

# **CITY OF LUDINGTON**

Mason County, Michigan

## **FINANCIAL STATEMENTS**

December 31, 2008

# CITY OF LUDINGTON

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
City of Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ludington as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ludington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ludington, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2009 on our consideration of the City of Ludington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedule are not required parts of the basic financial statements, but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ludington's basic financial statements. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berchume & Co.*

Saginaw, Michigan  
March 25, 2009

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# **CITY OF LUDINGTON**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Ludington (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### **Financial Highlights**

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$28,705,988 (net assets). Of this amount, \$6,358,111 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and others.

During the fiscal year, the City's total net assets increased by \$147,368. Governmental activities accounted for \$135,152 of this increase, while business-type activities accounted for \$12,216.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,186,827, a decrease of \$499,755 in comparison with prior year. Approximately 32 percent of this total or \$702,501 is reserved for various purposes leaving an unreserved, undesignated fund balance of \$1,484,326.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$806,257, or 15% of the General Fund's annual expenditures (including transfers). Total General Fund Fund Balance, both reserved and unreserved, was \$897,707, or 16.7% of the General Fund's annual expenditures (including transfers).

### **Overview of the Financial Statements**

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

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 through 13 of this report.

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fund Financial Statements

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

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

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

The City maintains sixteen (16) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other fifteen (15) governmental 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 this report.

The City adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided for the General Fund, the City's only major fund, to demonstrate compliance with that budget.

**Proprietary Funds** – The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for sewage collection, water distribution, marina management and park operations. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an Internal Service Fund to account for equipment rental charges and related expenses for the motor pool and technology.

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 Sewer Fund, Water Fund, Marina Fund, and Cartier Park Fund and totals for the Internal Service Funds. Individual fund data for each of the internal service funds is provided elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18 through 23 of this report.

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Fiduciary Funds** – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City.

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

### Government-wide Financial Analysis

#### **Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities of the City, assets exceeded liabilities by \$28,705,988 at the close of the most recent fiscal year. Most of this amount (72 percent) reflects the investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; thus, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (22 percent) may be used to meet the government's ongoing obligations to citizens and others.

# CITY OF LUDINGTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Ludington's Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Assets:</b>						
Current assets	\$ 7,288,234	\$ 7,534,810	\$ 4,105,001	\$ 4,986,011	\$ 11,393,235	\$ 12,520,821
Noncurrent assets:						
Restricted assets	-	-	936,017	896,017	936,017	896,017
Other assets	135,165	153,736	-	-	135,165	153,736
Capital assets	<u>8,084,076</u>	<u>7,646,871</u>	<u>16,331,068</u>	<u>15,600,758</u>	<u>24,415,144</u>	<u>23,247,629</u>
Total assets	<u>15,507,475</u>	<u>15,335,417</u>	<u>21,372,086</u>	<u>21,482,786</u>	<u>36,879,561</u>	<u>36,818,203</u>
<b>Liabilities:</b>						
Other liabilities	3,958,780	3,755,623	206,823	179,823	4,165,603	3,935,446
Long-term liabilities	<u>2,439,825</u>	<u>2,606,076</u>	<u>1,568,145</u>	<u>1,718,061</u>	<u>4,007,970</u>	<u>4,324,137</u>
Total liabilities	<u>6,398,605</u>	<u>6,361,699</u>	<u>1,774,968</u>	<u>1,897,884</u>	<u>8,173,573</u>	<u>8,259,583</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	5,734,076	5,137,836	14,806,068	13,925,758	20,540,144	19,063,594
Restricted	871,716	815,491	936,017	896,017	1,807,733	1,711,508
Unrestricted	<u>2,503,078</u>	<u>3,020,391</u>	<u>3,855,033</u>	<u>4,763,127</u>	<u>6,358,111</u>	<u>7,783,518</u>
Total net assets	<u>\$ 9,108,870</u>	<u>\$ 8,973,718</u>	<u>\$ 19,597,118</u>	<u>\$ 19,584,902</u>	<u>\$ 28,705,988</u>	<u>\$ 28,558,620</u>

