9/30/10*

* In Negotiations

Source: Human Resources Department

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APPENDIX B
OFFICIAL NOTICE OF SALE

OFFICIAL NOTICE OF SALE
\$12,000,000
COUNTY OF MUSKEGON, STATE OF MICHIGAN
GENERAL OBLIGATION LIMITED TAX NOTES, SERIES 2010

SEALED BIDS for the purchase of the above notes will be received by the undersigned at the office of the Muskegon County Treasurer located at 173 East Apple Avenue, Suite 104, Muskegon, MI 49442, on Tuesday, the 19th day of April, 2011, until 10:00 o'clock a.m., Eastern Daylight Time, at which time and place said bids will be publicly opened and read. Sealed bids will also be received on the same date and until the same time at the office of the Municipal Advisory Council of Michigan, 535 Griswold, Suite 1850, Detroit, MI 48226 (the "MAC"), where they will be publicly opened and read. The Notes will be awarded to the successful bidder on that date.

FAXED BIDS: Signed bids may be submitted by fax to the County at fax number (231) 724-6549, Attention: Mr. Tony V. Moulatsiotis, or to the MAC at (313) 963-0943; provided that faxed bids must arrive before the time of sale, the bidder bears all risks of transmission failure and the **GOOD FAITH DEPOSIT MUST BE MADE AND RECEIVED** as described in the section captioned "GOOD FAITH" below.

ELECTRONIC BIDS: Electronic bids will also be received on the same date and until the same time by Bidcomp/Parity as agent of the undersigned. Further information about Bidcomp/Parity, including any fee charged, may be obtained from Bidcomp/Parity, Anthony Leyden or CLIENT SERVICES, 1359 Broadway, Second Floor, New York, New York 10018, (212) 849-5021. **IF ANY PROVISION OF THIS NOTICE OF SALE SHALL CONFLICT WITH INFORMATION PROVIDED BY BIDCOMP/PARITY, AS THE APPROVED PROVIDER OF ELECTRONIC BIDDING SERVICES, THIS NOTICE OF SALE SHALL CONTROL.**

Bidders may choose any means or location to present bids but a bidder may not present a bid in more than one location or by more than one means.

DISCLOSURE: The County will supply disclosure documentation in connection with the notes in accordance with Securities and Exchange Commission Rule 15c2-12 and the Interpretive Release thereunder, unless advised by note counsel that it is exempted therefrom. The purchaser of the notes may be required to provide certain certifications to note counsel to establish such exemption.

If not exempted from the above requirements, the County will provide a Preliminary Official Statement that the County deems to be final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission.

OFFICIAL STATEMENT: A preliminary Official Statement that the County deems to be final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, will be prepared and may be obtained from First Southwest Company, financial advisor to the County, at the address and telephone listed under **ADDITIONAL INFORMATION** below. First Southwest Company will provide the winning bidder with a reasonable number of final Official Statements within seven (7) business days from the date of sale to permit the purchaser to comply with Securities and Exchange Commission Rule 15c2-12. Additional copies of the

Official Statement will be supplied by First Southwest Company upon request and agreement by the purchaser to pay the cost of additional copies. The request for additional copies should be made to First Southwest Company within 24 hours of the time of sale.

NOTE DETAILS: Said notes will be registered notes of the denomination of \$5,000 or integral multiples thereof up to the amount of a single maturity, dated as of the date of delivery thereof, numbered in order of authentication, and will bear interest from their date payable on December 1, 2011, and semiannually thereafter.

The notes will mature on the first day of December and June, as follows:

<u>Year</u>	<u>Amount</u>
December 1, 2011	\$4,000,000
June 1, 2012	4,000,000
December 1, 2012	4,000,000

PRIOR REDEMPTION: The Notes shall not be subject to redemption prior to maturity.

INTEREST RATE AND BIDDING DETAILS: The notes shall bear interest at a rate or rates not exceeding 10% per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/20 of 1%, or both. The net interest cost shall not exceed 10% per annum. The interest on any one note shall be at one rate only. All notes maturing on the same date must carry the same interest rate. The difference between the highest and lowest interest rate on the notes shall not exceed five percent (5%). No proposal for the purchase of less than all of the notes at a price less than 100% of their par value will be considered.

TRANSFER AGENT AND REGISTRATION: Principal shall be payable at U.S. Bank National Association, Grand Rapids, Michigan, or such other transfer agent as the Treasurer of the County may hereafter designate by notice mailed to the registered owner not less than sixty (60) days prior to any interest payment date. Interest shall be paid by check mailed to the owner as shown by the registration books of the County on the fifteenth (15th) day of the month prior to any interest payment date. The notes will be transferable only upon the registration books of the County kept by the transfer agent.

PURPOSE AND SECURITY: The notes are issued under the provisions of Act 206, Public Acts of Michigan, 1893, as amended, and pursuant to resolution duly adopted by the Board of Commissioners of the County for the purpose of establishing a fund to pay the 2010 delinquent taxes on real property to the State of Michigan, the County and political subdivisions therein.

The notes are issued in anticipation of, and are payable primarily from the 2010 delinquent taxes described above, including interest and penalties thereon and certain administration fees, which amounts the County has pledged for payment of principal and interest on the notes.

As additional security for the payment of the notes and the interest thereon, the County has pledged its full faith and credit for the prompt payment thereof, and, should funds primarily pledged be insufficient for payment, the County is obligated to make such payment from general funds, including the collection of any taxes which it may levy within applicable statutory or constitutional limitations, as a first budget obligation, to the extent provided by law.

The rights or remedies of noteholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally now existing or hereafter enacted and by the application of general principles of equity including those relating to equitable subordination.

TAX MATTERS: In the opinion of note counsel, the notes will be exempt from taxation in the State of Michigan, subject to certain exceptions described in note counsel's opinion, BUT THE INTEREST THEREON WILL BE SUBJECT TO FEDERAL INCOME TAX.

GOOD FAITH: A good faith deposit in the form of a certified or cashier's check drawn upon an incorporated bank or trust company, or wire transfer, in the amount of \$240,000 payable to the order of the Treasurer of the County will be required of the successful bidder. The successful bidder is required to submit its good faith deposit to the County not later than Noon, Eastern Daylight Time, on the next business day following the sale. The good faith deposit will be applied to the purchase price of the notes. In the event the purchaser fails to honor its accepted bid, the good faith deposit will be retained by the County. No interest shall be allowed on the good faith check. The good faith check of the successful bidder will be cashed and payment for the balance of the purchase price of the notes shall be made at the closing.

AWARD OF NOTES-TRUE INTEREST COST: The notes will be awarded to the bidder whose bid produces the lowest true interest cost determined in the following manner: the lowest true interest cost will be the single interest rate (compounded on December 1, 2011 and semi-annually thereafter) necessary to discount the debt service payments from their respective payment date to April 29, 2011, in an amount equal to the price bid, excluding accrued interest.

LEGAL OPINION: Bids shall be conditioned upon the approving opinion of Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, a copy of which opinion will be furnished without expense to the purchaser of the notes at the delivery thereof. The fees of Miller, Canfield, Paddock and Stone, P.L.C., for services rendered in connection with such approving opinion may be paid from note proceeds. Except to the extent necessary to issue its approving opinion as to validity of the above notes, Miller, Canfield, Paddock and Stone, P.L.C., has made no inquiry as to any financial information, statements or materials contained in the Official Statement or otherwise relating to the notes and has not independently verified any such financial information, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the notes, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

DELIVERY OF NOTES The County will furnish notes ready for execution at its expense. Notes will be delivered without expense to the purchaser through DTC in New York, New York. The usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Notes, will be delivered at the time of delivery of the notes. If the notes are not tendered for delivery by Noon, Eastern Daylight Time, on the 45th day following the date of sale, or the first business day thereafter if said 45th day is not a business day, the successful bidder may on that day, or any time thereafter until delivery of the notes, withdraw its proposal by serving notice of cancellation, in writing, on the undersigned in which event the County shall promptly return the good faith deposit. Payment for the notes shall be made in Federal Reserve Funds.

CUSIP NUMBERS: CUSIP identification numbers will be printed on the notes, but neither the failure to print the number nor any error with respect thereto shall constitute cause for refusal by the purchaser to accept delivery of the notes. All expenses in relation to the printing of CUSIP numbers shall be paid for by the issuer except that the CUSIP Service Bureau charge for the assignment of numbers shall be the responsibility of and paid for by the purchaser.

ADDITIONAL INFORMATION: Additional information concerning the note issue may be obtained from the County's financial advisor, First Southwest Company, 325 North St. Paul Street, Suite 800, Dallas, TX 75201, Telephone: (214) 953-4000, Facsimile: (214) 953-4050 or from the County Treasurer at the address listed above (telephone 231-724-6261).

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.

ENVELOPES containing the bids should be plainly marked "Proposal for Notes".

TONY V. MOULATSIOTIS
Treasurer, County of Muskegon

18,962,802.1\063688-00065

OFFICIAL BID FORM

County Treasurer
County of Muskegon, Michigan

April 11, 2011

Reference is made to your Preliminary Official Statement and Official Notice of Sale of \$12,000,000 COUNTY OF MUSKEGON, STATE OF MICHIGAN, GENERAL OBLIGATION LIMITED TAX NOTES, SERIES 2010, both of which constitute a part hereof.

For your legally issued Notes, as described in said Official Notice of Sale and Bidding Instructions and Preliminary Official Statement, we will pay you _____% of par for Notes maturing and bearing interest as follows:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
12/1/2011	\$ 4,000,000	_____ %
6/1/2012	4,000,000	_____ %
12/1/2012	4,000,000	_____ %

Our calculation (which is not a part of this bid) of the true interest cost from the above is:

TRUE INTEREST COST _____ %

The Notes will be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

A bank cashier's check or certified check of the _____ Bank, _____, in the amount of \$240,000.00, which represents our Good Faith Deposit (is attached hereto), has been made available to you prior to the opening of this bid, or will be submitted in accordance with the terms as set forth in the Preliminary Official Statement and Official Notice of Sale.

We agree to accept delivery of the Notes utilizing the Book-Entry-Only System through DTC and make payment for the Initial Note in immediately available funds to U.S. Bank, National Association, Grand Rapids, Michigan not later than 10:00 AM, EDT, on April 29, 2011, or thereafter on the date the Notes are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the Initial Purchaser of the Notes to complete the DTC Eligibility Questionnaire.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Syndicate Members:

Name of Initial Purchaser or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the County of Muskegon, Michigan, subject to and in accordance with the Official Notice of Sale, this the 19th day of April, 2011.

ATTEST:

County Treasurer
County of Muskegon
State of Michigan

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APPENDIX C

**COUNTY OF MUSKEGON, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

COUNTY OF MUSKEGON

Muskegon, Michigan



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

PREPARED BY
DEPT. OF FINANCE & MANAGEMENT SERVICES/ACCOUNTING

JOSEPH W. SIEDENSTRANG, CPA
ACCOUNTING MANAGER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

County of Muskegon
Muskegon, Michigan

September 30, 2010

BOARD OF COMMISSIONERS KENNETH MAHONEY, CHAIRMAN

CHARLES L. BUZZELL
LEW COLLINS
JAMES DEREZINSKI
MARVIN R. ENGLE
BILL GILL

LOUIS A. MCMURRAY
CHARLES NASH
ROBERT SCOLNIK
I. JOHN SNIDER II
ROGER C. WADE

**COUNTY ADMINISTRATOR
BONNIE B. HAMMERSLEY**

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January 31, 2010

To Honorable Kenneth Mahoney, Chairman, Members Board of Commissioners and Citizens of Muskegon County:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the County of Muskegon for the fiscal year ended September 30, 2010.

This report consists of management's representations concerning the finances of the County of Muskegon. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management of the County of Muskegon has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County of Muskegon's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County of Muskegon's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County of Muskegon's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County of Muskegon's financial statements for the fiscal year ended September 30, 2010, are fairly presented in all material respects in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Muskegon's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The County of Muskegon, incorporated in 1859, is located in the western part of the state, which is considered to be a strong employment area in the state, and one of the top tourism areas. The County of Muskegon currently occupies a land area of 527 square miles and serves a population of 170,200 (2000 U.S. Census). The County of Muskegon is empowered to levy a property tax on both real and personal properties located within its boundaries.

The County of Muskegon has operated under the elected Board of Commissioners form of government since 1970. Policy-making and legislative authority are vested in a governing Board consisting of the chairman and ten other members. The governing Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring. The administrator is responsible for carrying out the policies and ordinances of the County's governing body and for overseeing the day-to-day operations of the government. The Board is elected on a partisan basis by district. Board members serve two-year terms.

The County provides a full range of municipal services. These services are either mandated by State statute or authorized by the County Board of Commissioners. These include legislative, judicial, public safety (police), health, mental health, welfare, culture, recreation, public improvements, wastewater treatment, solid waste disposal, transportation (airport and bus service), and general administrative services, including vital statistics and record keeping for births, deaths and property. Certain roadway services are provided by our component unit, the Muskegon County Road Commission.

The County adopts its annual budget in accordance with the State Uniform Budgeting and Accounting Act. The general, special revenue, and debt service funds are under formal budgetary control. All departments of the County of Muskegon are required to submit budget requests to the Administrator in February. The Administrator then presents a proposed budget to the Board for review. The Board holds public hearings in August and September and a final budget is approved prior to September 30, the close of the County's fiscal year. The appropriated budget is prepared by fund and department. Management can do transfers within funds at the departmental level without governing Board approval for other than the General Fund. Transfer of appropriations between funds, however, require special approval of the Board.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County of Muskegon operates.

Local Economy. Muskegon County is a stable area in Western Michigan. As the Muskegon Metropolitan Statistical Area (MSA), Muskegon is and continues to be a place of industrial development with major manufacturers in aerospace, automotive, defense, life sciences, and related industries. The industrial base in Muskegon contributes to the economic growth of the area and helps new industries like energy technology. The quality of life near the fresh water lakes makes Muskegon and all of West Michigan the “place for fun in the sun”. This is why Industry Week consistently ranks West Michigan as a "World Class" community.

The whole view of Muskegon County can be seen from a national perspective. Tax laws are very favorable for retirees and retiree homesteads in Michigan. Aging boomers are staying active longer and are making more demands on health care. Boomers are also going back to school for higher degrees during the later years. This is seen in a comparison between the years of 2000 and 2005 by W.E. Upjohn Institute. Higher level degrees have increased on average by 3% in Muskegon County as they relate to residents 25 and older. With Muskegon County having excellent health care facilities and the availability of University level degrees through two colleges in the community, Muskegon County is positioned to provide an excellent retirement choice for future retirees and the increased spending they provide.

While manufacturing employment is predicted to have a slowdown statewide, Muskegon is maintaining its employment size. The commercial, industrial and tourism components of the Muskegon economy continue to add to our employment base. Important individual companies in the County, their employment and business are as follows:

Howmet Turbine Components Corp. (A subsidiary of Alcoa Inc) - This company has over 1,900 employees. Howmet manufactures investment grade castings for the aerospace industry. Howmet is the largest defense contractor in West Michigan.

Mercy Health Partners - This company employs approximately 3,575 employees. They provide comprehensive health care services for the community. The Mercy Health system also provides regional health care services which include heart and kidney specialty centers.

Diversified Machine - This company has approximately 270 employees. They manufacture automotive piston rings and are the world’s largest supplier. They maintain their division headquarters in Muskegon.

Johnson Technology - This company has approximately 474 employees and provides precision machining, laser and tooling, and stem drilling nationwide.

L-3 Communications - This company has approximately 600 employees and manufactures military engines and transmissions and is a large prime defense contractor in Muskegon County.

Eagle Alloy - This company is locally owned, has approximately 395 employees and manufactures steel castings.

Michigan Adventure - Muskegon County is home to the only amusement park in Michigan, featuring the state's largest water park and the world's third largest wooden roller coaster. It attracts over 550,000 visitors annually and employs over 1,400 in the summer season.

In addition, other significant employers in Muskegon County include: Holland USA (300, automobile supplier), Adac Plastics (400, automotive), Meijer Inc. (400, retail sales), Michigan State Government (847, prisons), and Muskegon Public Schools (870, education).

Retail sales within the County have grown by 63% during the last ten years as well. The retail sales are as follows:

1997	\$1,358,224,000		2002	\$1,803,714,000
1998	\$1,419,899,000		2003	\$1,791,460,000
1999	\$1,522,000,000		2004	\$2,076,771,000
2000	\$1,710,662,000		2005	\$2,170,576,000
2001	\$1,782,984,000		2006	\$2,149,507,000

Long-term financial planning.

The County of Muskegon participates in a multiple employer defined benefit pension plan for its employees. Each year an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the County of Muskegon must make to the pension plan to ensure that the plan will be able to fully meet its obligation to retired employees on a timely basis. As a matter of policy, the County of Muskegon fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of the County of Muskegon's conservative funding policy, the County of Muskegon has succeeded as of September 30, 2010, in funding 80 percent of the present value of the projected benefits earned by employees.

The County of Muskegon also provides post-retirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 476 retired employees receiving these benefits, which are financed through a defined benefit trust. Additional information on the County of Muskegon's pension arrangement and post-employment benefits can be found in Notes 8 and 12 in the notes to the financial statements.

Relevant financial policies. Per Michigan Statutes Annotated (M.S.A.).843 (1) the Board of Commissioners has authorized the County Treasurer to invest surplus funds belonging to, or under the control of the county, in certificates of deposits, commercial paper, and direct obligations of the United States. The investment limits are 1) no more than 50% in commercial paper, and 2) any investment in commercial paper must have a rating within the three highest classifications of two standard rating agencies.

It is the county's policy to safeguard all investments to the maximum practicable and allowed by law. To this end, third-party safekeeping and collateralization is used where available. If these are not available, close monitoring of the investment's underlying security (usually the issuer) is made and continual evaluation is done as to the issuer's stability in the marketplace.

Idle cash of the County of Muskegon was invested in certificates of deposit, commercial paper, and money market funds in accordance with state law and local policy. The investment program yielded \$1,809,807 in 2009, and \$655,850 in 2010 for an average yield of 3.93 percent and 1.22 percent, respectively.

Investment of idle cash is one of the few means which the county has to increase revenues without increasing taxes or fees. Strong cash management efforts have made the county successful with its cash returns.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 of the Wastewater, Transit System, Northside Water, and the Airport enterprise funds are charges to customers for sales and services. The County's internal service funds recognize as operating revenue internal transfers intended to recover the cost of providing specific benefits and equipment to employees and departments within County operations. 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 non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Major initiatives.

In 2010, a continuing decline in local economy caused our property tax valuations to decrease for the second year. This loss of \$795,000 was offset by reductions in expenses across all programs. Reductions also occurred in interest earnings as rates have dropped by as much as 225%. Good news occurred with the announcement of a possible major foreign corporation building a battery plant in the County with up to 700 new jobs. A new casino is to be built in 2011 at the location of a former horse racetrack with additional construction of hotels and other entertainment establishments as construction is completed.

Awards and Acknowledgments

In 2010, independent auditors were engaged for the thirty fifth consecutive fiscal year to perform an annual audit of the county's books of account, financial records, and transactions. The opinion of Rehmann Robson, independent certified public accountants, is included in this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Muskegon for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. This was the thirty second consecutive year that the county has received this prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized (comprehensive annual/component unit) financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance and Management Services Department and particularly our accounting staff. I would like to express my gratitude to all members of the department. I would also like to thank you and the members of the Muskegon County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County of Muskegon in a responsible and progressive manner.