# CITY OF LUDINGTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Ludington's Changes in Net Assets

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 951,720	\$ 904,288	\$ 3,413,778	\$ 3,419,417	\$ 4,365,498	\$ 4,323,705
Operating grants	1,301,995	994,287	293,968	-	1,595,963	994,287
Capital grants	83,724	360,988	-	32,711	83,724	393,699
General revenues						
Property taxes	3,592,690	3,396,441	-	-	3,592,690	3,396,441
Franchise fees	50,798	33,810	-	-	50,798	33,810
State revenue sharing	817,842	822,709	-	-	817,842	822,709
Investment earnings	160,445	260,099	75,412	247,019	235,857	507,118
Total revenues	<u>6,959,214</u>	<u>6,772,622</u>	<u>3,783,158</u>	<u>3,699,147</u>	<u>10,742,372</u>	<u>10,471,769</u>
<b>Expenses:</b>						
General government	1,446,437	1,295,098	-	-	1,446,437	1,295,098
Public safety	1,680,309	1,495,712	-	-	1,680,309	1,495,712
Public works	2,080,716	2,275,952	-	-	2,080,716	2,275,952
Health and welfare	161,507	155,964	-	-	161,507	155,964
Community and economic development	442,719	207,851	-	-	442,719	207,851
Recreation and culture	690,114	781,891	-	-	690,114	781,891
Interest on long-term debt	117,528	124,483	-	-	117,528	124,483
Sewer	-	-	1,583,240	1,215,407	1,583,240	1,215,407
Water	-	-	1,496,438	1,397,367	1,496,438	1,397,367
Marina	-	-	905,715	805,925	905,715	805,925
Cartier Park	-	-	437	-	437	-
Total expenses	<u>6,619,330</u>	<u>6,336,951</u>	<u>3,985,830</u>	<u>3,418,699</u>	<u>10,605,160</u>	<u>9,755,650</u>
Excess of revenues over expenses before other	<u>339,884</u>	<u>435,671</u>	<u>(202,672)</u>	<u>280,448</u>	<u>137,212</u>	<u>716,119</u>
<b>Other items:</b>						
Contributions to principal	3,200	3,175	-	-	3,200	3,175
Gain on sale of capital assets	6,956	52,851	-	(13,119)	6,956	39,732
Transfers	(214,888)	40,000	214,888	(40,000)	-	-
Total other items	<u>(204,732)</u>	<u>96,026</u>	<u>214,888</u>	<u>(53,119)</u>	<u>10,156</u>	<u>42,907</u>
<b>Change in net assets</b>	<b>135,152</b>	<b>531,697</b>	<b>12,216</b>	<b>227,329</b>	<b>147,368</b>	<b>759,026</b>
Net assets, beginning of year	<u>8,973,718</u>	<u>8,442,021</u>	<u>19,584,902</u>	<u>19,357,573</u>	<u>28,558,620</u>	<u>27,799,594</u>
Net assets, end of year	<u>\$ 9,108,870</u>	<u>\$ 8,973,718</u>	<u>\$ 19,597,118</u>	<u>\$ 19,584,902</u>	<u>\$ 28,705,988</u>	<u>\$ 28,558,620</u>

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City Funds Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The City's major governmental fund is the General Fund. Additionally, the City reports the Sewer, Water, and Marina funds as major enterprise funds.

The General Fund accounts for functions relating to the general government activities of the City, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. Fund balance of the General Fund increased \$16,979 in 2008. The City Council adopted a polity to retain a fund balance in the General Fund equal to 20% of its annual expenditures budget. The City plans to annually transfer any excess fund balance to a Capital Improvement Fund which will be used on improvements to the City's infrastructure. The fund balance is 16.7% of the General Fund's annual expenditures for 2008. As a result, no money was transferred in 2008 to the Capital Improvement Fund.

The Sewer Fund covers the operations of the City's sewage treatment plant and the maintenance and construction of the sewer distribution system.

The Water Fund finances the operations of the water treatment plant and the entire transmission and distribution system.

The Marina Fund finances the operations of the marina.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Council and City management monitor and amend the budget to account for unanticipated events during the year.