Respectfully submitted,

Bonnie B. Hammersley
County Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Muskegon
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

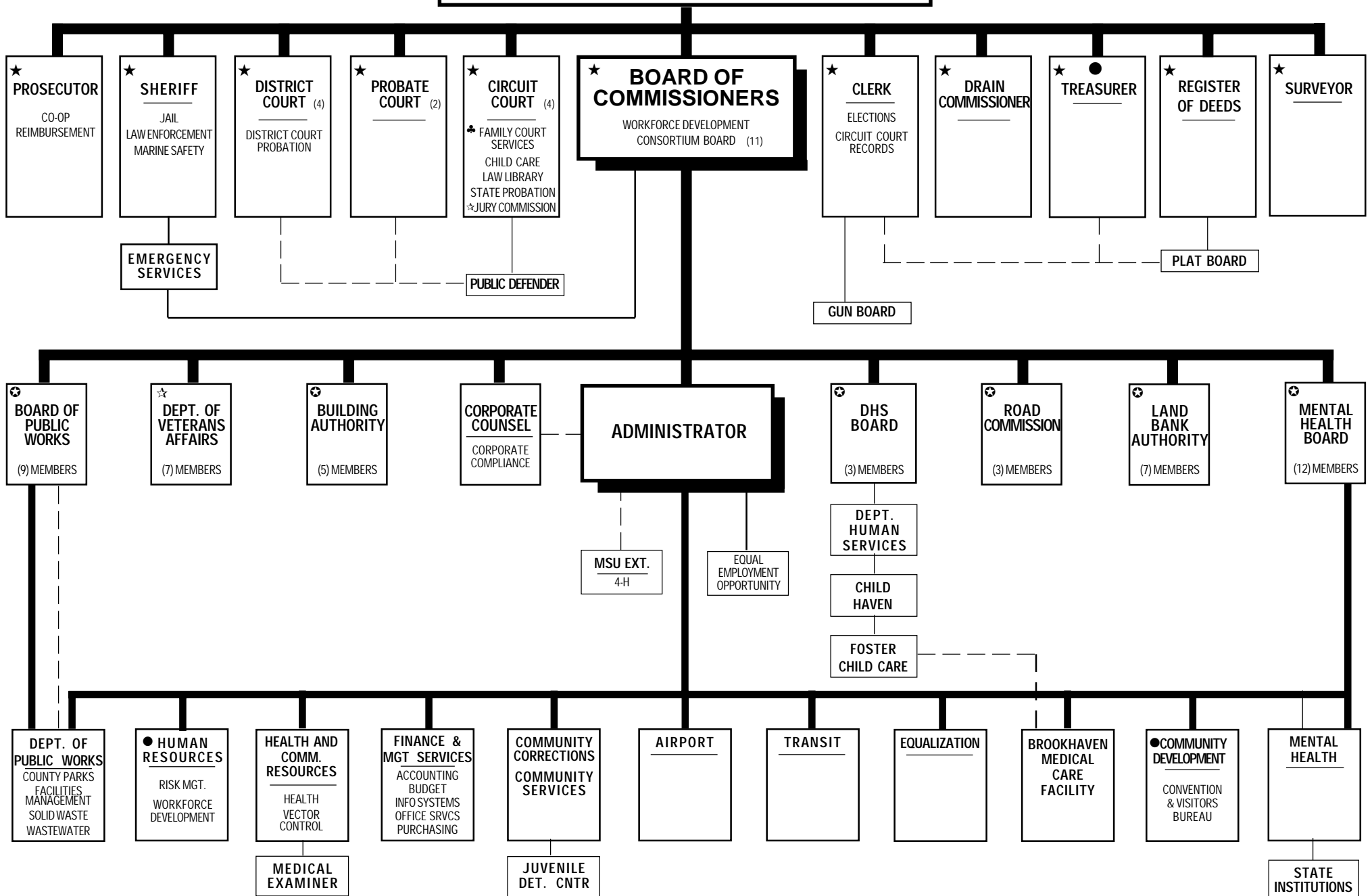
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

2010 ORGANIZATIONAL CHART

ELECTORATE MUSKEGON COUNTY



LEGEND: ★ ELECTED POSITION ☆ STATE APPOINTMENT OR CONCURRENCE ⚙️ AUTONOMOUS OR SEMI-AUTONOMOUS FUNCTION (MEMBERS APPOINTED BY BOARD OF COMMISSIONERS) ● INTRAGOVERNMENTAL ♣️ FAMILY COURT SERVICES CONSISTS OF: FRIEND OF THE COURT, FOC CO-OP REIMBURSEMENT, FAMILY COUNSELING SERVICE, JUVENILE COURT AND INTENSIVE PROBATION - - - RELATED FUNCTION (OPERATIONS)

County of Muskegon
List of Elected Officials
September 30, 2010

COMMISSIONERS

KENNETH MAHONEY, DISTRICT 1
CHARLES L. BUZZELL, DISTRICT 2
I. JOHN SNIDER II, DISTRICT 3
JAMES J. DEREZINSKI, DISTRICT 4
MARVIN R. ENGLE, DISTRICT 5
LEW COLLINS, DISTRICT 6

CHARLES NASH , DISTRICT 7
BILL GILL, DISTRICT 8
LOUIS A. MCMURRAY, DISTRICT 9
ROGER C. WADE, DISTRICT 10
ROBERT SCOLNIK, DISTRICT 11

COUNTY OFFICIALS

NANCY A. WATERS, COUNTY CLERK
TONY MOULATSIOTIS, COUNTY TREAS.
MARK F. FAIRCHILD, REG. OF DEEDS
DEAN ROESLER, COUNTY SHERIFF

TONY D. TAGUE, PROSECUTOR
DAVID FISHER, DRAIN COMMISSIONER
STEPHEN VALLIER, COUNTY SURVEYOR

DISTRICT COURT JUDGES

MICHAEL J. NOLAN
ANDREW WIERENGO, III

HAROLD F. CLOSZ
MARIA LADAS HOOPE

CIRCUIT COURT JUDGES

JAMES M. GRAVES, JR.
WILLIAM C. MARIETTI

TIMOTHY G. HICKS
JOHN C. RUCK

FAMILY COURT JUDGES

NEIL G. MULLALLY-PART TIME
JOHN C. RUCK

WILLIAM C. MARIETTI-PART TIME
GREGORY PITTMAN

PROBATE COURT JUDGES

NEIL G. MULLALLY

GREGORY PITTMAN

January 18, 2011

Board of Commissioners
County of Muskegon
Muskegon, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *County of Muskegon* (the "County") as of and for the year ended September 30, 2010, and have issued our report thereon dated January 13, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated September 21, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our discussion about planning matters on December 1, 2010.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- Management's estimate of the liability for landfill closure and post-closure cost is based on percentage of landfill capacity used to date and future expected costs.
- The assumptions used in the actuarial valuations of the Municipal Employees Retirement System and Other Postemployment Benefit Plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management:

- Accrual for post-closure costs in the Fly Ash Program fund was originally omitted from the general ledger

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated January 18, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Commissioners
County of Muskegon

-4-

January 18, 2011

This information is intended solely for the use of the governing body and management of the County of Muskegon and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson". The signature is written in a cursive style with a large, prominent initial 'L'.

County of Muskegon

Attachment A - Consideration of Internal Control Over Financial Reporting

For the Year Ended September 30, 2010

In planning and performing our audit of the financial statements of the County of Muskegon (the "County") as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

Other Matters

Outstanding Checks in Reconciliations

During our audit, we noted a number of outstanding checks on various bank account reconciliations (including the inmate fund) which have been outstanding for over a year. State unclaimed property law requires that unclaimed and outstanding payroll items be remitted to the State's unclaimed property division after a period of one year. Unclaimed and outstanding disbursement checks should be remitted to the State after a period of five years.

Recommendation

We recommend the County periodically review listings of outstanding checks and investigate with vendors or employees, if appropriate, why they did not cash the checks. As a last resort, remit unclaimed amounts to the State in accordance with state law.

Maintenance of Capital Asset Records

During our audit, we noted that several current year capital asset cost additions were coded to existing asset tag numbers originally entered in the County's Access database in the prior year(s), rather than set up as new asset tags. Although no misstatements were identified, this did result in additional audit time in this area.

County of Muskegon

Attachment A - Consideration of Internal Control Over Financial Reporting

For the Year Ended September 30, 2010

Recommendation

In order to improve the audit trail for capital assets, we recommend the County add assets to the Access database only when all costs have been incurred, or to use new tag numbers for any subsequent year additions. This will help in tracking additions for each fiscal year. In addition, we recommend all invoices for capital asset acquisitions be maintained in a centralized file throughout the year.

Appropriate Use and Administration of Agency Funds

The County holds various amounts in a fiduciary capacity in its agency funds. Such amounts should generally be supported by subsidiary ledgers which indicate the individual(s) or case(s) for which the funds are held. During our audit, we selected a sample of agency fund balances and requested subsidiary detail to support the amounts. For the Sheriff Inmates Trust Monies and Inmates Funds Outside County accounts, we noted that the system used to account for funds can provide a specific individual's balance at any point in time, but cannot produce a complete detail of all amounts held on behalf of inmates, which significantly hampers the County's ability to properly reconcile this account.

Recommendation

We recommend that the County implement a procedure to ensure that subsidiary detail for all significant accounts is generated and retained each month and reviewed by an independent administrator.

New Accounting Pronouncement – GASB 54

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which will be effective for the County for the fiscal year ending September 30, 2011. This Statement changes the classifications of fund balance in governmental funds, and somewhat modifies the definition of special revenue funds for external financial reporting.

Under GASB 54, special revenue funds should be used only to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than those accounted for in debt service or capital projects funds). These specific revenue sources must be external (i.e., interfund transfers do not qualify), and must comprise a substantial portion of the fund's ongoing inflows. Funds no longer meeting this definition will need to be collapsed into the general fund (at least for external financial reporting purposes).

County of Muskegon

Attachment A - Consideration of Internal Control Over Financial Reporting

For the Year Ended September 30, 2010

In addition, the standard specifies that the term “designated fund balance” will no longer be used. Instead, funds can either be “committed” (by formal action of the governing body prior to the end of the fiscal year) or “assigned” (by the governing body or its designee, at any time prior to audit issuance). As with any new accounting standard, other issues are sure to arise during its implementation, and we will continue to monitor emerging best practices in this area. In the meantime, if you have any questions or concerns, please do not hesitate to contact us.

* * * * *

MUSKEGON COUNTY

M I C H I G A N

January 18, 2011

BOARD OF COMMISSIONERS

Kenneth Mahoney
Chair, District 1

I. John Snider, II
Vice-Chair, District 3

Lewis J. Collins
District 6

Benjamin Cross
District 10

James J. Derezinski
District 4

Marvin R. Engle
District 5

Alan W. Jager
District 2

Anthony T. Longmire
District 8

Scott Plummer
District 7

Robert Scolnik
District 11

Rillastine R. Wilkins
District 9

Rehmann Robson
570 Seminole Rd., Ste 200
Muskegon, MI 49444

We are providing this letter in connection with your audit of the financial statements of the *County of Muskegon* (the "County") as of September 30, 2010 and for the year then ended for the purpose of expressing opinions as to whether the financial statements 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 the *County of Muskegon* and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of January 18, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us. [
10. We have a process to track the status of audit findings and recommendations.
11. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
12. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
13. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
14. The following, if any, have been properly recorded or disclosed in the financial statements:

- a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.

- b. Guarantees, whether written or oral, under which the County is contingently liable.
- c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.

15. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

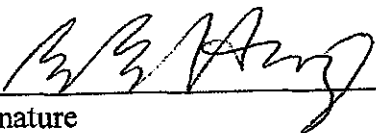
16. There are no—

- a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies*.
- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.

- d. Reservations or designation of fund equity that were not properly authorized and approved.
17. We prepared the draft financial statements and related notes and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
18. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
19. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
20. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
21. The financial statements properly classify all funds and activities.
22. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
23. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
24. Provisions for uncollectible receivables have been properly identified and recorded.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

28. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
29. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
30. The government meets the GASB-established requirements for accounting for eligible infrastructure assets.
31. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



Signature

Administrator

Title

2/28/11

Date



Signature

Finance + Management Services Director

Title

2/28/11

Date

Management's Discussion and Analysis

Management of the County of Muskegon offers readers of these financial statements a narrative overview of the financial condition and activities for the year ended September 30, 2010. Please read this narrative in conjunction with the review of our financial statements, financial statement notes and the transmittal letter.

Financial Statement Presentation

The financial statements presented herein include all the activities of the County of Muskegon and its component units using the format as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The County of Muskegon's 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 required supplementary information in addition to the financial statements themselves.

THE COUNTY AS A WHOLE

Government-wide financial statements. The "government-wide financial statements" are designed to provide readers with a broad overview of the County of Muskegon's finances, in a manner similar to a private-sector business. These statements are presented on the full accrual basis of accounting which when viewed from the economic resources measurement focus can be used to determine whether the County has improving or deteriorating finances.

The "statement of net assets" presents information on all of the County of Muskegon's assets and liabilities, with the difference between the two being reported as "net assets". Over the years, increases or decreases in net assets may serve as one indicator of the change in the financial condition of the County.

The "statement of activities" presents how the net assets changed during the period just ended. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Example of timing differences are uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the County of Muskegon that are primarily supported by tax and intergovernmental pass through revenues (*governmental activities*) from other functions that were created and intended to recover most or all of their

costs through user fees and charges for services (*business-type activities*). The governmental activities include legislative, judicial, general county government, public safety, health, welfare, culture, recreation, and debt service. The business type activities include delinquent taxes, solid waste management, wastewater, regional water, and an international airport.

The government-wide financial statements include not only the County of Muskegon (*the primary government*) but also a legally separate Road Commission. The board of this organization is appointed by the County and there is a potential for liability to the County. The financial information of this component unit is reported separately from the financial information of the primary government itself.

Reporting on the County's major funds

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control and reporting of resources that are segregated for a specific purpose or activity with defined objectives. The County of Muskegon is required by State law to use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Muskegon are 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 near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the County's short term financing needs.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, informed readers may better be able to understand the long-term impact of the County's near-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 the comparison between governmental funds and governmental activities.

The County of Muskegon maintains over one hundred twenty five individual 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, Community Mental Health, and Water and Sewer Debt. All of these funds are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The County of Muskegon adopts an annual appropriated budget for its general, special revenue, and debt service funds. Budgetary comparisons (original and final) have been provided for the major funds to demonstrate compliance with the budgets as required supplementary information. A

comparison of budget to actual expenditures is provided for all nonmajor governmental funds in the combining financial statements - governmental funds by fund type.

Proprietary funds. The County of Muskegon maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as “business-type activities” in the government-wide financial statements. The County uses enterprise funds to account for fairgrounds, delinquent taxes, solid waste, fly ash disposal, airport, transportation, water and sewer operations. Internal service funds are used to accumulate and allocate costs internally among the County’s various functions. The County uses internal service funds to account for central printing, automotive repair, building maintenance, building and equipment purchases, energy improvements, insurance and risk management. Because these services predominantly benefit governmental rather than business-type activities, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the 2009 Delinquent Tax, Airport, Muskegon Area Transit System, Northside Water, and Wastewater Management, all of which are considered major funds of the County. Conversely, both internal service funds and other enterprise funds are combined into single column presentations in the proprietary fund financial statements. Individual fund data for the nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County’s own operations. The accounting used for fiduciary funds is like that used for proprietary funds (full accrual).

Notes to the basic financial statements. The notes provide additional information that is important to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information concerning the County’s budgetary information as it relates to the actual expended and certain pension information with the corresponding trend data.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted previously, net assets may serve as a useful indicator of the County’s overall financial health. The County of Muskegon’s assets exceed

liabilities by \$196,188,542 at the close of fiscal year 2010.

The largest portion of net assets in the County (75%) are its capital assets (land, buildings, machinery and equipment), less related debt outstanding used to acquire these assets. The County uses these capital assets to provide services to Muskegon County residents and therefore, are not available for disposal to fund future projects or operations. Although the County's investment in capital assets is reported net of capital debt, it is noted that resources needed to retire this debt must come from future sources of revenue, as the assets themselves can't be used to liquidate these obligations.

County of Muskegon Net Assets

Major Categories	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Cash and Investments	\$36,516,667	\$38,156,987	\$30,649,332	\$22,882,108	\$67,165,999	\$61,039,095
Receivables	49,163,329	50,313,607	23,047,636	25,547,949	72,210,965	75,861,556
Other Current Assets	358,895	404,747	1,855,540	1,710,387	2,214,435	2,115,134
Long Term Assets	1,175,000	1,752,694	-	-	1,175,000	1,752,694
Capital Assets	<u>66,789,620</u>	<u>59,793,922</u>	<u>193,807,648</u>	<u>190,708,468</u>	<u>260,597,268</u>	<u>250,502,390</u>
Total Assets	154,003,511	150,421,957	249,360,156	240,848,912	403,363,667	391,270,869
Other Liabilities	25,189,798	22,056,645	15,698,909	17,674,797	40,888,707	39,731,442
Long Term Liabilities	<u>62,244,104</u>	<u>60,509,007</u>	<u>104,042,314</u>	<u>87,978,789</u>	<u>166,286,418</u>	<u>148,487,796</u>
Total Liabilities	87,433,902	82,565,652	119,741,223	105,653,586	207,175,125	188,219,238
Net Assets:						
Investment in capital assets						
net of related debt	42,009,620	40,462,966	104,265,334	117,229,679	146,274,954	157,692,645
Restricted	6,882,360	11,338,914	4,185,673	4,119,147	11,068,033	15,458,061
Unrestricted	<u>17,677,629</u>	<u>16,054,425</u>	<u>21,167,926</u>	<u>13,846,500</u>	<u>38,845,555</u>	<u>29,900,925</u>
Total Net Assets	<u>\$66,569,609</u>	<u>\$67,856,305</u>	<u>\$129,618,933</u>	<u>\$135,195,326</u>	<u>\$196,188,542</u>	<u>\$203,051,631</u>

A portion (6%) of the County's net assets have certain restrictions placed on their use. The remaining balance of unrestricted net assets (\$38,845,555) can be used to meet the County's ongoing obligations to its residents and creditors.

A major portion (56%) of the Governmental total assets in the County are in liquid and short term receivables that give us a great ability to meet current obligations of short and long term nature. This ability translates into the freedom to meet changing conditions in the market place as well as changes in the economy of the surrounding area. The strength of our unrestricted net assets shows that we are aware of the ever changing face of government's operations and are prepared to respond to those needs.

Governmental Activities:

Governmental activities decreased the County's net assets by (\$1,286,696). This decrease in net assets was primarily due to decreases in interest earned and other miscellaneous revenues. Other elements of the decrease are as follows:

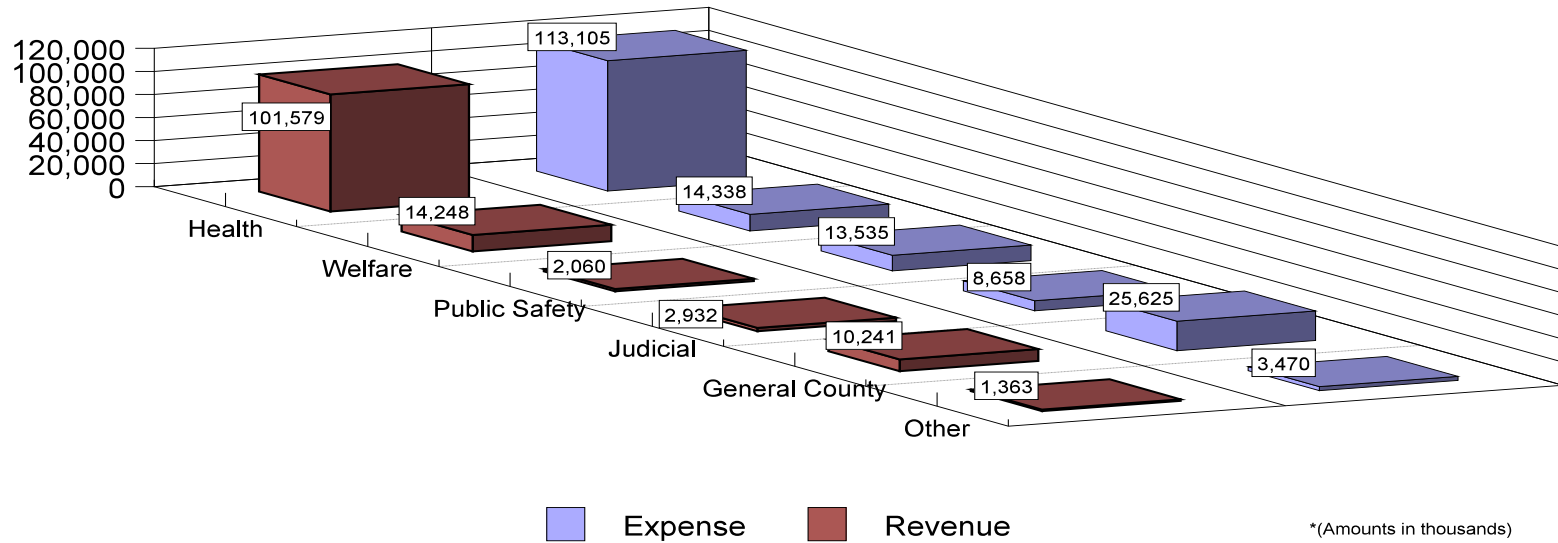
Muskegon County Changes in Net Assets

	Governmental Activities 2010	Governmental Activities 2009	Business-type Activities 2010	Business-type Activities 2009	Total 2010	Total 2009
Revenues						
Program Revenues						
Operating Grants and Contributions	\$35,451,568	\$34,476,040	\$2,506,122	\$4,115,838	\$37,957,690	\$38,591,878
Charges for services/Sales	96,689,851	93,816,470	23,079,749	26,182,004	119,769,600	119,998,474
Capital Grants and contribution	282,239	-	1,420,979	10,165,309	1,703,218	10,165,309
General Revenues						
Taxes	28,892,496	28,981,488	-	-	28,892,496	28,981,488
Investment Earnings	362,231	1,026,638	293,619	783,169	655,850	1,809,807
Contributions from private sources	2,043,355	2,360,918	-	-	2,043,355	2,360,918
Other	12,152,694	14,050,779	(521,521)	488,632	11,631,173	14,539,411
Total Revenues	\$175,874,434	\$174,712,333	\$26,778,948	\$41,734,952	\$202,653,382	\$216,447,285

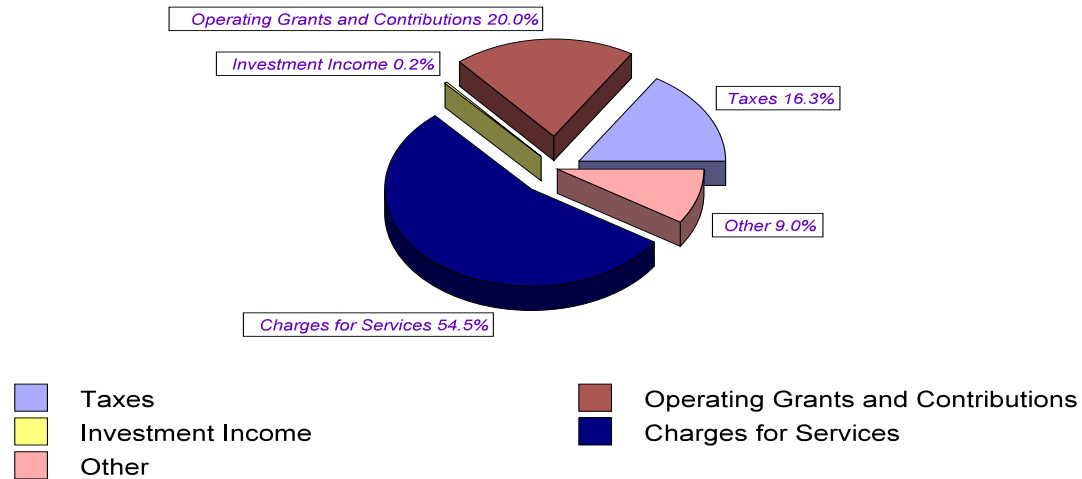
Muskegon County Changes in Net Assets (continued)

	Governmental Activities 2010	Governmental Activities 2009	Business-type Activities 2010	Business-type Activities 2010	Total 2010	Total 2009
Expenses						
Legislative	\$443,638	\$469,136	\$ -	\$ -	\$443,638	\$469,136
Judicial	8,658,637	8,530,696	-	-	8,658,637	8,530,696
General County Government	25,625,521	30,783,988	-	-	25,625,521	30,783,988
Public Safety	13,535,312	13,472,974	-	-	13,535,312	13,472,974
Health	113,104,921	113,687,176	-	-	113,104,921	113,687,176
Welfare	14,338,444	14,015,378	-	-	14,338,444	14,015,378
Culture	365,447	637,458	-	-	365,447	637,458
Recreation	797,512	857,463	-	-	797,512	857,463
Other	743,312	809,609	-	-	743,312	809,609
Debt Service Interest	691,781	735,862	-	-	691,781	735,862
Debt Service Other	-	714	-	-	0	714
Loss on disposal of Assets	426,661	-	1,373,065	-	1,799,726	0
2009/2008 Delinquent Tax Revolving	-	-	62,067	154,801	62,067	154,801
Airport	-	-	2,493,970	2,529,855	2,493,970	2,529,855
Muskegon Area Transit System	-	-	3,547,750	3,314,131	3,547,750	-
Northside Water	-	-	3,133,108	4,554,091	3,133,108	4,554,091
Wastewater	-	-	13,863,480	17,162,230	13,863,480	17,162,230
Other proprietary funds	-	-	6,311,845	4,849,944	6,311,845	4,849,944
Total Expenses	178,731,186	184,000,454	30,785,285	32,565,052	209,516,471	213,251,375
Increase (decrease) in net assets before transfers	(2,856,752)	(9,288,121)	(4,006,337)	9,169,900	(6,863,089)	3,195,910
Transfers	1,570,056	471,209	(1,570,056)	(471,209)	-	-
Increase (decrease) in net assets	(1,286,696)	(8,816,912)	(5,576,393)	8,698,691	(6,863,089)	(118,221)
Net Assets - October 1	76,673,217	76,673,217	126,496,635	126,496,635	203,169,852	203,169,852
Net Assets - September 30	<u>\$75,386,521</u>	<u>\$67,856,305</u>	<u>\$120,920,242</u>	<u>\$135,195,326</u>	<u>\$196,306,763</u>	<u>\$203,051,631</u>

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



- Investment income decreased by \$665,000 (65 percent) during the year. This decrease reflects the drop nation wide in investment rates.
- General County Government and Welfare decreased by 17% due to increased use of internal service funds for operations.

Business-type activities. Business-type activities decreased the County of Muskegon’s net assets by \$5,576,393. A substantial decrease in operating revenues and grants contributed to the decrease in net assets.

Financial analysis of the Government’s Funds

As noted earlier, the County of Muskegon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

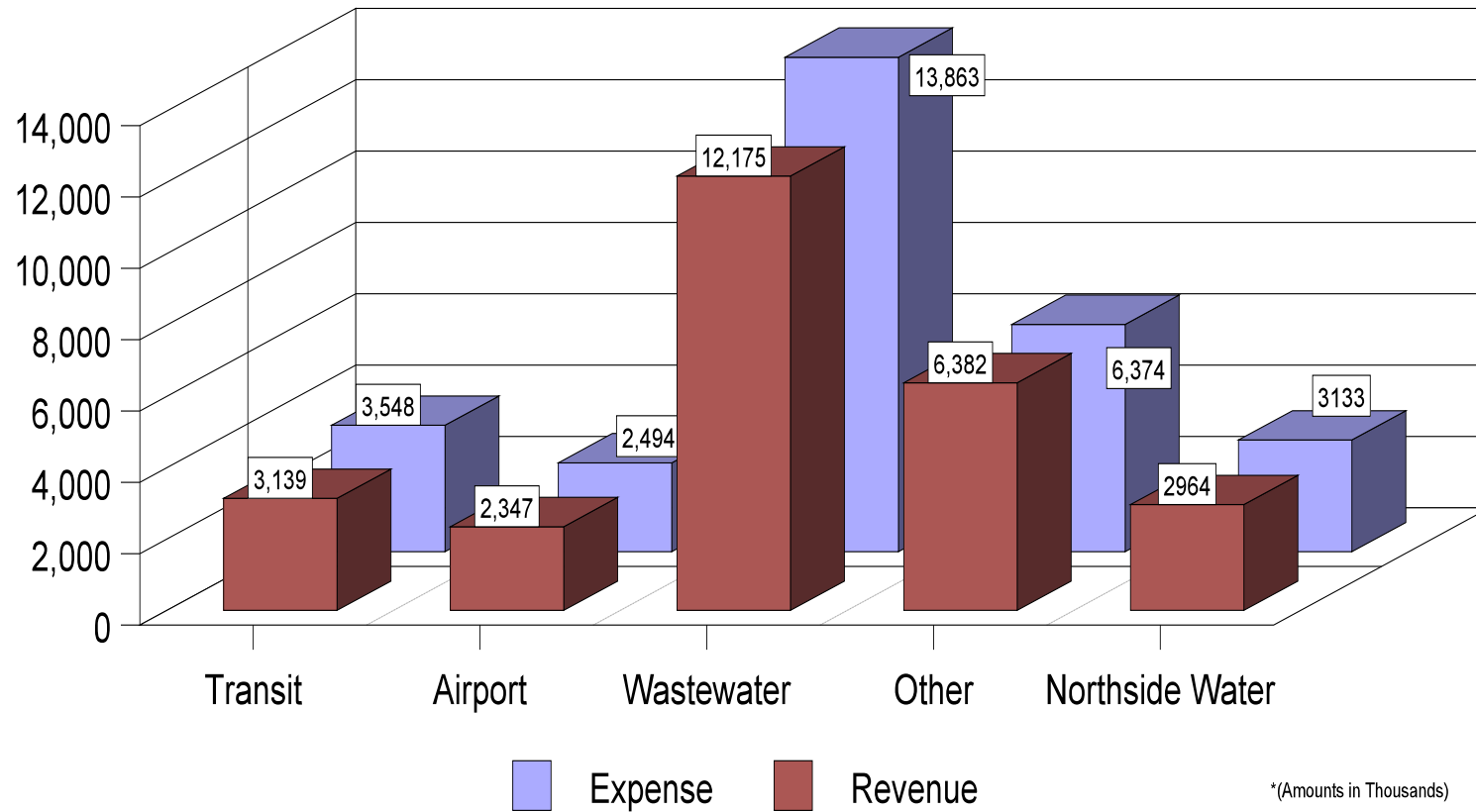
Governmental funds. The focus of the County of Muskegon’s governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the County of Muskegon’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

For the current fiscal year, the County of Muskegon’s governmental funds reported combined ending fund balances of \$22,571,288, an decrease of (\$8,094,840) in comparison with the previous year. Approximately 50% of the fund balance (\$11,191,177) constitutes undesignated fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$5,401,707), 2) to pay debt service (\$986,532), 3) to cover a potential bad debt from a prior capital project (\$975,000), 4) to hold for future grant expenditures (\$3,022,327), 5) for perpetual care (\$46,432), 6) for inventory and prepaid items (\$358,895), or, 7) for long term advances to other funds (\$588,618).

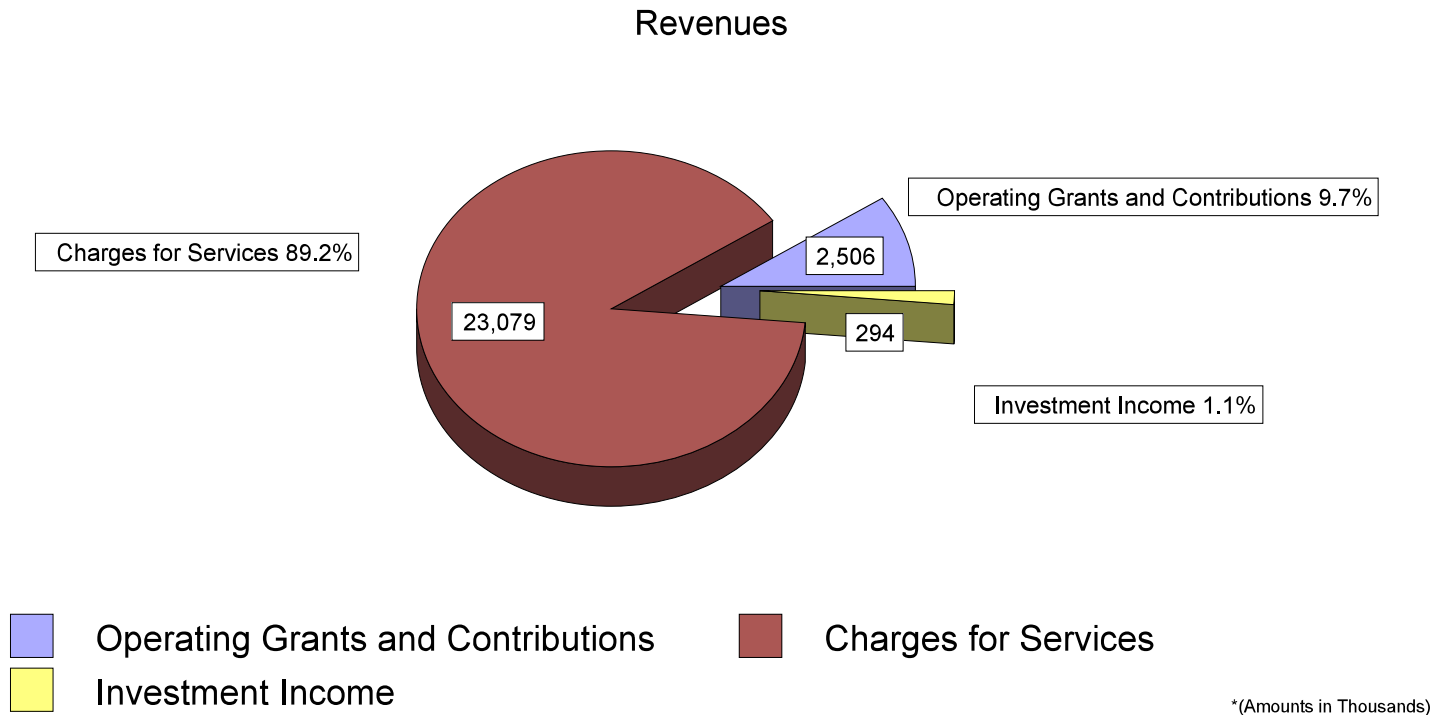
The general fund is the chief operating fund of the County of Muskegon. At the end of the current fiscal year, undesignated fund balance of the general fund was \$8,508,657 while total fund balance was \$9,186,069. As one measure of the general fund’s liquidity, it is useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 19% of total general fund expenditures, while total fund balance represents 21% of that same amount. A comparison to prior year percentages show that fund balance grew at a 1% rate from the same period last year.

Major revenues in the charges for services area increased by \$2,873,000 while other revenues decreased \$1,898,000. Interest earnings went down for the second year in a row by \$665,000 with total expenses decreasing \$5,379,000.

Expenses and Program Revenues - Business-Type Activities



Revenues by source - Business-Type activities



The Water and Sewer Debt fund has a total fund balance of \$680,350, all of which is held for debt service payments. The decrease in the debt service funds balance of \$1,924,419 reflects the governmental decision to only put amounts into the debt funds sufficient for debt payments currently due and payable within one year. There was one bond issuance during the year of \$7,140,000 for energy improvements building and one refunding for sewer extension of \$4,315,000.

Proprietary funds. The County of Muskegon proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the County Wastewater system were (\$3,797,461), Airport at \$88,648, Transit system at

\$325,063, and Northside Water at \$4,586,339. The total growth (reduction) in net assets for these four funds was (\$2,792,989), \$933,895, (\$613,526), and (\$970,469), respectively. The Delinquent Tax fund unrestricted net assets were \$1,578,046 with a net increase of \$1,578,046. Other factors concerning these funds have already been addressed in the discussion of the County of Muskegon's business-type activities.

General Fund budgetary highlights

The decrease between the original revenue budget and the final amended budget were small (less than 4%) and is briefly summarized as follows:

- Decreases in Property taxes revenues (\$636,000) due to the drop in taxable value.
- Decreases in interest earned (\$141,000) reflecting the national trend of decreasing interest rates.
- Decreases in State reimbursement of prisoners (\$329,000) because of a change in the formula.

Budgeted expenditures decreased by approximately \$1,000,000. The largest decrease was attributable to not filling open positions and the resulting savings in salary and fringe benefit costs. Total actual expenditures came in under budget which allowed for revenues to exceed expenditures for the year.

Capital Asset Administration

Capital Assets. The County of Muskegon's investment in capital assets for its governmental and business-type activities as of September 30, 2010 amounts to \$260 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, lagoons, wastewater collection/distribution system, and capitalized interest and engineering. The total increase in the County of Muskegon's capital assets for the current fiscal year was 4%.

Major capital asset additions during the current fiscal year included the following:

- New CMH building (\$1,726,000)
- Airport Runway Snow removal equipment (\$1,260,000)
- Wastewater construction of a new pipeline (\$8,000,000)
- Remodeling for County offices (\$2,600,000)
- Energy enhancements to buildings throughout the County (\$6,900,000)

County of Muskegon's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2010	2010	2009
Land	\$4,203,610	\$4,323,220	\$19,886,236	\$19,886,236	\$24,089,846	\$24,209,456
Land Improvements	2,991,582	2,855,767	24,900,878	25,701,062	27,892,460	28,556,829
Lagoons	-	-	5,980,956	6,076,263	5,980,956	6,076,263
Buildings & Improvements	53,507,392	43,869,616	14,014,687	14,824,097	67,522,079	58,693,713
Machinery & Equipment	3,484,730	3,565,711	17,342,875	16,762,653	20,827,605	20,328,364
Wastewater collection and distribution system	-	-	107,942,718	61,056,351	107,942,718	61,056,351
Capitalized interest & engineering	-	-	3,705,524	4,016,194	3,705,524	4,016,194
Construction in progress	2,602,306	5,179,608	33,777	42,385,612	2,636,083	47,565,220
Total	\$66,789,620	\$59,793,922	\$193,807,651	\$190,708,468	\$260,597,271	\$250,502,390

Additional information on the County of Muskegon's capital assets can be found in Note 6 of the "Notes to the Government Wide Financial Statements" of this report.