Revenues increased over original budgeted figures as follows:

- Interest on property taxes exceeded the budgeted amount by \$24,100
- Franchise fees from Charter Communications were \$14,000 over the budgeted amount
- Revenue received from FEMA for expenditures the City incurred from the June storm damage was \$48,100, which was not budgeted
- Revenue-sharing payments from the State of Michigan was \$21,600 more than what was budgeted

The City also experienced an increase in expenditures over the original budgeted figures as follows:

- An additional \$72,000 was spent in the Department of Public Works and Parks budgets to repair damage caused by the June storm
- Street lighting electricity cost was \$26,000 more than what was budgeted
- Sidewalk construction costs were over budget by \$8,400, though revenues were also higher by this amount
- Repairs to lights and hand dryers at Stearns Beach and the Boat Launch were \$9,000 more than what was budgeted

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets and Debt Administration

**Capital Assets** – The City's investment in capital assets for governmental and business-type activities as of December 31, 2008 amounts to \$24,415,144 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, furniture and equipment, systems, streets, and sidewalks. Governmental activities included additions of \$864,863 in buildings and improvements, equipment and infrastructure. Business-type activities included additions of \$1,190,446 in various equipment and improvements.

**Debt** – At the end of the current fiscal year, the City had total long-term debt outstanding, excluding compensated absences, of \$3,875,000. Of this amount, \$2,350,000 comprises debt backed by the full faith and credit of the government. The remaining of the City's debt \$1,525,000 is backed solely by specified revenue sources.

### Economic Factors

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in the upcoming years. The major sources of revenue for the City are property taxes, State-shared revenue, and charges for services. These sources have certain limitations outside the City's control – taxable value of property in the City has remained flat and is projected to decrease in 2011. The State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing its deficits. The economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation, such as health insurance, retirement costs, utility costs, and fuel expenses.

The City has approved a balanced budget for 2009. Because of the uncertainty given the current economic environment, the City is completing a three-year financial projection through the year 2012 to monitor the effects of the economy on the revenues and expenditures of our major funds as well as to identify trends that could impact the City's operations.

### Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact John E. Shay, City Manager, 400 S. Harrison Street, Ludington, Michigan 49431.

***BASIC FINANCIAL STATEMENTS***

# CITY OF LUDINGTON

## STATEMENT OF NET ASSETS

December 31, 2008

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and investments	\$ 3,051,834	\$ 2,923,098	\$ 5,974,932	\$ 34,918
Receivables	3,959,471	899,249	4,858,720	103,825
Inventory	147,080	210,001	357,081	-
Prepaid expenses	129,849	72,653	202,502	337
Restricted cash and investments	-	936,017	936,017	-
Capital assets:				
Nondepreciable capital assets	261,080	867,055	1,128,135	-
Depreciable capital assets, net	7,822,996	15,464,013	23,287,009	-
Deferred charges	135,165	-	135,165	-
<b>Total assets</b>	<b>15,507,475</b>	<b>21,372,086</b>	<b>36,879,561</b>	<b>139,080</b>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	309,204	117,650	426,854	682
Deferred revenue	3,649,576	89,173	3,738,749	103,608
Long-term liabilities:				
Due within one year	150,000	155,000	305,000	-
Due in more than one year	2,289,825	1,413,145	3,702,970	-
<b>Total liabilities</b>	<b>6,398,605</b>	<b>1,774,968</b>	<b>8,173,573</b>	<b>104,290</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	5,734,076	14,806,068	20,540,144	-
Restricted for:				
Debt service	2	200,000	200,002	-
Streets	622,650	-	622,650	-
Nonexpendable cemetery principal	249,064	-	249,064	-
Equipment replacement	-	736,017	736,017	-
Unrestricted	2,503,078	3,855,033	6,358,111	34,790
<b>Total net assets</b>	<b>\$ 9,108,870</b>	<b>\$ 19,597,118</b>	<b>\$ 28,705,988</b>	<b>\$ 34,790</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 1,446,437	\$ 347,545	\$ -	\$ -	\$ (1,098,892)
Public safety	1,680,309	80,014	74,748	-	(1,525,547)
Public works	2,080,716	316,268	727,065	-	(1,037,383)
Health and welfare	161,507	18,025	81,167	-	(62,315)
Community and economic development	442,719	15,768	366,079	-	(60,872)
Recreation and culture	690,114	174,100	52,936	83,724	(379,354)
Interest on long-term debt	117,528	-	-	-	(117,528)
Total governmental activities	<u>6,619,330</u>	<u>951,720</u>	<u>1,301,995</u>	<u>83,724</u>	<u>(4,281,891)</u>
<i>Business-type activities:</i>					
Sewer	1,583,240	1,332,595	293,968	-	43,323
Water	1,496,438	1,292,839	-	-	(203,599)
Marina	905,715	788,344	-	-	(117,371)
Cartier Park	437	-	-	-	(437)
Total business-type activities	<u>3,985,830</u>	<u>3,413,778</u>	<u>293,968</u>	<u>-</u>	<u>(278,084)</u>
Total primary government	<u>\$ 10,605,160</u>	<u>\$ 4,365,498</u>	<u>\$ 1,595,963</u>	<u>\$ 83,724</u>	<u>\$ (4,559,975)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	<u>\$ 43,375</u>	<u>\$ -</u>	<u>\$ 13,458</u>	<u>\$ -</u>	<u>\$ (29,917)</u>