Long-term debt. At the end of the current fiscal year, the County of Muskegon had total bonded debt outstanding of \$159,842,314. Of this amount, \$24,780,000 comprises debt backed by the full faith and credit of the County; \$89,542,314 in revenue bonds backed by the County and participating municipalities; \$31,020,000 special assessment debt partially guaranteed by local municipalities; and finally, \$14,500,000 in delinquent tax notes backed by the property owners and secured by property tax liens.

The County's credit ratings was upgraded in 1998, 2000 and 2001. The current rating of AA- by Standard and Poors and a Moody's rating of A2 for general obligation debt is indicative of a strong economy for the County and results in lower bond interest costs.

County of Muskegon's Outstanding Bonded Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$24,780,000	\$20,070,000			\$24,780,000	\$20,070,000
Special Assessment Debt with Governmental Commitment	31,020,000	33,990,000			31,020,000	33,990,000
Revenue Bond			\$89,542,314	\$72,448,792	89,542,314	72,448,792
Delinquent Tax Notes			14,500,000	14,500,000	14,500,000	14,500,000
Total	<u>\$55,800,000</u>	<u>\$54,060,000</u>	<u>\$104,042,314</u>	<u>\$86,948,792</u>	<u>\$159,842,314</u>	<u>\$141,008,792</u>

The County of Muskegon's total bonded debt increased by \$18,833,522 during the current fiscal year. The increase is attributed to normal debt payoffs of \$24,830,003 and the sale of the current year notes and bonds in the amounts of \$11,000,000 and \$32,663,525, respectively. The County issues notes each year to fund property taxes that are unpaid by the due date of March 1st. The other bond issues were for a energy improvements to most County buildings, water and sewer expansion and equipment replacement, and to currently refund an existing bond for a sewer extension.

The change in the ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the County's relative debt position. The 2010 ratio was .32% with the bonded debt per capita at \$75.93. In 2009, the ratio is .13% with a bonded debt per capita of \$29.61. The increase in both these indicators are indicative of the investment in energy improvements in County buildings.

Additional information on the County of Muskegon's long-term debt can be found in Note 7 of the notes to the financial statements.

Economic factors and General Outlook

For the period from October, 2007 through September, 2010, Muskegon County unemployment rates as compared to national rates were as follows:

	<u>Employment Data</u>							
	<u>2010 County</u>	<u>2010 USA</u>	<u>2009 County</u>	<u>2009 USA</u>	<u>2008 County</u>	<u>2008 USA</u>	<u>2007 County</u>	<u>2007 USA</u>
October	15.2	10.6	9.5	6.6	6.7	4.8	6.1	4.4
November	15.3	10.4	9.4	6.8	6.7	4.7	6.6	4.5
December	16.2	10.2	9.7	7.2	7.0	5.0	6.7	4.5
January	16.6	10.6	13.5	7.6	7.5	4.9	7.3	4.6
February	16.3	10.4	14.2	8.1	7.9	4.8	7.5	4.5
March	16.5	10.2	14.9	8.5	7.6	5.1	7.3	4.4
April	14.8	9.5	14.2	8.9	5.5	5.0	6.9	4.5
May	14.0	9.3	15.8	9.4	8.3	5.5	6.9	4.5
June	13.9	9.6	16.8	9.5	8.5	5.5	7.6	4.5
July	14.9	9.7	16.9	9.4	9.9	5.7	8.0	4.6
August	13.4	9.5	16.2	9.7	9.1	6.1	7.1	4.6
September	<u>13.2</u>	<u>9.2</u>	<u>16.0</u>	<u>9.8</u>	<u>9.2</u>	<u>6.1</u>	<u>7.3</u>	<u>4.7</u>
Average	<u>15.0</u>	<u>9.9</u>	<u>13.9</u>	<u>8.5</u>	<u>7.8</u>	<u>5.3</u>	<u>7.1</u>	<u>4.5</u>

Muskegon County's unemployment rate has increased compared to 2007. This is attributed to the downturn in the economy nationwide and particularly in Michigan.

General

The economic climate in Muskegon has continued to be poor. Unemployment has continued to increase above the 2007 level. The County continues its commitment to its citizens by continuing its programs to enhance the quality of life and job creation. These are:

- Completed the rebuilding of 8.5 miles of sewer pipeline to maintain a high quality aquifer for fish and wildlife.
- Completed construction of a new Community Mental Health center to serve Muskegon County residents.
- Enhanced our airport operations with new snow handling equipment.

Requests for Information

This financial report is designed to provide a general overview of the County of Muskegon's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Muskegon, Office of the Administrator, 990 Terrace St., Muskegon MI 49442, telephone (231) 724-6520.

County of Muskegon

*Statement of Net Assets
September 30, 2010*

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Road Commission
Cash and cash equivalents	\$ 26,510,483	\$ 22,135,516	\$ 48,645,999	\$ 3,357,659
Investments	10,006,184	8,513,816	18,520,000	-
Receivables				
Accounts	5,398,786	3,533,623	8,932,409	-
Intergovernmental	8,555,564	1,098,719	9,654,283	2,070,935
Accrued interest	172,928	78,897	251,825	-
Current taxes	4,055,755	11,111,608	15,167,363	-
Delinquent taxes	-	6,239,647	6,239,647	-
Interest and penalties on delinquent taxes	-	1,918,857	1,918,857	-
Special assessments	30,043,153	-	30,043,153	-
Other	3,428	-	3,428	179,050
Prepaid Items	240,726	-	240,726	197,992
Prepaid expenses	-	54,571	54,571	-
Internal balances	933,715	(933,715)	-	-
Inventories	118,169	56,120	174,289	1,950,590
Restricted assets	-	1,744,849	1,744,849	294,012
Long-term note receivable	1,175,000	-	1,175,000	-
Land	4,203,610	19,886,236	24,089,846	24,148,391
Construction in progress	2,602,306	33,777	2,636,083	-
Capital Assets, net of accumulated depreciation	59,983,704	173,887,635	233,871,339	41,005,447
	<u>\$ 154,003,511</u>	<u>\$ 249,360,156</u>	<u>\$ 403,363,667</u>	<u>\$ 73,204,076</u>

The accompanying notes are an integral part of this statement.

County of Muskegon

*Statement of Net Assets
September 30, 2010*

	Primary Government		Total	Component Unit
	Governmental Activities	Business - Type Activities		Road Commission
LIABILITIES				
Payables				
Accounts	\$ 11,506,579	\$ 3,123,710	\$ 14,630,289	\$ 852,075
Intergovernmental	4,020,237	-	4,020,237	-
Advances	-	-	-	429,204
Accrued liabilities	9,571,017	12,575,199	22,146,216	118,256
Unearned revenue	91,965	-	91,965	107,495
Long-term debt				
Due within one year	7,722,000	15,300,000	23,022,000	457,000
Due in more than one year	54,522,104	88,742,314	143,264,418	803,271
Total liabilities	\$ 87,433,902	\$ 119,741,223	\$ 207,175,125	\$ 2,767,301
NET ASSETS				
Investment in capital assets net of related debt	\$42,009,620	\$ 104,265,334	\$ 146,274,954	\$ 64,260,813
Restricted for:				
Special Revenue - Grant programs and other activities	447,689	-	447,689	6,175,962
Closure Costs	-	4,185,673	4,185,673	-
Capital Projects	5,401,707	-	5,401,707	-
Debt Service	986,532	-	986,532	-
Permanent Fund - expendable	9,262	-	9,262	-
Permanent Fund - nonexpendable	37,170	-	37,170	-
Unrestricted	17,677,629	21,167,926	38,845,555	-
Total Net Assets	\$ 66,569,609	\$ 129,618,933	\$ 196,188,542	\$ 70,436,775

The accompanying notes are an integral part of this statement.

County of Muskegon

Statement of Activities

For the Year Ended September 30, 2010

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental	Primary Government Business-Type Activities	Total	Road Commission
Primary Government:									
Governmental Activities									
Legislative	\$ 443,638	\$ -	\$ -	\$ -	\$ -	(\$ 443,638)	\$ -	(\$ 443,638)	\$ -
Judicial	8,658,637	2,595,849	336,471	-	2,932,320	(5,726,317)	-	(5,726,317)	-
General County Government	25,625,521	5,347,093	4,611,585	282,239	10,240,917	(15,384,604)	-	(15,384,604)	-
Public Safety	13,535,312	534,406	1,526,246	-	2,060,652	(11,474,660)	-	(11,474,660)	-
Health	113,104,921	86,948,084	14,630,760	-	101,578,844	(11,526,077)	-	(11,526,077)	-
Welfare	14,338,444	-	14,248,483	-	14,248,483	(89,961)	-	(89,961)	-
Culture	365,447	-	70,227	-	70,227	(295,220)	-	(295,220)	-
Recreation	797,512	667,152	-	-	667,152	(130,360)	-	(130,360)	-
Other	743,312	597,267	27,796	-	625,063	(118,249)	-	(118,249)	-
Debt Service									
Interest	691,781	-	-	-	-	(691,781)	-	(691,781)	-
Other	-	-	-	-	-	-	-	-	-
Total Governmental Activities	178,304,525	96,689,851	35,451,568	282,239	132,423,658	(45,880,867)	-	(45,880,867)	-
Business-Type Activities:									
2009 Delinquent Tax Revolving (5169)	62,067	1,639,751	-	-	1,639,751	-	1,577,684	1,577,684	-
Airport (5810)	2,493,970	1,114,899	-	1,231,907	2,346,806	-	(147,164)	(147,164)	-
Muskegon Area Transit System (5880)	3,547,750	575,720	2,373,931	189,072	3,138,723	-	(409,027)	(409,027)	-
Northside Water (5910)	3,133,108	2,963,556	-	-	2,963,556	-	(169,552)	(169,552)	-
Wastewater (5920)	13,863,480	12,042,662	132,191	-	12,174,853	-	(1,688,627)	(1,688,627)	-
Other Proprietary Funds	6,311,845	4,743,161	-	-	4,743,161	-	(1,568,684)	(1,568,684)	-
Total Business-Type Activities	29,412,220	23,079,749	2,506,122	1,420,979	27,006,850	-	(2,405,370)	(2,405,370)	-
Total Primary Government	\$ 207,716,745	\$ 119,769,600	\$ 37,957,690	\$ 1,703,218	\$ 159,430,508	(45,880,867)	(2,405,370)	(48,286,237)	-
Component Unit:									
Muskegon County Road Commission	\$13,495,752	\$2,276,089	\$8,945,203	\$2,603,053	\$13,824,345				\$ 328,593
General Revenues:									
Property Taxes						28,892,496	-	28,892,496	-
Investment Earnings						362,231	293,619	655,850	28,414
Gain (Loss) on Disposal of Assets						(426,661)	(1,373,065)	(1,799,726)	59,766
Donations (unrestricted)						2,043,355	-	2,043,355	-
Other						12,152,694	(521,521)	11,631,173	185,499
Transfers						1,570,056	(1,570,056)	-	-
Total General Revenues and Transfers						44,594,171	(3,171,023)	41,423,148	273,679
Change in Net Assets						(1,286,696)	(5,576,393)	(6,863,089)	602,272
Net Assets - Beginning of Year						67,856,305	135,195,326	203,051,631	69,834,503
Net Assets - End of Year						\$ 66,569,609	\$ 129,618,933	\$ 196,188,542	\$ 70,436,775

The accompanying notes are an integral part of this statement.

County of Muskegon

Balance Sheet

Governmental Funds

September 30, 2010

ASSETS	General (1010)	Community Mental Health (2220)	Water and Sewer Debt (3650)	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 151,720	\$ 4,306,084	\$ 226,068	\$ 10,326,897	\$ 15,010,769
Investments	1,057,274	3,058,104	87,916	1,342,320	5,545,614
Receivables					
Accounts	465,649	589,473	1,587,331	2,628,372	5,270,825
Intergovernmental	466,833	-	-	8,088,731	8,555,564
Accrued interest	121,105	10,214	548	15,600	147,467
Special assessments	-	-	30,035,000	8,153	30,043,153
Current taxes	4,055,755	-	-	-	4,055,755
Other	3,428	-	-	-	3,428
Prepaid Items	-	194,634	-	46,092	240,726
Due from other funds	4,001,031	-	-	-	4,001,031
Inventories	-	-	-	118,169	118,169
Long-term advances to other funds	588,618	-	-	-	588,618
Long-term note receivable	-	-	-	975,000	975,000
	<u>\$ 10,911,413</u>	<u>\$ 8,158,509</u>	<u>\$ 31,936,863</u>	<u>\$ 23,549,334</u>	<u>\$ 74,556,119</u>

The accompanying notes are an integral part of this statement.

This statement covers more than one page.

County of Muskegon

Balance Sheet

Governmental Funds

September 30, 2010

	General (1010)	Community Mental Health (2220)	Water and Sewer Debt (3650)	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Payables					
Accounts	\$ 371,882	\$ 2,845,504	\$ -	\$ 6,066,268	\$ 9,283,654
Intergovernmental	-	2,887,246	691,205	441,786	4,020,237
Accrued liabilities	1,353,462	1,044,565	308	1,736,240	4,134,575
Due to other funds	-	-	-	3,867,900	3,867,900
Long-term advances from other funds	-	-	-	21,500	21,500
Deferred revenue	-	50,000	30,565,000	41,965	30,656,965
Total liabilities	\$ 1,725,344	\$ 6,827,315	\$ 31,256,513	\$ 12,175,659	\$ 51,984,831
Fund Balances					
Reserved for long-term advances to other funds	\$ 588,618	\$ -	\$ -	\$ -	\$ 588,618
Reserved for long-term note receivable	-	-	-	975,000	975,000
Reserved for prepaids/inventory	-	194,634	-	164,261	358,895
Unreserved					
Capital Projects	-	-	-	5,401,707	5,401,707
Grant programs, contracts and other activities	88,794	-	-	-	88,794
Special Revenue	-	1,136,560	-	1,796,973	2,933,533
Debt Service	-	-	680,350	306,182	986,532
Permanent Funds - expendable	-	-	-	9,262	9,262
Permanent Funds - nonexpendable	-	-	-	37,170	37,170
Undesignated - General Fund	8,508,657	-	-	-	8,508,657
Undesignated - Special Revenue	-	-	-	2,683,120	2,683,120
Total Fund Balances	9,186,069	1,331,194	680,350	11,373,675	22,571,288
Total Liabilities and Fund Balances	\$ 10,911,413	\$ 8,158,509	\$ 31,936,863	\$ 23,549,334	

Amounts reported for Governmental Activities in the
Statement of Net Assets are different because:

Capital assets used for governmental activities are not
current financial resources and therefore are not reported in
the Governmental Funds Balance Sheet. 56,189,691

Internal Service Funds are used by management to charge the costs of certain
activities, such as insurance and equipment leasing to individual funds.
The assets and liabilities of the Internal Service Funds are included in the
governmental activities in the Government-wide Statement of Net Assets 12,347,734

Deferred revenue in Debt Service is recognized on the full accrual basis in the
Government Wide Financial Statements 30,565,000

Long term liabilities are not due and payable in the current period and therefore
they are not reported in the Governmental Funds Balance Sheet (55,104,104)

Net Assets of Governmental Activities \$ 66,569,609

The accompanying notes are an integral part of this statement.

This statement covers more than one page.

County of Muskegon

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2010

	General (1010)	Community Mental Health (2220)	Water and Sewer Debt (3650)	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 26,367,644	\$ -	\$ -	\$ 2,524,852	\$ 28,892,496
Licenses and permits	38,034	-	-	858,608	896,642
Operating grants and contributions	2,234,485	6,076,935	-	27,140,148	35,451,568
Charges for services	7,598,661	71,071,302	1,688	15,468,721	94,140,372
Fines and forfeitures	579,504	-	-	7,700	587,204
Investment income	202,089	29,372	514	55,115	287,090
Rentals	144,693	-	-	920,940	1,065,633
Special assessments	-	-	925,000	-	925,000
Contributions from private sources	-	2,033,900	-	9,455	2,043,355
Other	1,101,482	88,410	-	3,435,075	4,624,967
Total revenues	38,266,592	79,299,919	927,202	50,420,614	168,914,327
Expenditures					
Current operations					
Legislative	443,638	-	-	-	443,638
Judicial	7,132,449	-	-	1,503,737	8,636,186
General County government	12,609,624	-	-	4,881,541	17,491,165
Public safety	11,327,173	-	-	1,995,471	13,322,644
Health	-	79,888,578	50,095	34,030,917	113,969,590
Welfare	-	-	-	14,245,651	14,245,651
Culture	151,867	-	-	212,965	364,832
Recreation	-	-	-	589,805	589,805
Other	555,975	-	-	187,337	743,312
Capital outlay	29,113	76,447	-	2,647,721	2,753,281
Debt service					
Principal payments	-	-	2,760,000	1,400,000	4,160,000
Interest	-	-	-	691,781	691,781
Other	-	-	-	-	-
Total expenditures	32,249,839	79,965,025	2,810,095	62,386,926	177,411,885
Revenues over (under) expenditures	6,016,753	(665,106)	(1,882,893)	(11,966,312)	(8,497,558)
Other financing sources (uses)					
Sales of Capital Assets	-	19,625	-	3,150	22,775
Transfers in	5,230,563	724,968	-	10,432,684	16,388,215
Refunded bonds	-	-	4,315,000	-	4,315,000
Payment to refunded bond escrow agent	-	-	(4,356,526)	-	(4,356,526)
Bond Issuance	-	-	-	-	-
Transfers (out)	(11,242,142)	(750,000)	-	(3,974,604)	(15,966,746)
	(6,011,579)	(5,407)	(41,526)	6,461,230	402,718
Net change in fund balance	5,174	(670,513)	(1,924,419)	(5,505,082)	(8,094,840)
Fund balance at beginning of year	9,180,895	2,001,707	2,604,769	16,878,757	30,666,128
Fund balance at end of year	\$ 9,186,069	\$ 1,331,194	\$ 680,350	\$ 11,373,675	\$ 22,571,288

The accompanying notes are an integral part of this statement.

County of Muskegon

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities**

For the Year Ended September 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in fund balances - total governmental funds	(\$ 8,094,840)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation for the current period less outlays capitalized in the current period	934,742
The repayment of long term debt consumes current financial resources but does not effect net assets	4,160,000
Loss on the difference between the cost of a governmental asset and its accumulated depreciation is not recognized in governmental funds as it does not deduct from current financial resources	(426,661)
Recognition of special assessment revenue on debt with governmental commitment occurs annually in the governmental funds but is on full accrual for all amounts due in the Government Wide Statements	(925,000)
Recognition of special assessment revenue with the issuance of special assessment debt	4,315,000
The issuance of long term debt provides current financial resources but does not affect net assets	(4,315,000)
The accrual of sick and annual wages does not consume current financial resources but does reduce net assets therefore they are not reported in governmental funds	191,252
Due from other funds in the General Fund for cash deficits	133,131
Due to Proprietary funds from Governmental funds for cash deficits	(133,131)
Long term advances to Governmental funds	21,500
Long term advances to Internal Service funds	567,118
Long term advances from General Fund	(588,618)
Long term advances to Proprietary funds	800,584
Long term advances from Internal Service funds	(800,584)
Long term advances to Proprietary funds	499,943
Long term advances from Proprietary funds	(499,943)
Internal service funds are used by management to charge the costs of insurance, printing, central facilities, equipment, and risk management to individual funds	
The net revenue of certain activities of internal service funds is reported with governmental activities	<u>2,873,811</u>
Change in net assets of governmental activities	<u>(\$ 1,286,696)</u>

The accompanying notes are an integral part of this statement.

County of Muskegon

Statement of Net Assets
 Proprietary Funds
 September 30, 2010

ASSETS	2009 Delinquent Tax Revolving (5169)	Airport (5810)	Muskegon Area Transit System (5880)	Northside Water (5910)	Wastewater (5920)	Other Proprietary Funds	Totals	Governmental Activities Internal Service Funds
CURRENT ASSETS								
Cash and cash equivalents	\$ 1,339,143	\$ 958,368	\$ 249,056	\$ 2,698,110	\$ 3,961,894	\$ 12,928,945	\$ 22,135,516	\$ 11,499,714
Investments	520,778	372,698	96,855	1,049,265	1,540,737	4,933,483	8,513,816	4,460,570
Receivables								
Accounts	-	163,050	26,449	712,061	1,836,616	795,447	3,533,623	127,961
Intergovernmental	-	14,753	401,330	682,636	-	-	1,098,719	-
Accrued interest	341	1,653	720	5,525	7,182	63,476	78,897	25,461
Current taxes	4,355,503	-	-	-	-	6,756,105	11,111,608	-
Current portion of interest and penalties on delinquent taxes	479,105	-	-	-	-	668,056	1,147,161	-
Due from other funds	-	-	-	-	-	528	528	-
Prepaid expenses	-	-	-	-	54,571	-	54,571	-
Inventories	-	-	-	-	51,021	5,099	56,120	-
Restricted Assets	-	-	-	-	-	1,744,849	1,744,849	-
Total current assets	<u>6,694,870</u>	<u>1,510,522</u>	<u>774,410</u>	<u>5,147,597</u>	<u>7,452,021</u>	<u>27,895,988</u>	<u>49,475,408</u>	<u>16,113,706</u>
NONCURRENT ASSETS								
Long-term advances to other funds	-	-	-	-	-	499,415	499,415	800,584
Long-term note receivable	-	-	-	-	-	-	-	200,000
Delinquent taxes receivable	5,323,392	-	-	-	-	916,255	6,239,647	-
Interest and penalties on delinquent taxes	585,573	-	-	-	-	186,123	771,696	-
Land	-	11,224,701	199,487	-	7,552,419	909,629	19,886,236	459,908
Construction in progress	-	-	-	-	33,777	-	33,777	1,815,180
Property and equipment at cost, net of accumulated depreciation	-	18,116,648	6,590,133	17,804,675	125,350,603	6,025,576	173,887,635	8,324,841
Total noncurrent assets	<u>5,908,965</u>	<u>29,341,349</u>	<u>6,789,620</u>	<u>17,804,675</u>	<u>132,936,799</u>	<u>8,536,998</u>	<u>201,318,406</u>	<u>11,600,513</u>
Total assets	<u>\$ 12,603,835</u>	<u>\$ 30,851,871</u>	<u>\$ 7,564,030</u>	<u>\$ 22,952,272</u>	<u>\$ 140,388,820</u>	<u>\$ 36,432,986</u>	<u>\$ 250,793,814</u>	<u>\$ 27,714,219</u>

The accompanying notes are an integral part of this statement.

This Statement covers more than one page

County of Muskegon

Statement of Net Assets
 Proprietary Funds
 September 30, 2010

	2009 Delinquent Tax Revolving (5169)	Airport (5810)	Muskegon Area Transit System (5880)	Northside Water (5910)	Wastewater (5920)	Other Proprietary Funds	Totals	Governmental Activities Internal Service Funds
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable	\$ -	\$ 310,216	\$ 72,870	\$ 220,856	\$ 2,411,857	\$ 107,911	\$ 3,123,710	\$ 2,222,925
Accrued liabilities	-	111,659	376,477	46,144	1,078,971	181,578	1,794,829	1,929,028
Due to other funds	-	-	-	-	-	133,659	133,659	-
Current portion of accrued closure costs	-	-	-	-	-	308,897	308,897	-
Accrued interest	25,789	-	-	294,258	163,732	-	483,779	-
Current portion of tax anticipation notes payable	7,500,000	-	-	-	-	3,500,000	11,000,000	-
Long-term debt payable in less than one year	-	-	-	455,000	3,845,000	-	4,300,000	285,000
Total current liabilities	<u>7,525,789</u>	<u>421,875</u>	<u>449,347</u>	<u>1,016,258</u>	<u>7,499,560</u>	<u>4,232,045</u>	<u>21,144,874</u>	<u>4,436,953</u>
NONCURRENT LIABILITIES								
Notes payable	3,500,000	-	-	-	-	-	3,500,000	-
Accrued closure costs	-	-	-	-	-	9,987,694	9,987,694	-
Accrued liabilities	-	-	-	-	-	-	-	3,507,414
Long-term advances from other funds	-	999,999	-	-	-	300,000	1,299,999	567,118
Long-term debt due in more than one year	-	-	-	15,670,000	69,572,314	-	85,242,314	6,855,000
Total noncurrent liabilities	<u>3,500,000</u>	<u>999,999</u>	<u>-</u>	<u>15,670,000</u>	<u>69,572,314</u>	<u>10,287,694</u>	<u>100,030,007</u>	<u>10,929,532</u>
Total liabilities	<u>11,025,789</u>	<u>1,421,874</u>	<u>449,347</u>	<u>16,686,258</u>	<u>77,071,874</u>	<u>14,519,739</u>	<u>121,174,881</u>	<u>15,366,485</u>
NET ASSETS								
Invested in Capital Assets, Net of related debt	-	29,341,349	6,789,620	1,679,675	59,519,485	6,935,205	104,265,334	3,744,929
Restricted for cell closure	-	-	-	-	-	4,185,673	4,185,673	-
Unrestricted	1,578,046	88,648	325,063	4,586,339	3,797,461	10,792,369	21,167,926	8,602,805
Total Net Assets	<u>\$ 1,578,046</u>	<u>\$ 29,429,997</u>	<u>\$ 7,114,683</u>	<u>\$ 6,266,014</u>	<u>\$ 63,316,946</u>	<u>\$ 21,913,247</u>	<u>\$ 129,618,933</u>	<u>\$ 12,347,734</u>

The accompanying notes are an integral part of this statement.

This Statement covers more than one page

County of Muskegon

Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 For the Year ended September 30, 2010

	2009 Delinquent Tax Revolving (5169)	Airport (5810)	Muskegon Area Transit System (5880)	Northside Water (5910)	Wastewater (5920)	Other Proprietary Funds	Totals	Governmental Activities Internal Service Funds
Operating revenues								
Charges for services	\$ -	\$ 1,114,899	\$ 575,720	\$ 2,963,556	\$ 10,220,954	\$ 3,272,074	\$ 18,147,203	\$ -
Farm sales	-	-	-	-	1,821,708	-	1,821,708	-
Interest and penalties on delinquent taxes	1,639,751	-	-	-	-	1,471,087	3,110,838	-
Premiums	-	-	-	-	-	-	-	19,245,719
Rents	-	-	-	-	-	-	-	1,509,418
Other	-	73,315	1,037	39,667	1,866	479	116,364	7,376,751
	<u>1,639,751</u>	<u>1,188,214</u>	<u>576,757</u>	<u>3,003,223</u>	<u>12,044,528</u>	<u>4,743,640</u>	<u>23,196,113</u>	<u>28,131,888</u>
Operating expenses								
Salaries and fringe benefits	-	775,950	2,047,837	215,199	3,987,152	893,045	7,919,183	1,272,788
Supplies and other operating expenses	36,278	935,686	901,563	1,808,170	3,777,495	4,474,344	11,933,536	1,476,053
Insurance benefits and claims	-	-	-	-	-	-	-	1,140,974
Insurance premiums	-	-	-	-	-	-	-	21,934,567
Interest expense	25,789	-	-	-	-	202,260	228,049	16,130
Depreciation and amortization	-	757,311	598,350	402,865	4,276,359	742,196	6,777,081	919,327
	<u>62,067</u>	<u>2,468,947</u>	<u>3,547,750</u>	<u>2,426,234</u>	<u>12,041,006</u>	<u>6,311,845</u>	<u>26,857,849</u>	<u>26,759,839</u>
Operating income (loss)	<u>1,577,684</u>	<u>(1,280,733)</u>	<u>(2,970,993)</u>	<u>576,989</u>	<u>3,522</u>	<u>(1,568,205)</u>	<u>(3,661,736)</u>	<u>1,372,049</u>
Non Operating revenues (expenses)								
Operating subsidies	-	-	2,373,931	-	132,191	-	2,506,122	-
Interest income	362	7,435	2,277	60,504	59,274	163,767	293,619	75,141
Interest expense	-	(25,023)	-	(706,874)	(1,822,474)	-	(2,554,371)	-
Loss on disposal of fixed assets	-	-	(207,813)	-	(1,165,252)	-	(1,373,065)	-
Other	-	124,789	-	(901,088)	(250)	138,664	(637,885)	(4,205)
	<u>362</u>	<u>107,201</u>	<u>2,168,395</u>	<u>(1,547,458)</u>	<u>(2,796,511)</u>	<u>302,431</u>	<u>(1,765,580)</u>	<u>70,936</u>
Income (loss) before operating transfers and capital contributions	<u>1,578,046</u>	<u>(1,173,532)</u>	<u>(802,598)</u>	<u>(970,469)</u>	<u>(2,792,989)</u>	<u>(1,265,774)</u>	<u>(5,427,316)</u>	<u>1,442,985</u>
Capital contributions	-	1,231,907	189,072	-	-	-	1,420,979	282,239
Transfers in	-	875,520	-	-	-	9,412,251	10,287,771	1,148,587
Transfers (out)	-	-	-	-	-	(11,857,827)	(11,857,827)	-
	<u>-</u>	<u>2,107,427</u>	<u>189,072</u>	<u>-</u>	<u>-</u>	<u>(2,445,576)</u>	<u>(149,077)</u>	<u>1,430,826</u>
Change in Net Assets	<u>1,578,046</u>	<u>933,895</u>	<u>(613,526)</u>	<u>(970,469)</u>	<u>(2,792,989)</u>	<u>(3,711,350)</u>	<u>(5,576,393)</u>	<u>2,873,811</u>
Net Assets at beginning of year	-	28,496,102	7,728,209	7,236,483	66,109,935	25,624,597	135,195,326	9,473,923
Equity Transfer (to) other funds	-	-	-	-	-	-	-	-
Net Assets at end of year	<u>\$ 1,578,046</u>	<u>\$ 29,429,997</u>	<u>\$ 7,114,683</u>	<u>\$ 6,266,014</u>	<u>\$ 63,316,946</u>	<u>\$ 21,913,247</u>	<u>\$ 129,618,933</u>	<u>\$ 12,347,734</u>

The accompanying notes are an integral part of this statement.

County of Muskegon

Statement of Cash Flows

Proprietary Funds

For the Year ended September 30, 2010

	2009 Delinquent Tax Revolving (5169)	Airport (5810)	Muskegon Area Transit System (5880)	Northside Water (5910)	Wastewater (5920)	Other Proprietary Funds	Totals	Governmental Activities Internal Service Funds
CASH FLOW FROM OPERATING ACTIVITIES								
Cash Received from Customers	\$ 1,639,751	\$ 1,097,300	\$ 586,354	\$ 4,486,969	\$ 10,907,730	\$ 4,471,916	\$ 23,190,020	\$ 537,006
Cash Received from other funds	-	-	-	-	-	-	-	27,731,306
Cash Payments to Suppliers of Goods and Services	(36,278)	(810,425)	(855,431)	(2,324,825)	(7,953,031)	(1,711,414)	(13,691,404)	(25,160,662)
Interest Paid	-	-	-	-	-	(860,725)	(860,725)	-
Cash Payments to Employees for Services	-	(957,665)	(1,958,546)	(212,425)	(4,182,420)	(386,155)	(7,697,211)	(1,276,201)
Tax collections	7,455,408	-	-	-	-	-	7,455,408	-
Delinquent tax payments to municipalities	(7,455,408)	-	-	-	-	-	(7,455,408)	-
Other receipts	-	-	-	39,667	1,866	53,042	94,575	-
Net cash provided by (used for) Operating Activities	1,603,473	(670,790)	(2,227,623)	1,989,386	(1,225,855)	1,566,664	1,035,255	1,831,449
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES								
Advances from (to) other funds	-	(348,797)	-	-	-	7,414,628	7,065,831	-
Tax Collections	256,427	-	-	-	-	6,482,466	6,738,893	-
Note Proceeds	11,000,000	-	-	-	-	-	11,000,000	-
Tax payments to municipalities	(11,000,000)	-	-	-	-	-	(11,000,000)	-
Increase in Investments	-	-	-	-	-	38,893	38,893	-
Interest paid	-	-	-	-	-	-	-	-
Operating Subsidies from Grants	-	-	1,884,102	(901,089)	132,191	-	1,115,204	-
Transfers (out)	-	-	-	-	-	(11,857,827)	(11,857,827)	(333,429)
Transfers in	-	875,520	-	-	-	9,412,251	10,287,771	909,193
Sales of non-capitalized assets	-	-	9,159	-	(250)	-	8,909	-
Note payments	-	-	-	-	-	(11,000,000)	(11,000,000)	-
Net cash provided by (used for) noncapital financing activities	256,427	526,723	1,893,261	(901,089)	131,941	490,411	2,397,674	575,764
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Bond and Note Issuance	-	-	-	-	21,259,145	-	21,259,145	7,140,000
Principal payments on long term debt	-	(1,030,000)	-	(440,000)	(3,675,000)	-	(5,145,000)	(843,651)
Transfers from other funds	-	-	-	-	-	-	-	239,394
Principal received (paid) on long term advances	-	-	-	-	-	-	-	602,694
Interest expense and agent fees	-	(39,829)	-	(714,122)	(1,822,474)	-	(2,576,425)	-
Purchase of capital assets	-	(1,260,995)	(189,072)	(469,750)	(51,071,762)	(428,603)	(53,420,182)	(7,101,303)
Construction in progress	-	-	216,972	285,485	41,849,378	-	42,351,835	-
Sale of capital assets	-	114,975	-	-	-	60,002	174,977	80
Capital contributions and grants	-	1,241,718	189,072	-	-	-	1,430,790	282,239
Net cash used for capital and related financing activities	-	(974,131)	216,972	(1,338,387)	6,539,287	(368,601)	4,075,140	319,453
CASH FLOW FROM INVESTING ACTIVITIES								
Payments received on note receivable	-	-	-	-	-	-	-	-
Proceeds from sales and maturities of investments	1,005,845	1,298,562	302,458	3,011,283	2,975,822	12,746,011	21,339,981	11,909,094
Purchase of investments	(1,526,623)	(1,092,540)	(283,924)	(3,075,845)	(4,516,559)	(14,738,918)	(25,234,409)	(13,075,843)
Interest received from investment pool	21	6,997	1,745	58,657	57,258	135,820	260,498	58,332
Net cash provided by investing activities	(\$ 520,757)	\$ 213,019	\$ 20,279	(\$ 5,905)	(\$ 1,483,479)	(\$ 1,857,087)	(\$ 3,633,930)	(\$ 1,108,417)

The accompanying notes are an integral part of this statement.

County of Muskegon

Statement of Cash Flows - Continued
 Proprietary Funds
 For the Year ended September 30, 2010

	2009 Delinquent Tax Revolving (5169)	Airport (5810)	Muskegon Area Transit System (5880)	Northside Water (5910)	Wastewater (5920)	Other Proprietary Funds	Totals	Governmental Activities Internal Service Funds
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,339,143	(\$ 905,179)	(\$ 97,111)	(\$ 255,995)	\$ 3,961,894	(\$ 168,613)	\$ 3,874,139	\$ 1,618,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	1,863,547	346,167	2,954,105	-	13,097,558	18,261,377	9,881,465
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,339,143</u>	<u>\$ 958,368</u>	<u>\$ 249,056</u>	<u>\$ 2,698,110</u>	<u>\$ 3,961,894</u>	<u>\$ 12,928,945</u>	<u>\$ 22,135,516</u>	<u>\$ 11,499,714</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Operating income (loss)	<u>\$ 1,577,684</u>	<u>(\$ 1,280,733)</u>	<u>(\$ 2,970,993)</u>	<u>\$ 576,989</u>	<u>\$ 3,522</u>	<u>(\$ 1,568,205)</u>	<u>(\$ 3,661,736)</u>	<u>\$ 1,372,049</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation expense	-	757,311	598,350	402,865	4,276,359	742,196	6,777,081	919,327
Changes in Assets and Liabilities:								
(Increase) decrease in accounts receivable	-	(76,162)	9,597	(126,708)	(242,004)	(236,956)	(672,233)	128,772
(Increase) decrease in intergovernmental receivable	-	(14,752)	-	1,650,121	-	-	1,635,369	-
(Increase) decrease in inventory	-	-	-	-	(7,220)	(471)	(7,691)	-
Increase (decrease) in accounts payable	-	125,261	46,132	(516,655)	(4,113,745)	(32,950)	(4,491,957)	(134,719)
(Increase) decrease in prepaid expenses	-	-	-	-	(54,571)	415	(54,156)	-
(Increase) decrease in restricted assets	-	-	-	-	-	(83,306)	(83,306)	-
(Decrease) in closure costs	-	-	-	-	-	2,880,470	2,880,470	-
Increase (decrease) in due to other funds	-	-	-	-	(892,928)	(528)	(893,456)	-
Increase (decrease) in accrued liabilities	<u>25,789</u>	<u>(181,715)</u>	<u>89,291</u>	<u>2,774</u>	<u>(195,268)</u>	<u>(134,001)</u>	<u>(393,130)</u>	<u>(453,980)</u>
Total adjustments	<u>25,789</u>	<u>609,943</u>	<u>743,370</u>	<u>1,412,397</u>	<u>(1,229,377)</u>	<u>3,134,869</u>	<u>4,696,991</u>	<u>459,400</u>
Net cash provided by operations	<u>\$ 1,603,473</u>	<u>(\$ 670,790)</u>	<u>(\$ 2,227,623)</u>	<u>\$ 1,989,386</u>	<u>(\$ 1,225,855)</u>	<u>\$ 1,566,664</u>	<u>\$ 1,035,255</u>	<u>\$ 1,831,449</u>

The accompanying notes are an integral part of this statement.