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (4,281,891)	\$ (278,084)	\$ (4,559,975)	\$ (29,917)
<i>General revenues:</i>				
Taxes:				
Property taxes, levied for general purpose	3,582,356	-	3,582,356	-
Property taxes, levied by DDA	-	-	-	37,223
Payment in lieu of taxes	10,334	-	10,334	-
Franchise taxes	50,798	-	50,798	-
Grants and contributions not restricted to specific programs	817,842	-	817,842	-
Unrestricted investment earnings	160,445	75,412	235,857	1,498
Contributions to principal of permanent funds	3,200	-	3,200	-
Special item - Gain (loss) on sale of capital asset	6,956	-	6,956	-
Transfers	(214,888)	214,888	-	-
Total general revenues and other	4,417,043	290,300	4,707,343	38,721
Change in net assets	135,152	12,216	147,368	8,804
Net assets, beginning of year	8,973,718	19,584,902	28,558,620	25,986
Net assets, end of year	\$ 9,108,870	\$ 19,597,118	\$ 28,705,988	\$ 34,790

# CITY OF LUDINGTON

## GOVERNMENTAL FUNDS

### BALANCE SHEET

December 31, 2008

	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>			
Cash and investments	\$ 763,366	\$ 1,213,093	\$ 1,976,459
Taxes receivable	3,610,406	-	3,610,406
Accounts receivable	43,064	983	44,047
Special assessments receivable	11,026	-	11,026
Notes receivable	-	5,207	5,207
Accrued interest receivable	6,199	6,006	12,205
Due from other governmental units	199,623	70,256	269,879
Inventory	12,499	55,197	67,696
Prepaid expenditures	78,951	7,037	85,988
Total assets	<u>\$ 4,725,134</u>	<u>\$ 1,357,779</u>	<u>\$ 6,082,913</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 134,182	\$ 50,412	\$ 184,594
Accrued expenses	34,337	6,709	41,046
Deposits payable	7,681	-	7,681
Deferred revenue	3,651,227	11,538	3,662,765
Total liabilities	<u>3,827,427</u>	<u>68,659</u>	<u>3,896,086</u>
<b>Fund balances:</b>			
Reserved for:			
Inventory	12,499	55,197	67,696
Prepaid expenditures	78,951	7,037	85,988
Debt service	-	2	2
Capital projects	-	299,751	299,751
Nonexpendable cemetery principal	-	249,064	249,064
Unreserved:			
General fund	806,257	-	806,257
Special revenue funds	-	678,069	678,069
Total fund balances	<u>897,707</u>	<u>1,289,120</u>	<u>2,186,827</u>
Total liabilities and fund balances	<u>\$ 4,725,134</u>	<u>\$ 1,357,779</u>	<u>\$ 6,082,913</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

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## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2008

<b>Total fund balances for governmental funds</b>			\$ 2,186,827
Total net assets reported for governmental activities in the statement of of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	6,317,620		
Less accumulated depreciation	<u>(1,501,872)</u>	4,815,748	
Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net assets and amortized over the life of the bond.			
			135,165
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			
			(39,364)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.			
Grants	2,994		
Notes	5,207		
Special assessments	<u>4,988</u>	13,189	
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Bonds payable	(2,350,000)		
Compensated absences payable	<u>(83,085)</u>	(2,433,085)	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.			
			<u>4,430,390</u>
<b>Net assets of governmental activities</b>			<b><u>\$ 9,108,870</u></b>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2008