County of Muskegon

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2010

	<u>Agency Funds</u>	<u>Trust Fund Epic Heir Trust (7650)</u>
ASSETS		
Cash and cash investments	\$ 14,519,075	\$ 46,427
Accounts receivable	1,331,863	-
Accrued interest receivable	11,272	88
	<u>\$ 15,862,210</u>	<u>\$ 46,515</u>
LIABILITIES		
Accounts payable	\$ 680,454	\$ -
Intergovernmental payable	872,497	-
Undistributed current and delinquent taxes	8,409,207	-
Trust deposits	354,220	-
Accrued liabilities	202,760	-
Unallocated receipts	5,320,580	-
Fines and Fees due to local municipalities and libraries	22,492	-
	<u>\$ 15,862,210</u>	<u>-</u>
Net Assets		
Held in trust for Epic children		<u>\$ 46,515</u>

The accompanying notes are an integral part of this statement.

County of Muskegon

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year ended September 30, 2010

	Epic Heir Trust (7650)
Court transfer	30,821
Investment earnings	251
Total Additions	31,072
Change in Net Assets	31,072
Net Assets - Beginning	15,443
Net Assets - Ending	\$ 46,515

The accompanying notes are an integral part of this statement.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

The County of Muskegon, Michigan, was incorporated on July 18, 1859, and covers an area of approximately 527.34 square miles with the county seat located in the City of Muskegon. The county operates under an elected Board of Commissioners (11 members) and provides services to its 170,000 residents in many areas, including law enforcement, administration of justice, transportation, waste disposal, road maintenance, community enrichment and development and human services.

a) Reporting Entity

The accompanying financial statements present the County and its discretely presented component unit, an entity for which the County is considered to be fiscally accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The Muskegon County Building Authority is a blended component unit and its sole function is to construct and lease back buildings to the County. The authority has no financial activity as all costs are borne and reported by the County.

Discretely presented component unit. The Muskegon County Road Commission (MCRC) is responsible for maintaining a primary and local road system within county boundaries. The members of the governing board are appointed by the County Board of Commissioners and the County has significant financial responsibility for its operations. The County board also approves all debt issuances.

Complete financial statements for the individual component unit can be obtained from the entity's administrative office.

Muskegon County Road Commission
7700 E Apple Ave
Muskegon MI 49442

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

b) Fund Accounting

The financial activities of the county are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

c) Government-wide and fund financial statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets on all the non-fiduciary activities of the primary government and its component unit. Most of the effects of interfund activity have been removed from these statements. **Governmental activities**, which normally are supported by taxes and intergovernmental revenues, are reported separately from **business-type activities**, which rely primarily on users fees and charges for service. Likewise, the **primary government** is reported separately from certain legally separate **component units** for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes, fines and other items not specific to particular functions or segments are reported instead as general revenues.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

d) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements use the “economic resources” measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expense are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

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 collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. A ninety day availability period is used for revenue recognition for all governmental fund revenues, except for property taxes. As described in Note 2, Property taxes for the County’s General Fund which are levied and payable within the current fiscal year are fully recognized inasmuch as any uncollected taxes are settled with the Delinquent Tax Revolving Fund not later than March 1 of the following fiscal year. While this schedule exceeds the normal availability period for property taxes of sixty days, management believes that fully recognizing property taxes in the year they are intended to finance better reflects the matching concept of generally accepted accounting principles. 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 claim and judgements, are recorded only when payment is due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within 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 County.

The County reports the following major governmental funds:

The **General Fund** (1010) is the government’s primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

d) Measurement focus, basis of accounting, and financial statement presentation - continued

Community Mental Health (2220) accounts for funds earmarked to provide mental health services within county boundaries. Monies are provided by federal, state, and county appropriations, grants, contributions and charges for services. This fund has several separate programs for the mentally impaired and developmentally disabled individuals. Both out-patient and in-patient services for adults and children are provided.

Water and Sewer Debt (3650) accounts for revenues received from local municipalities for the payment of the limited obligation long-term debt (principal, interest and fees) of the County. This debt is a special assessment debt with governmental commitment associated with local municipalities, water and sewer installation and infrastructure improvements.

The County reports the following major proprietary funds:

2009 Delinquent Tax Revolving (5169) accounts for funds collected on delinquent taxes and held for debt payments and future appropriations to the General fund of the County for operations or to other funds for debt repayments on bond issues.

Airport (5810) provides direct and related services for both air carrier and general aviation aircraft. Airport activities are administratively divided into four areas: airfield, terminal buildings, hangars and other.

Muskegon Area Transit System (5880) accounts for and provides public transportation with ten regular routes and two special routes. The sources of funds are the Michigan Department of Transportation (paying 32% of the operating costs), the Urban Mass Transportation Administration (paying 50% of the operating costs), and the local contributions (paying 18% of the operating costs).

Northside Water (5910) provides for the continued operations of a regional water system for the townships of Dalton, Laketon and Muskegon.

Wastewater (5920) provides an innovative, comprehensive plan for utilizing wastewater for land treatment by spray irrigation. The land treatment system nearly eliminates industrial and municipal pollutants and utilizes the wastewater as water and fertilizer to grow crops. Revenues are derived primarily from municipal users and private corporations. Additional revenue is generated from sales of crops grown at the facility.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

d) Measurement focus, basis of accounting, and financial statement presentation - continued

Additionally, the County reports the following fund types:

Internal service funds account for printing, building maintenance, automotive repair, building and equipment purchases, energy improvements, and insurance and risk management on a cost reimbursement basis.

Trust funds account for the perpetual care of specific individuals as ordered by the Court. These funds are legally held in trust for use only by the specified activities as described. The accounting for trust funds is like that used for proprietary funds (full accrual).

Agency funds account for monies that are custodial in nature (assets equal liabilities) and do not involve the measurement of results in operations. Agency funds are accounted for on the full accrual basis of accounting. Amounts held in the agency funds include ordinance fines and costs, payments in lieu of taxes, current real and personal property taxes, payroll withholdings and public safety funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are revenues in excess of expenses for tax collection and internal rentals of buildings and equipment in excess of depreciation and cost of money. Elimination of the revenues would distort the activity of the functions and would not reflect the proper future uses of the excesses collected for their specific governmental purposes.

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 of the Wastewater, Solid Waste, Northside Water, Transit System, and the Airport enterprise funds are charges to customers for sales and services. The County's internal service funds recognize as operating revenue internal transfers intended to recover the cost of providing specific benefits and equipment to employees and departments within County operations. 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. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

d) Measurement focus, basis of accounting, and financial statement presentation - continued

The County reports deferred revenue on its Governmental Funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

e) Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

f) Inventories

Inventories, which consist of replacement parts, office supplies, drugs and medical supplies, are stated at cost using the first in, first out (FIFO) method in governmental funds, and at the lower of average cost or market in proprietary funds. Inventories are accounted for by the consumption method.

g) Capital Assets

Property and equipment are stated at cost. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs during the construction period. Capital assets are defined as assets with an estimated useful life of more than one year and with a unit cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued and recorded at estimated fair

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

g) Capital Assets - continued

market value at the date of donation. Capital assets are reported in the respective governmental or business-type activities columns in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. All capital assets, including those purchased/constructed prior to the implementation of GASB 34 have been included for the primary government and component unit. The County has no infrastructure assets in its governmental activities. Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10 - 100
Lagoon	98 - 100
Buildings and improvements	10 - 50
Machinery and equipment	3 - 25
Wastewater collection and distribution system	10 - 50
Infrastructure	5 - 50
Capitalized interest and engineering costs	47 - 50

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

h) Compensated absences

County employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid (1) accumulated vacation at full rates with certain limitations for non-staff personnel, and (2) accumulated sick leave at death or retirement at three-quarters the employee's pay rate and at one-half the employee's pay rate for all other reasons. Vacation and sick pay is fully accrued in the government-wide and proprietary financial statements. Vacation and Sick long-term portion of \$6,444,104 has been recorded as a portion of the long-term debt in the government-wide financial statements. Vacation and Sick paid during the year has been made from the funds where the employees last worked. The majority of compensated absences were paid by the General and Community Mental Health funds. County Road Commission personnel are paid fully for accumulated vacation and nothing for sick leave upon termination. Upon retirement or death, personnel receive full accumulated vacation and one half the sick leave accrued.

I) Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

j) Self-Insurance Fund

The county maintains a self-insurance fund. The purpose of this fund is to pay premiums and claims as they are billed or occur. For the self-insured areas of workers' compensation, medical and unemployment, the county maintains an incurred but not reported (IBNR) reserve in all areas.

k) Restricted Net Assets

The county's restricted net assets in the special revenue funds are restricted by contract and grant agreements with other municipalities.

l) Fund Balance Reserves and Designations

Long-term advances from the general fund to the internal service funds were made to finance and sustain the activities of these funds. A portion of the general fund balance is reserved in an amount equal to such advances to reflect the amount of fund balance not currently available for expenditure. As discussed in Note 4, the county has a long-term note receivable from the City of Muskegon Downtown Development Authority, which is held jointly by the capital projects and internal service funds. Portions of the capital projects fund balance have been reserved in amounts equal to their respective portions of such long-term note receivable to reflect the amount of the fund balance not currently available for expenditure.

Fund balances designated for programs and debt service represent amounts appropriated by the Board of Commissioners for specific projects which carry over each year.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

1) Fund Balance Reserves and Designations - continued

Specific fund balances designated and reserved are:

General and Special Revenue

General Fund (1010)	\$677,412
Sobriety Court (1170)	66,950
Emergency Services (1190)	28,003
Marine Safety (1200)	17,723
Park Fund (2080)	170,365
Prosecutor Family Court (2140)	7,662
Safe Schools/Healthy Students (2152)	1,711
Health Department (2210)	35,284
Community Mental Health (2220)	1,331,194
Accommodations Tax (2300)	153,091
CDBG Housing Grant (2470)	1,204
Deed Automation Fund (2560)	1,032,331
TNT Drug (2671)	32,641
Prosecutor Drug (2672)	5,698
Crime Victims' Rights (2800)	1,058
Muskegon Area Stormwater Committee (2823)	21,650
EDC Loan Revolving (2860)	160,532
Rambusch-Fuchs CDBG Grant (2873)	3,549
Mental Health Buildings (2970)	6,871
Victim Restitution (2980)	50,650
	<u>\$3,805,579</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

1) Fund Balance Reserves and Designations - continued

Debt Service

Designated for debt service \$986,532

Capital Projects

CMH Apple Building (4140) \$280,860

Muskegon/Egelston/Dalton Sewer (4641) 181,895

Future capital projects (4930) (4960) 4,508,866

Long-term Note Receivable (4930) (4960) 975,000

Capital improvements designated for drain projects (8010) 430,086

\$6,376,707

Permanent Funds

Designated for perpetual care (1500) (1550) \$46,432

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

m) Budgets

The general, special revenue, and debt service funds are the governmental fund types under formal budgetary control. The county adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget.

1. A general, special revenue and debt service funds budget is presented to the Ways and Means Committee of the Board in September, at which time hearings on the budget are scheduled. A Public Hearing is held in August or September and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Board.
2. The budget, and an appropriation ordinance implementing it, is then adopted in September.
3. Formal budget integration is employed as a management control device during the year for the general, special revenue and debt service funds. Formal budgetary integration is not employed for any other fund and only informational summaries are prepared as a management tool and are presented to the Board for consideration.
4. Budgets presented for the general, special revenue and debt service funds were prepared on the modified accrual basis of accounting. Encumbrances are not recorded at year end.
5. Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue fund expenditures and debt service funds cannot legally exceed their respective fund totals and must remain in accordance with their respective grant agreements with federal and state agencies.
6. Budgets for the current year are carefully reviewed in June or July for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Ways and Means Committee and the Board in August and September for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES AND OTHER MATTERS - Continued

m) Budgets - continued

7. The Governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments. Some budgets are approved at the zero activity level when there appears to be no consistent operating data to project future revenues or expenses.
8. The budgetary information presented has been amended during the year by an official action of the County Board of Commissioners. The amendments were not significant in total.
9. All budget appropriations lapse at the end of each funds' fiscal year.

n) Grants and Third Party Cost Reimbursement Settlements

The county receives grants from other governmental units to finance specific programs. The grant revenues are recorded based on qualifying program expenditures, as determined by the county, and are subject to audit by the responsible agencies. Adjustments required upon final settlements are recorded in the period of settlement. Third party cost reimbursements are recorded at prospective rates and provisions are made at the end of each year to adjust such revenues to the reimbursable cost expected to be received. Adjustments required upon final settlements are recorded in the period of settlement.

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES AND OTHER MATTERS - Continued

o) Indirect Cost Rate

Administrative costs are recorded in the general fund as indirect costs in the county's accounting system and allocated to the various funds based upon a negotiated indirect cost plan. Indirect costs are defined by Federal Register CFR 2 Part 225 as costs "(a) incurred for a common or joint purpose benefitting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved." The indirect cost rate used by the county is based on prior cost experience, documented by a cost allocation plan, (published February 2010), and is approved by a cognizant federal agency (health and human services) in accordance with the provision of OMB Circular A-87. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is scrutinized and a revised fixed rate for future use is negotiated with the cognizant agency only if necessary. During 2010, the county's indirect cost rate was 8.694% of direct salaries and wages, excluding fringe benefits. Certain other accounting policies are disclosed in subsequent footnotes.

NOTE 2 - PROPERTY TAX

Property taxes are levied and attached as an enforceable lien on property as of July 1 and December 1. Taxes are payable by March 1 with local treasurers. After March 1, taxes are delinquent and are collected by the county with additional penalty and interest added. Delinquent tax rolls are used to finance delinquent tax notes of which the proceeds are used to pay off the various taxing authorities around July 1. Collections of delinquent taxes (including penalty and interest) are kept by the county to repay the notes, with any remainder being remitted to the general fund. Any delinquent taxes not collected after two years have elapsed trigger the property to be foreclosed and sold at public auction, with a minimum bid of amounts due for taxes, interest and fees. The foreclosure sales occurs on or about September 1st. Therefore, under the statutes, total delinquency collection is assured.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 3 - CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents are short-term, highly liquid investments whose original maturity is three months or less.

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Investments

At September 30, 2010, the County had the following investments:

Certificates of Deposit	\$16,520,000
Treasury Notes	<u>2,000,000</u>
	<u>\$18,520,000</u>

Custodial Credit Risk Related to Deposits

Custodial credit risk related to deposits is the risk that, in the event of a bank failure, the County's deposits might not be recovered. It is the County's policy to reduce custodial credit risk related to deposits by using only pre-qualified financial institutions, broker/dealers, intermediaries and advisors. At September 30, 2010, \$78,912,618 of the County's bank balances of \$80,483,424 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$78,912,618
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County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 3 - CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS - continued

Interest rate risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. It is the County's policy to reduce interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Custodial Credit Risk Related to Investments

Custodial credit risk related to investments is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. All of the County's investments are held in the name of the County.

Credit Risk

State statutes authorize the County to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificate of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus funds Investment Pool Act and mutual funds composed entirely of the above investments.

The County had no investment policy that would further limit its investment choices. The County's investment in money market funds was not rated at September 30, 2010.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 4 - LONG-TERM NOTE RECEIVABLE

The county has a long-term note receivable from the City of Muskegon Downtown Development Authority (a Michigan nonprofit corporation) dated August 17, 1989 (issued in the face amount of \$1,000,000, interest free), which is held jointly by capital projects and internal service funds.

The note is included in the accompanying combined financial statements at its original face amount. The note is collateralized by a certain tax increment financing plan and by the assignment of the related leases, which are believed to provide adequate assurance for the realization of the notes.

NOTE 5 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

a) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet”. The details of this \$55,104,104 difference are as follows:

Special Assessment bonds	\$31,020,000
General Obligation bonds	6,770,000
Building Authority bonds	10,870,000
Compensated absences	<u>6,444,104</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$55,104,104</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENT - CONTINUED

September 30, 2010

NOTE 5 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - continued

b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that " Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this (\$2,753,281) difference are as follows:

Capital Outlay	\$14,911,323
Internal Service asset purchases	(7,676,153)
Construction in progress change	(2,307,276)
Internal Service depreciation	919,327
Depreciation Expense as presented for Governmental Activities	<u>(3,093,940)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$2,753,281</u>

County of Muskegon
 NOTES TO BASIC FINANCIAL STATEMENT - CONTINUED
 September 30, 2010

NOTE 6 - CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2010 are summarized as follows:

Primary Government

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital assets, not depreciable:				
Land	\$4,323,220	\$ -	\$119,610	\$4,203,610
Construction in progress	<u>5,179,608</u>	<u>1,817,722</u>	<u>4,395,024</u>	<u>2,602,306</u>
	<u>9,502,828</u>	<u>1,817,722</u>	<u>4,514,634</u>	<u>6,805,916</u>
Capital assets being depreciated:				
Land Improvements	4,735,785	335,362	14,030	5,057,117
Buildings and Improvements	67,394,896	11,531,444	385,577	78,540,763
Machinery and Equipment	<u>19,157,637</u>	<u>1,226,795</u>	<u>1,637,152</u>	<u>18,747,280</u>
Total assets being depreciated	<u>91,288,318</u>	<u>13,093,601</u>	<u>2,036,759</u>	<u>102,345,160</u>
Less accumulated depreciation for:				
Land Improvements	(1,880,018)	(185,517)	-	(2,065,535)
Buildings and Improvements	(23,525,280)	(1,686,872)	(178,781)	(25,033,371)
Machinery and Equipment	<u>(15,591,926)</u>	<u>(1,221,551)</u>	<u>(1,550,927)</u>	<u>(15,262,550)</u>
Total accumulated depreciation	<u>(40,997,224)</u>	<u>(3,093,940)</u>	<u>(1,729,708)</u>	<u>(42,361,456)</u>
Total capital assets being depreciated, net	<u>50,291,094</u>	<u>9,999,661</u>	<u>307,051</u>	<u>59,983,704</u>
 Governmental activities-capital assets, net	 <u>\$59,793,922</u>	 <u>\$11,817,383</u>	 <u>\$4,821,685</u>	 <u>\$66,789,620</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 6 - CAPITAL ASSETS - Continued

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-type Activities				
Capital assets, not depreciable:				
Land	\$19,886,236	\$0	\$0	\$19,886,236
Construction in progress	<u>42,385,612</u>	<u>5,595</u>	<u>42,357,430</u>	<u>33,777</u>
Total capital assets not being depreciated	<u>62,271,848</u>	<u>5,595</u>	<u>42,357,430</u>	<u>19,920,013</u>
Capital assets being depreciated:				
Land Improvements	40,129,981	145,494	-	40,275,475
Buildings and Improvements	26,995,582	16,398	111,379	26,900,601
Machinery and Equipment	28,978,539	2,052,045	755,061	30,275,523
Lagoons	9,517,671	-	-	9,517,671
W/W collection and distribution	111,491,207	51,218,281	6,925,172	155,784,316
Capitalized interest and engineering	<u>9,062,219</u>	<u>-</u>	<u>-</u>	<u>9,062,219</u>
Total assets being depreciated	<u>226,175,199</u>	<u>53,432,218</u>	<u>7,791,612</u>	<u>271,815,805</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 6 - CAPITAL ASSETS - Continued