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 3,592,690	\$ -	\$ 3,592,690
Licenses and permits	73,058	-	73,058
Federal grants	86,621	354,363	440,984
State grants	862,808	745,478	1,608,286
Contributions from other units	34,506	114,553	149,059
Charges for services	384,917	74,187	459,104
Fines and forfeits	40,169	-	40,169
Interest and rents	107,675	26,590	134,265
Other revenue	136,711	128,814	265,525
Total revenues	<u>5,319,155</u>	<u>1,443,985</u>	<u>6,763,140</u>
<b>Expenditures:</b>			
Current			
General government	1,401,608	-	1,401,608
Public safety	1,645,149	-	1,645,149
Public works	1,194,602	719,493	1,914,095
Health and welfare	-	157,568	157,568
Community and economic development	84,164	353,478	437,642
Recreation and culture	492,438	148,511	640,949
Other	60,080	-	60,080
Capital outlay	16,630	513,460	530,090
Debt service			
Principal	19,035	140,000	159,035
Interest and fees	-	101,791	101,791
Total expenditures	<u>4,913,706</u>	<u>2,134,301</u>	<u>7,048,007</u>
Excess (deficiency) of revenues over expenditures	<u>405,449</u>	<u>(690,316)</u>	<u>(284,867)</u>
<b>Other financing sources (uses):</b>			
Transfers in from other funds	61,846	832,516	894,362
Transfers out to other funds	<u>(450,316)</u>	<u>(658,934)</u>	<u>(1,109,250)</u>
Total other financing sources (uses)	<u>(388,470)</u>	<u>173,582</u>	<u>(214,888)</u>
Net change in fund balances	16,979	(516,734)	(499,755)
Fund balances, beginning of year	<u>880,728</u>	<u>1,805,854</u>	<u>2,686,582</u>
Fund balances, end of year	<u>\$ 897,707</u>	<u>\$ 1,289,120</u>	<u>\$ 2,186,827</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

**Net change in fund balances - total governmental funds** \$ (499,755)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	750,484	
Less depreciation expense	<u>(214,437)</u>	536,047

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.

Grants	1,306	
Notes	(11,655)	
Special assessments	<u>(6,871)</u>	(17,220)

Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net assets and amortized over the life of the bond. (18,571)

Repayments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net assets. 159,035

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	7,307	
Change in accrued interest on bonds	<u>2,834</u>	10,141

The net revenue (expense) of the internal service fund is reported with governmental activities. (34,525)

**Change in net assets of governmental activities** \$ 135,152

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS

December 31, 2008

	<i>Business-type Activities</i>					<i>Governmental</i>
						<i>Activities</i>
				<i>Nonmajor Enterprise Fund</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Cartier Park Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and investments	\$ 353,801	\$ 1,574,274	\$ 978,246	\$ 16,776	\$ 2,923,097	\$ 1,075,375
Accounts receivable	267,390	314,099	-	-	581,489	-
Accrued interest receivable	4,406	13,299	6,087	-	23,792	6,701
Due from other governmental units	293,968	-	-	-	293,968	-
Inventory	61,953	118,206	29,842	-	210,001	79,384
Prepaid expenses	32,518	32,210	7,675	250	72,653	43,861
Total current assets	<u>1,014,036</u>	<u>2,052,088</u>	<u>1,021,850</u>	<u>17,026</u>	<u>4,105,000</u>	<u>1,205,321</u>
<b>Noncurrent assets:</b>						
Restricted cash and investments	407,004	529,013	-	-	936,017	-
Capital assets:						
Nondepreciable capital assets	72,415	3,247	791,393	-	867,055	4,250
Depreciable capital assets, net	<u>8,710,186</u>	<u>5,548,900</u>	<u>1,204,927</u>	<u>-</u>	<u>15,464,013</u>	<u>3,264,078</u>
Total noncurrent assets	<u>9,189,605</u>	<u>6,081,160</u>	<u>1,996,320</u>	<u>-</u>	<u>17,267,085</u>	<u>3,268,328</u>
Total assets	<u>10,203,641</u>	<u>8,133,248</u>	<u>3,018,170</u>	<u>17,026</u>	<u>21,372,085</u>	<u>4,473,649</u>
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable	49,858	32,235	15,589	75	97,757	33,065
Accrued expenses	5,991	9,576	675	-	16,242	3,454
Deposits payable	500	3,150	-	-	3,650	-
Deferred revenue	-	-	89,173	-	89,173	-
Current long-term debt	<u>65,000</u>	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>155,000</u>	<u>-</u>
Total current liabilities	<u>121,349</u>	<u>134,961</u>	<u>105,437</u>	<u>75</u>	<u>361,822</u>	<u>36,519</u>
<b>Noncurrent liabilities:</b>						
Compensated absences payable	12,308	27,508	3,329	-	43,145	6,740
Long-term debt	<u>1,370,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,370,000</u>	<u>-</u>
Total noncurrent liabilities	<u>1,382,308</u>	<u>27,508</u>	<u>3,329</u>	<u>-</u>	<u>1,413,145</u>	<u>6,740</u>
Total liabilities	<u>1,503,657</u>	<u>162,469</u>	<u>108,766</u>	<u>75</u>	<u>1,774,967</u>	<u>43,259</u>