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Less accumulated depreciation for:				
Land Improvements	(14,428,919)	(945,678)	-	(15,374,597)
Buildings and Improvements	(12,171,485)	(825,808)	(111,379)	(12,885,914)
Machinery and Equipment	(12,215,886)	(1,444,990)	(728,228)	(12,932,648)
Lagoons	(3,441,408)	(95,307)	-	(3,536,715)
W/W collection and distribution	(50,434,856)	(3,154,628)	(5,747,886)	(47,841,598)
Capitalized interest and engineering	<u>(5,046,025)</u>	<u>(310,670)</u>	<u>-</u>	<u>(5,356,695)</u>
Total accumulated depreciation	<u>(97,738,579)</u>	<u>(6,777,081)</u>	<u>(6,587,493)</u>	<u>(97,928,167)</u>
Total business-type assets being depreciated, net	<u>128,436,620</u>	<u>46,655,137</u>	<u>1,204,119</u>	<u>173,887,638</u>
Business-type activities-capital assets, net	<u>\$190,708,468</u>	<u>\$46,660,732</u>	<u>\$43,561,549</u>	<u>\$193,807,651</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 6 - CAPITAL ASSETS - Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Judicial	\$22,451
General County Government	2,409,686
Public Safety	212,668
Health	148,020
Welfare	92,793
Culture	615
Recreation	<u>207,707</u>
Total Depreciation Expense - Governmental activities	<u>\$3,093,940</u>
Business-type Activities	
Airport	757,311
Muskegon Area Transit System	598,350
Northside Water	402,865
Wastewater	4,276,359
Other Proprietary Funds	<u>742,196</u>
Total Depreciation Expense - business-type activities	<u>\$6,777,081</u>

In accordance with the reporting under GASB Statement 42, the County has no impairment of capital assets for the year ended September 30, 2010.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG-TERM DEBT

Change in Long-term debt of the county for the year ended September 30, 2009 was as follows:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>	<u>Due within one year</u>
<u>Governmental Activities</u>					
Bonds Payable:					
Special Assessment with Governmental commitment					
Fruitport Sewer Bond - Paid off in November 2009 (8715) (Issued \$2,680,000)	\$2,130,000	\$ -	(\$2,130,000)	\$0	
Series II Refunded - payable in increasing annual installments ranging from \$325,000 in 2011 to \$520,000 in 2020 with interest from 2.00% to 3.00% (8718)(Issued \$4,315,000)	4,525,000	4,315,000	(4,525,000)	4,315,000	325,000
Laketon Sewer Bond - payable in increasing installments ranging from \$195,000 in 2010 to \$450,000 in 2028 with interest from 4.00% to 4.625%. (8834) (Issued \$6,000,000)	5,815,000		(195,000)	5,620,000	205,000

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>	<u>Due within one year</u>
<u>Governmental Activities</u> - continued					
Special Assessment with Gov. commitment (continued)					
Muskegon/Egelston/Dalton 2006 Bond - payable in increasing installments ranging from \$380,000 in 2010 to \$1,305,000 in 2037 with interest from 4.25% to 5%. (8841) (Issued \$20,580,000)	20,580,000		(380,000)	20,200,000	395,000
Whitehall Township Water Bond - payable in increasing annual installments ranging from \$55,000 in 2010 to \$85,000 in 2021 with interest from 4.0% to 4.3% (8845) (Issued \$995,000)	940,000		(55,000)	885,000	60,000
Building Authority General Obligation Bond:					
Quality of Life Project Bond (Refunded)-payable in increasing annual installments ranging from \$955,000 in 2010 to \$1,220,000 in 2016 with interest from 2.500% to 3.500%. (3111) (Issued \$7,725,000)	7,725,000		(955,000)	6,770,000	1,035,000

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>	<u>Due within one year</u>
<u>Governmental Activities</u> - continued					
Building Authority Limited Tax GO Bonds:					
Muskegon County Mental Health Center Bonds (refunded) - payable in 1 installment of \$175,000 in 2010 with interest at 5.0% (3142) (Issued \$625,000)	175,000		(175,000)	0	
Muskegon County Hall of Justice Bonds-payable in increasing annual installments ranging from \$270,000 in 2010 to \$520,000 in 2022 with interest from 4.45% to 5.0% (3130) (Issued \$6,500,000)	4,990,000		(270,000)	4,720,000	285,000
Muskegon County Mental Health Building Bonds - payable in increasing annual installments ranging from \$150,000 in 2011 to \$430,000 in 2033 with interest from 5.25% to 6.25% (3140) (Issued \$6,150,000)	<u>6,150,000</u>			<u>6,150,000</u>	<u>150,000</u>
Total Bonds Payable	<u>53,030,000</u>	<u>4,315,000</u>	<u>(8,685,000)</u>	<u>48,660,000</u>	<u>2,455,000</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>	<u>Due within one year</u>
<u>Governmental Activities - continued</u>					
Muskegon County Energy Bonds-payable in increasing annual installments ranging from \$285,000 in 2011 to \$600,000 in 2030 with interest at a fixed rate of 6.97% (6350) (Issued \$7,140,000)		7,140,000		7,140,000	
Installment note Payable in 60 monthly installments of \$32,789 plus interest at 5.32% until June 2010 (6660)	552,695		(552,695)	0	
Installment note Payable in 1 annual installment of \$290,956 in November 2009 at 3.10% interest. (6660)	290,956		(290,956)	0	
Sick leave and annual time payable as used or upon retirement or termination. (See Note 1(h) for limitations on payoff)(1010)	<u>6,635,356</u>	<u>5,267,053</u>	<u>(5,458,305)</u>	<u>6,444,104</u>	<u>5,267,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$60,509,007</u>	<u>\$16,722,053</u>	<u>(\$14,986,956)</u>	<u>\$62,244,104</u>	<u>\$7,722,000</u>

County of Muskegon
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>	<u>Due within one year</u>
<u>Business-Type Activities</u>					
Bonds Payable					
Revenue Bonds:					
Muskegon County Water Supply System Bond - payable in increasing annual installments ranging from \$135,000 in 2010 to \$485,000 in 2036 with interest from 4.375% to 5.125%. (5910) (Issued \$7,900,000)	\$7,650,000	\$ -	(\$135,000)	\$7,515,000	\$140,000
Muskegon County Water Supply System Bond - payable in increasing annual installments ranging from \$305,000 in 2010 to \$645,000 in 2028 with interest from 3.25% to 4.625%. (5910) (Issued \$9,215,000)	8,915,000		(305,000)	8,610,000	315,000
Wastewater Bond - payable in annual installments of \$850,000 in 2010 through 2026 with interest from 4.375% to 5.00% (5935) (Issued \$17,000,000)	14,450,000		(850,000)	13,600,000	850,000

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>	<u>Due within one year</u>
<u>Business-Type Activities (continued):</u>					
Bonds Payable					
Revenue Bonds (continued):					
Wastewater Bond - payable to MMBA in increasing annual installments ranging from \$765,000 in 2010 to \$1,015,000 in 2027 with interest at 1.625% (5937) (Issued \$17,440,604)	15,940,604		(765,000)	15,175,604	780,000
Wastewater Bond - payable to MMBA in increasing annual installments ranging from \$605,000 in 2010 to \$1,015,000 in 2027 with interest at 1.625% (5938) (Issued \$14,000,000)	13,405,000		(605,000)	12,800,000	615,000
Wastewater Bond - payable to MMBA in increasing annual installments ranging from \$80,000 in 2010 to \$105,000 in 2028 with interest at 1.625% (5939) (Issued \$1,800,000)	1,565,000		(80,000)	1,485,000	80,000
Wastewater Bond - payable to MMBA in increasing annual installments ranging from \$40,000 in 2010 to \$105,000 in 2028 with interest at 2.5% (5940) (Issued \$843,413)	808,413		(40,000)	768,413	40,000

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2010</u>	<u>Due within one year</u>
<u>Business-Type Activities</u> (continued):					
Revenue Bonds (continued):					
Wastewater Bond - payable to MMBA in increasing annual installments ranging from \$655,000 in 2010 to \$1,055,000 in 2029 with interest at 2.5% (5941) (Partially Issued \$14,945,558)	3,477,090	11,468,468	(655,000)	14,290,558	670,000
Wastewater Bond - payable to MMBA in increasing annual installments ranging from \$680,000 in 2010 to \$1,095,000 in 2029 with interest at 2.5% (5942) (Partially Issued \$15,134,452)	6,237,682	8,896,770	(680,000)	14,454,452	700,000
Wastewater Bond - payable to MMBA in increasing annual installments ranging from \$110,000 in 2011 to \$180,000 in 2030 with interest at 2.5% (5943) (Partially Issued \$843,287)		843,287		843,287	110,000
Building Authority Bonds:					
Muskegon County Airport Terminal - was payable in increasing annual installments ranging from \$225,000 in 2009 to \$280,000 in 2013. Paid off in January 2010 (5810) (Issued \$2,995,000)	1,030,000		(1,030,000)	0	
Total Bonds Payable	<u>73,478,789</u>	<u>21,208,525</u>	<u>(5,145,000)</u>	<u>89,542,314</u>	<u>4,300,000</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2010</u>	<u>Due within one year</u>
<u>Business-Type Activities (continued):</u>					
General Obligation Tax Notes					
2007 - payable in annual installment of \$3,500,000 in 2010 with interest at 4.00% (5167) (Issued \$11,000,000)	3,500,000		(3,500,000)	0	
2008 - payable in annual installments of \$7,500,000 in 2010 and \$3,500,000 in 2011 with interest at 2.93% (5168) (Issued \$11,000,000)	11,000,000		(7,500,000)	3,500,000	3,500,000
2009 - payable in annual installments of \$7,500,000 in 2011 and \$3,500,000 in 2012 with interest at 1.2% (5169) (Issued \$11,000,000)	<u> </u>	<u>11,000,000</u>	<u> </u>	<u>11,000,000</u>	<u>7,500,000</u>
Total General Obligation Tax Notes	<u>14,500,000</u>	<u>11,000,000</u>	<u>(11,000,000)</u>	<u>14,500,000</u>	<u>11,000,000</u>
Total Business-Type Activities long-term liabilities	<u>\$87,978,789</u>	<u>\$32,208,525</u>	<u>(\$16,145,000)</u>	<u>\$104,042,314</u>	<u>\$15,300,000</u>
Total all long-term liabilities	<u>\$148,487,796</u>	<u>\$48,930,578</u>	<u>(\$31,131,956)</u>	<u>\$166,286,418</u>	<u>\$23,022,000</u>

Bonds payable to Michigan Municipal Bond Authority (MMBA) are under special State authority where bond funds are received based on reimbursable and allowed expenses for specific State Department of Environmental Quality approved projects. Funds are received until a predetermined limit is reached or the project is complete. Once the projects are complete, MMBA issues a final bond payment schedule. Until that

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG-TERM DEBT - Continued

time, bond principal payments are estimated based on the maximum bond amount. Principal payments commence after 18 months from date of original approval.

The special assessment bonds were issued by the county pursuant to contracts entered into with the City of Norton Shores, Egelston, Muskegon, Dalton, Fruitport, Laketon and Whitehall Townships for the financing of additional sewage collection and disposal and water supply systems for the contractees. Under the terms of the agreements, the contractees are to pay the county each year amounts sufficient to provide for debt service. The full faith and credit of the county and that of the respective participating municipalities are pledged for repayment of the bonds.

The Muskegon County Wastewater Management System No. 1 Bonds issued are a general obligation (revenue) bond issue repayable from the proceeds of contract payments by participating users in the system. The full faith and credit of the county and that of participating municipalities are pledged for repayment of the bonds. The General Obligation tax notes are issued by the county to pay the various local units of government their respective share of delinquent property taxes. The notes are collateralized by the assets of the respective Delinquent Tax Revolving Funds (\$26,123,059 at September 30, 2010) and the full faith and credit of the county.

The Building Authority Limited Tax Debt of the county is issued to pay for the construction of a new Community Mental Health Center repayable from building leases. In 1995, the voters approved a 16 million General Obligation Bond issued in 1996 for renovation of an arts and sports complex. Millage of up to .47 mills has been levied for the repayment of the bonds through the last bond payment in the year 2016. The full faith and credit of the county is pledged for repayment of the bonds. County Building Authority Limited Tax Bonds were used to remodel the former Family Independence Agency building, to build a new County fairground, to build a new airport terminal, to provide energy improvements across most of the County buildings, and to remodel the County Hall of Justice. Lease payments are pledged for the payment of annual debt service along with the full faith and credit of the county.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

The total requirement for payment of principal and interest amount to \$166,286,418 and \$55,142,996, respectively, at September 30, 2010 as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010-2014	\$18,444,104	\$10,939,037	\$32,760,000	\$8,604,227
2015-2019	13,465,000	9,410,990	24,003,287	6,962,734
2020-2024	10,280,000	6,662,282	26,120,000	4,307,170
2025-2029	9,985,000	4,147,290	18,209,027	1,627,645
2030-2034	7,530,000	1,668,689	2,005,000	547,394
2035-2036	<u>2,540,000</u>	<u>192,250</u>	<u>945,000</u>	<u>73,288</u>
Total	<u>\$62,244,104</u>	<u>\$33,020,538</u>	<u>\$104,042,314</u>	<u>\$22,122,458</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG-TERM DEBT - Continued

Combined schedule of annual principal requirements for bonded debt outstanding at September 30, 2010

<u>Year</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		<u>Principal due every five years</u>
	<u>Special Assessments</u>	<u>Building Authority General Obligation</u>	<u>Building Authority Limited Tax</u>	<u>Revenue Bonds</u>	<u>Delinquent Tax Notes</u>	
2010	\$455,000	\$0	\$0	\$455,000	\$7,000,000	
2011	1,000,000	1,320,000	435,000	4,325,000	7,500,000	
2012	1,095,000	1,280,000	460,000	4,410,000		
2013	1,140,000	1,310,000	485,000	4,490,000		
2014	1,165,000	1,345,000	510,000	4,580,000		\$44,760,000
2015	1,215,000	1,380,000	540,000	4,660,000		
2016	1,275,000	1,495,000	565,000	4,755,000		
2017	1,330,000	290,000	600,000	4,850,000		

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

<u>Year</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Special Assessment</u>	<u>Building Authority General Obligation</u>	<u>Building Authority Limited Tax</u>	<u>Revenue Bonds</u>	<u>Delinquent Tax Notes</u>	<u>Principal due every five years</u>
2018	1,415,000	300,000	630,000	4,818,287		
2019	1,465,000	300,000	665,000	4,920,000		37,468,287
2020	1,520,000	300,000	700,000	5,005,000		
2021	1,045,000	310,000	735,000	5,115,000		
2022	1,005,000	390,000	775,000	5,225,000		
2023	1,050,000	400,000	265,000	5,330,000		
2024	1,105,000	400,000	280,000	5,445,000		36,400,000
2025	1,150,000	410,000	295,000	5,555,000		
2026	1,210,000	490,000	310,000	5,675,000		
2027	1,265,000	500,000	325,000	4,603,469		

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

Year	Governmental Activities			Business-type Activities		
	<u>Special Assessment</u>	<u>Building Authority General Obligation</u>	<u>Building Authority Limited Tax</u>	<u>Revenue Bonds</u>	<u>Delinquent Tax Notes</u>	<u>Principal due every five years</u>
2028	1,325,000	500,000	340,000	2,030,558		
2029	920,000	590,000	355,000	345,000		28,194,027
2030	965,000	600,000	370,000	365,000		
2031	1,010,000		390,000	380,000		
2032	1,065,000		410,000	400,000		
2033	1,115,000		430,000	420,000		
2034	1,175,000			440,000		9,535,000
2035	1,235,000			460,000		
2036	1,305,000			485,000		
						<u>3,485,000</u>
Total all years	<u>\$31,020,000</u>	<u>\$13,910,000</u>	<u>\$10,870,000</u>	<u>\$89,542,314</u>	<u>\$14,500,000</u>	<u>\$159,842,314</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

September 30, 2009

NOTE 7 - LONG -TERM DEBT-Continued

The following fund balances represent long-term debt amounts available in other funds:

Governmental Type Funds	
Designated for Debt Service	<u>\$986,532</u>

NOTE 8 - PENSION PLAN

Plan Description

The County of Muskegon has a defined benefit pension plan for its employees that provides retirement, disability and death benefits to its members and beneficiaries. The plan is administered by the Municipal Employees Retirement System (MERS), an agent multiple employer pension plan created under Public Act 135 of 1945. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the County. This report may be obtained by writing to MERS, 1134 Municipal Way, Lansing , Michigan, 48917, or by calling (517) 703-9030.

Funding Policy

Members are required to contribute from 0-7.57 % of their annual covered salary. The County is required to contribute at an actuarially determined rate; the average current rate is 13.51 % of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the County Board of Commissioners.

Annual Pension Cost

For 2010, the County's annual pension cost was \$4,957,129 with the full amount being paid. The required contribution was determined as part of the December 31, 2008 actuarial valuation, using the entry age actuarial cost method. The actuarial assumptions include: a) 8% Investment Rate of Return (net of administrative expenses) and b) projected salary increases of 4.5-12.9% per year. The actuarial value of the County MERS plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The County's unfunded actuarial accrued liability is being amortized as a level percent of payroll over the next 30 years. The amortization period is open.

County of Muskegon
NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED
September 30, 2010

NOTE 8 - PENSION PLAN-Continued

Three Year Trend Information (Dollar Amounts in Thousands)			
<u>Ending</u>	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Obligation</u>
09/30/08	4,486	100%	0
09/30/09	4,623	100%	0
09/30/10	4,957	100%	0

Funding status and funding progress

Analysis of Funding Progress

Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded (Overfunded) Actuarial Liability (2) -(1)	(5) Annual Covered Payroll	(6) Ratio of Unfunded (Funding excess) to Covered Payroll (4)/(5)
December 31						
2009	168,849,136	205,371,215	82%	36,522,079	45,503,711	80%

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 plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 9 - LEASES

The County leases certain office space and equipment under operating leases, which expire on various dates through 2010, with aggregate minimum monthly rentals of \$1,997. Rental expense under operating leases was \$644,312 for the year ended September 30, 2010.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the combined statements - Overview, of certain information concerning individual funds including:

(a) Individual fund interfund receivable and payable balances. Such balances at September 30 were:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund (1010)	\$3,867,900		
		Co-Op Reimb. Pros. (1150)	\$14,641
		Marine Safety (1200)	90,816
		Highway Safety Programs (1210)	87,698
		Prosecutor Family Court (2140)	5,706
		Family Court (2150)	51,245
		Community Corrections (2640)	46,665
		WIRED (2730)	160,302
		Wagner-Peyser (2731)	42,616
		TAA/NAFTA (2733)	61,348
		Work First (2751)	117,076
		Food Stamp Program (2759)	6,507
		WIA Admin Pool (2760)	181,464
		WIA Adult Program (2761)	99,097
		Summer Youth ARRA (2742)	10,664

County of Muskegon
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2010

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - continued

(a) Individual fund interfund receivable and payable balances - continued

Fund	Interfund Receivable	Fund	Interfund Payable
		WIA Youth Program (2762)	196,175
		WIA-Dislocated Wkr Program (2763)	64,749
		WIA Youth Statewide (2766)	1,741
		WIA Service Center Operations (2767)	5,477
		Incumbent Worker Staterwide (2768)	9,911
		WIA SWA ARRA (2771)	4,401
		WIA ARRA Welfare (2772)	1,865
		WIA ARRA Admin (2778)	53,649
		Wagner Peyser ECAR-ARRA (2781)	784
		Reemployment ARRA (2782)	7,897
		Wagner Peyser RCAR-ARRA (2783)	21,227
		WIA-SAG ARRA (2784)	22,500
		Crime Victim's Rights (2800)	41,078
		Remonumentation (2890)	43,480
		Brookhaven (2900)	1,446,498
		Child Care Facility (2920)	238,961
		Veterans Trust (2940)	19,248
		Laketon Township Sewer (4634)	712,414
	<u>\$3,867,900</u>		<u>\$3,867,900</u>

The interfund balances are mainly cash loans to funds until Federal and State grant reimbursements are received.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - continued

b) Transfers in (out) balances. Such balances at September 30 were:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General (1010)	\$5,230,563	\$11,242,142
Co-Op Reimb.-Pros. (1150)	109,592	
Emergency Services (1190)	161,915	
Marine Safety (1200)	44,077	
Sheriff Road Patrol (1210)	34,543	
Township Patrols (1240)	108,260	
Park Fund (2080)		26,606
Prosecutor Family Court (2140)	148,460	
Family Court (2150)	2,093,276	
Health Department (2210)	2,028,315	
Community Mental Health (2220)	724,968	750,000
Accommodations Tax (2300)		130,629
Deeds Automation Fund (2560)		20,000

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - continued

b) Transfers in (out) balances - continued

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Law Library (2610)	22,949	
Community Corrections (2640)	292,463	
Crime Victim's Rights (2800)	3,859	
Revenue Sharing Reserve (2850)		3,156,498
Remonumentation Prog. (2890)	4,218	
Brookhaven (2900)	484,218	
Social Services (2910)	11,042	
Child Care Facility (2920)	3,703,797	
Hall of Justice (3130)	502,329	
Hall of Justice (4130)	626,375	
Public Improvement (4930)		640,871
Drain Project (8010)	<u>52,996</u>	
Subtotal Governmental	<u>16,388,215</u>	<u>15,966,746</u>
Fairgrounds Operation (5083)		239,394
Delinquent Tax Revolving (5100)		50,000
Tax Forfeitures (5110)		50,000
Delinquent Tax Revolving (5167)		9,361,611

County of Muskegon
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2010

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - continued

b) Transfers in (out) balances - continued

Fund	Transfers in	Transfers out
Delinquent Tax Revolving (5168)	9,385,645	2,156,822
Solid Waste (5710)	26,606	
Muskegon County Airport (5810)	861,024	
Muskegon Co. Airport capital contributions (5810)	14,496	
Sheriff Garage (6345)	159,193	
Energy Improvements (6350)	239,394	
Equipment Revolving Fund (6660)	<u>750,000</u>	<u>-</u>
	<u>11,436,358</u>	<u>11,857,827</u>
Total all funds	<u>\$27,824,573</u>	<u>\$27,824,573</u>

The transfers are primarily from the General fund to support Federal and State grant programs

c) Excess of expenditures over budget in individual funds

Fund	Budget	Actual
Emergency Services (1190)	\$213,197	\$487,265
Safe Schools/Healthy Schools (2152)	\$67,428	\$67,928
Health Department (2210)	8,648,662	8,888,313
TNT Drug (2671)	5,093	6,822
TAA/NAFTA (2733)	1,523,971	2,586,531
WIA Admin Pool (2760)	168,437	298,628

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - continued

c) Excess of expenditures over budget in individual funds - continued

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>
WIA Youth Statewide (2766)	3,750	5,102
Incumbent Worker Statewide (2768)	20,000	83,485
WIA - NEG (2775)	2,426,698	2,460,567
WIA ARRA Admin (2778)	164,299	218,689
EDC Loan Revolving (2860)	39,336	52,346
Mental Health Buildings (2970)	313,517	335,887
Victim Restitution (2980)	5,000	6,723
Quality of Life (3111)	1,188,945	1,188,947
Hall of Justice Debt (3130)	502,118	502,937

All expenditures over appropriations have either been paid by excess revenues, transfers from other funds or by the reductions of current fund balance.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - continued

d) Individual fund advances to and from other funds

<u>Fund</u>	<u>Advances to other funds</u>	<u>Advances from other funds</u>
General Fund (1010)	\$588,618	
Tax Forfeitures (5110)	300,000	
Muskegon County Land Bank (5500)		\$300,000
Delinquent Tax Revolving (5168)	199,415	
Muskegon County Airport (5810)		\$999,999
Drain Revolving (6010)		21,500
Equipment Revolving (6660)		567,118
Insurance (6770)	<u>800,584</u>	
	<u>\$1,888,617</u>	<u>\$1,888,617</u>

All advances are for capital purchases in the Airport and Equipment revolving funds that will be repaid as funds are made available in the respective funds receiving the advances. The Drain Revolving fund advance will only be repaid if the activities in these funds cease to occur or management determines that there is a better way to handle the activities.

NOTE 11- COMMITMENTS

The County has two \$1,000,000 letters of credit with a local financial institution to cover any possible shortfalls in the County's coverage of the solid waste and fly ash landfills. The statutory authority for these obligations is PA Act 451 of 1994, Section 324.11523 (a).

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

September 30, 2010

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The County of Muskegon has a defined benefit postemployment healthcare plan for its employees that provides health and dental benefits to its retired employees and beneficiaries that commenced on October 1, 2006. The plan is administered by the Municipal Employees Retirement System (MERS), an agent multiple employer postemployment healthcare plan. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the County. This report may be obtained by writing to MERS, 1134 Municipal Way, Lansing , Michigan, 48917, or by calling (517) 703-9030.

Funding Policy

Retired employees are required to contribute from 0-100% of the monthly medical and dental premiums based on their eligible years of service at time of retirement. Retired employees pay the full cost for spousal or family coverage. The County is required to contribute the annual required contribution of the employer (ARC) at an actuarially determined rate as required by the parameters within GASB Statement 45. 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 30 years. The current ARC rate is 14.7% of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the County Board of Commissioners.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

September 30, 2010

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

Annual OPEB Cost

For 2010, the County's annual OPEB cost was \$6,502,590 with the full amount being paid. The required contribution was determined as part of the December 31, 2007 actuarial valuation, using the entry age normal actuarial cost method. The actuarial assumptions include: a) 8% Investment Rate of Return (net of administrative expenses) and b) projected salary increases of 4.5-12.9% per year. The actuarial value of the County OPEB plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The County's unfunded actuarial accrued liability is being amortized as a level percent of payroll over the next 26 years. The amortization period is closed. The net OPEB obligation for 2010 was as follows:

Trend Information (Dollar Amounts in Thousands)			
<u>Ending</u>	<u>OPEB Cost (ARC)</u>	<u>of ARC Contributed</u>	<u>Obligation</u>
09/30/08	7,584	100%	0
09/30/09	6,818	100%	0
09/30/10	6,502	100%	0

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 plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The actuarial valuation is completed every two years. The plan is currently under review.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

September 30, 2010

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funding status and funding progress

The funded status of the plan as was as follows:

Analysis of Funding Progress

Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Unfunded (Overfunded) Actuarial Liability (2) -(1)	(5) Annual Covered Payroll	(6) Ratio of Unfunded (Funding excess) to Covered Payroll (4)/(5)
December 31						
2007	19,886,261	91,103,381	22%	71,217,120	46,309,080	154%

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 employees, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial of 2009 for the 2010 year is currently in process.

NOTES TO BASIC FINANCIAL STATEMENTS-CONTINUED

September 30, 2010

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2007, actuarial valuation, the entry normal age actuarial cost method was used. The actuarial assumptions included a 8 percent investment rate of return (net of administrative costs) and an average annual healthcare cost trend of 10.5%, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates include a 4.5 percent inflation assumption. The actuarial value of OPEB assets was determined using the market value. The MERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2010 is 26 years.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 13 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees and the public; and natural disasters. The County has a self-insurance (internal service) fund to account for and finance its uninsured risk of losses. Under this program, the self-insurance fund provides coverage for up to a maximum of \$300,000 for each Workers' Compensation claim, \$250,000 for each general liability claim, \$50,000 for each property damage claim, \$100,000 for each auto claim and the County is partially self-insured for medical costs with a lifetime maximum exposure of \$1 million per participant. The County purchases commercial insurance for claims in excess of the stated coverages and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

All funds of the County participate in the program and make payments to the self-insurance fund based on experience estimates of the amounts needed to pay prior and current year claims and to establish a designation for catastrophic losses with the exception of Brookhaven Workers' Compensation claims which are funded directly by the department on actual claims paid. The designated amount at September 30, 2010 was \$4,114,466. The claim's liability of \$5,000,686 reported in the fund at September 30, 2010, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the funds claims liability amount in fiscal 2009 and 2010 were:

	<u>Beginning of year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claim Payments</u>	<u>Balance at end of year</u>
2009	4,796,270	17,047,519	(16,921,215)	4,922,574
2010	4,922,574	16,310,855	(16,232,743)	5,000,686

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 14 - CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the County to place a final cover on its Solid Waste landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure costs will be paid only near or after the date that the landfills stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9.2 million reported as landfill closure and post-closure care liability at September 30, 2010 represents the cumulative amount reported to date based on the use of 55 percent of the estimated capacity of the landfills. The remaining life of the landfill is estimated to be 11 years. The County will recognize the remaining estimated cost of closure and post-closure care of the total \$14.0 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

	Beginning of year liability	Current year changes in estimates	Balance at end of year
2010	\$7,416,122	\$1,829,592	\$9,245,714

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance unanticipated closure and post-closure care. The County is in compliance with these requirements at September 30, 2010. The County expects that future inflation costs will be paid from interest earnings in the Solid Waste Funds. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by the trust fund set up for this purpose.

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 15 - DISCRETE ENTITY NOTES

The following note relates to the Muskegon County Road Commission notes as they appear in their report. The notes are presented here to assure fair disclosure for those items as they appear in this comprehensive annual financial report.

(a) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated Absences

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

(b) CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk/Deposits

At year-end, the carrying amount of the commission's deposits was \$3,640,169 and the bank balance was \$3,890,169. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,640,169 was exposed to custodial credit risk as it was uninsured and uncollateralized.

County of Muskegon
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2010

NOTE 15 - DISCRETE ENTITY NOTES - Continued

c) Capital Assets

A summary of changes in capital assets for the year follows:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2010</u>
Capital Assets not being depreciated				
Land	\$23,612,348	\$536,043	\$ -	\$24,148,391
Construction in progress	<u>90,420</u>	<u>-</u>	<u>90,420</u>	<u>0</u>
	<u>\$23,702,768</u>	<u>\$536,043</u>	<u>90,420</u>	<u>\$24,148,391</u>
Capital Assets being depreciated				
Land improvements	49,540	-	-	49,540
Buildings and improvements	4,769,247	-	-	4,769,247
Road equipment	9,704,747	1,206,160	624,785	10,286,122
Other equipment	2,911,426	43,783	5,050	2,950,159
Infrastructure and improvements	<u>64,398,584</u>	<u>2,992,815</u>	<u>3,474,931</u>	<u>63,916,468</u>
Total capital assets depreciated	81,833,544	4,242,758	4,104,766	81,971,536
Less accumulated depreciation for:				
Land improvements	-	(30,624)	-	(30,624)
Buildings and improvements	(2,601,187)	(123,358)	-	(2,724,545)
Road equipment	(8,448,607)	(771,262)	(624,785)	(8,595,084)
Other equipment	(1,663,473)	(124,501)	(5,008)	(1,782,966)
Infrastructure and improvements	<u>(28,414,801)</u>	<u>(2,893,000)</u>	<u>(3,474,931)</u>	<u>(27,832,870)</u>
Total accumulated depreciation	<u>(41,128,068)</u>	<u>(3,942,745)</u>	<u>(4,104,724)</u>	<u>(40,966,089)</u>
Total capital assets, being depreciated, net	<u>40,705,476</u>	<u>300,013</u>	<u>-</u>	<u>41,005,447</u>
Capital Assets, net	<u>\$64,408,244</u>	<u>\$836,056</u>	<u>\$90,462</u>	<u>\$65,153,838</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 15 - DISCRETE ENTITY NOTES - Continued

(d) Depreciation expense was charged to functions as follows:

Primary road	\$2,693,343
Local Road	1,065,047
State Trunkline	139,064
Administrative	<u>45,291</u>
Total Depreciation expense	<u>\$3,942,745</u>

(e) LONG-TERM DEBT

Long-term debt consisted of the following as of September 30, 2010:

\$2,000,000 Michigan Transportation Fund Notes, Series 2004; due in annual installments of \$200,000 through 2014; interest at 3.00% to 4.00% (unamortized premium \$4,220).	\$800,000
Capital Leases	93,025
Long Term Compensated Absences	<u>367,246</u>
Total governmental activities long-term liabilities	<u>\$1,260,271</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 15 - DISCRETE ENTITY NOTES - Continued

A summary of bonds and loans and long-term compensated absences transactions for the year ended September 30, 2010 follows:

Balance at beginning of year	\$1,494,479
Additions	457,592
Deductions	<u>(691,800)</u>
Balance at end of year	<u>\$1,260,271</u>

NOTE 16- RECONCILIATION OF CAPITAL OUTLAY

Capital outlay expenditures for governmental funds differ from amounts capitalized. The differences are detailed as follows:

Total capital purchases as reported in the governmental funds :	\$2,753,281
Adjustments	
Construction in progress changes in 2010	4,485,364
Adjustment for Governmental funds transferred to Internal Service	(3,475)
Internal Service fund purchases	<u>7,676,153</u>
Net Assets capitalized	<u>\$14,911,323</u>

County of Muskegon

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

September 30, 2010

NOTE 17 - CURRENT BOND REFUNDING

During fiscal year 2010, the County refunded \$4,525,000 of 2001 special assessment with governmental commitment bonds to provide resources to call the bonds with an additional payment made from funds on hand of \$37,000. As a result, the original bonds have been defeased and the liability has been removed from the statement of net assets. New bonds in the amount of \$4,315,000 were issued at a net interest cost of 2.47% with an annual savings of \$399,413 with an economic present value savings of \$363,761.

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APPENDIX D
FORM OF NOTE COUNSEL'S OPINION



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ILLINOIS: Chicago

NEW YORK: New York

OHIO: Cincinnati

CANADA: Toronto • Windsor

CHINA: Shanghai

MEXICO: Monterrey

POLAND: Gdynia

Warsaw • Wrocław

Form of Approving Opinion

County of Muskegon
State of Michigan

We have examined the transcript of proceedings for the issue by the County of Muskegon, State of Michigan (the "Issuer"), of notes in the aggregate principal sum of \$12,000,000 designated General Obligation Limited Tax Notes, Series 2010 (the "Notes"), in anticipation of the collection of delinquent ad valorem real property taxes for the year 2010 uncollected as of May 1, 2010, together with interest and penalties thereon and certain fees and chargebacks levied by the State of Michigan, the Issuer and public subdivisions levying ad valorem taxes therein. The Notes are in fully registered form, in the denomination of \$5,000 or multiples thereof, bearing an original issue date of April 29, 2010 and payable as to principal and interest semiannually on June 1 and December 1 of each year commencing December 1, 2011 to and including December 1, 2012, with interest payable on December 1, 2011 and semiannually thereafter, without the option of redemption prior to maturity.

We have also examined one Note only as executed.

From such examination we are of opinion that the Notes are valid and legally binding obligations of the Issuer, payable as to principal and interest in the first instance from the collection of the aforesaid delinquent 2010 real property taxes, together with interest and penalties thereon, certain fees thereon and amounts charged back to taxing units by reason of noncollection or otherwise. Further, the Issuer has pledged its full faith and credit for the prompt payment thereof, and, should funds primarily pledged be insufficient for such payment, the Issuer is obligated to make such payment from general funds as a first budget obligation or from any taxes which it may levy within applicable constitutional or statutory limitations, as provided by law. The rights and remedies of Noteholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally now existing or hereafter enacted, and by the application of general principles of equity including those relating to equitable subordination.

We are also of the opinion that under existing law as presently interpreted, the interest on the Notes is includable in gross income for purposes of federal income tax but the Notes and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Very truly yours,

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the County of Muskegon, State of Michigan (the “County”), in connection with the issuance of its \$12,000,000 General Obligation Limited Tax Notes, Series 2010 (the “Notes”). The County covenants and agrees for the benefit of the Noteholders, as hereinafter defined, as follows:

(a) *Definitions.* The following terms used herein shall have the following meanings:

“Audited Financial Statements” means the annual audited financial statements pertaining to the County prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Noteholders” shall mean the registered owner of any note and the beneficial owner (as defined in Rule 13d-3 of the SEC) of any note.

“Disclosure Representative” means the County Treasurer or his or her designee, or such other officer, employee, or agent as any party hereto shall designate from time to time in writing.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System, or such other system, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

“SEC” means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The County hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the sixth month after the end of the fiscal year of the County, the following annual financial information and operating data, commencing with the fiscal year ended September 30, 2011, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement of the County relating to the notes (the “Official Statement”) as generally described below:

- a. History of Property Valuations - Current year state equalized valuation (“SEV”) and taxable valuation (“TV”);
- b. Major Taxpayers - Current year major taxpayers, current year SEV and TV thereof;
- c. Tax Levies and Collections;
- d. Property Tax Rates;
- e. Delinquent Tax Information (revolving fund cash flows, tax sales, chargebacks);
- f. Debt Statement;
- g. Statement of Legal Debt Margin; and
- h. Schedule of Note and Bond Maturities.

(2) Audited Financial Statements or if unavailable, unaudited financial statements with audited financial statements to be supplied promptly after availability; and

(3) Such additional financial information or operating data of the type described in (a)(1) above and Audited Financial Statements as described in (a)(2) above as may be determined by the County and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the County or by specific reference to documents available to the public through EMMA or filed with the SEC.

If the fiscal year of the County is changed, the County shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose.* The County agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the County to provide the annual financial information with respect to the County described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The County agrees to provide or cause to be provided in a timely manner to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Notes, if applicable, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (7) modifications to rights of holders of the Notes, if material;
- (8) note calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Notes, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the County, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;
- (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(e) *Materiality Determined Under Federal Securities Laws.* The County agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Termination of Reporting Obligation.* The County reserves the right to terminate their obligation to provide annual financial information and notices of material events, as set forth above, if and when the County is no longer an “obligated person” with respect to the Notes within the meaning of the Rule, including upon legal defeasance of all Notes.

(g) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(h) *Benefit of Noteholders.* The County agrees that its undertaking pursuant to the Rule set forth in this Undertaking is

intended to be for the benefit of the Noteholders and shall be enforceable by any Noteholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the County's obligations hereunder and any failure by the County to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Notes.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the County, provided that the County agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Noteholders, as determined by parties unaffiliated with the County (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the County in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

(j) *Municipal Advisory Council of the State of Michigan.* The County shall also file by electronic or other means any information or notice required to be filed with the MSRB through EMMA pursuant to this Undertaking in a timely manner with the Municipal Advisory Council of the State of Michigan.

IN WITNESS WHEREOF, the County has caused this Undertaking to be executed by its authorized officer.

COUNTY OF MUSKEGON
STATE OF MICHIGAN

By _____
Tony V. Moulatsiotis
Its Treasurer

Dated: April __, 2011

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