continued

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS, CONTINUED

December 31, 2008

	<i>Business-type Activities</i>				<i>Governmental Activities</i>	
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
				<i>Cartier Park Fund</i>		
<b>Net assets:</b>						
Invested in capital assets, net of related debt	7,347,601	5,462,147	1,996,320	-	14,806,068	3,268,328
Restricted for:						
Debt service	100,000	100,000	-	-	200,000	-
Equipment replacement	307,004	429,013	-	-	736,017	-
Unrestricted	945,379	1,979,619	913,084	16,951	3,855,033	1,162,062
Total net assets	<u>\$ 8,699,984</u>	<u>\$ 7,970,779</u>	<u>\$ 2,909,404</u>	<u>\$ 16,951</u>	<u>\$ 19,597,118</u>	<u>\$ 4,430,390</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2008

	<i>Business-type Activities</i>					<i>Governmental</i>
						<i>Activities</i>
				<i>Nonmajor</i>	<i>Total</i>	<i>Internal</i>
				<i>Enterprise</i>		
	<i>Sewer</i>	<i>Water</i>	<i>Marina</i>	<i>Cartier</i>	<i>Enterprise</i>	<i>Service</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Park</i>	<i>Funds</i>	<i>Funds</i>
				<i>Fund</i>		
<b>Operating revenues:</b>						
Charges for services	\$ 1,327,423	\$ 1,229,718	\$ 788,344	\$ -	\$ 3,345,485	\$ -
Equipment rental	-	-	-	-	-	959,165
Other	2,068	21,287	-	-	23,355	153,144
Total operating revenues	1,329,491	1,251,005	788,344	-	3,368,840	1,112,309
<b>Operating expenses:</b>						
Personnel	327,387	511,275	107,830	-	946,492	172,260
Fringe benefits	181,072	287,695	34,773	-	503,540	93,209
Supplies	110,795	56,264	426,828	-	593,887	328,302
Contracted services	90,909	74,346	41,441	244	206,940	69,531
Administrative expense	68,600	68,600	40,700	-	177,900	51,400
Telephone	5,848	8,589	4,362	-	18,799	1,701
Mileage	158	206	673	-	1,037	95
Dues, licenses and permits	425	360	-	-	785	-
Education and training	2,083	1,884	1,447	-	5,414	1,230
Printing and publishing	-	-	2,179	-	2,179	-
Insurance	45,060	45,060	12,517	-	102,637	87,617
Utilities	157,768	123,170	26,601	193	307,732	45,559
Repairs and maintenance	41,224	73,732	74,149	-	189,105	111,116
Equipment rental	44,034	72,039	11,124	-	127,197	5,038
Other services and supplies	360	88	34,572	-	35,020	33
Depreciation	206,485	167,132	86,519	-	460,136	215,496
Total operating expenses	1,282,208	1,490,440	905,715	437	3,678,800	1,182,587
Operating income (loss)	47,283	(239,435)	(117,371)	(437)	(309,960)	(70,278)
<b>Non-operating revenues</b>						
<b>(expenses):</b>						
Federal grant	292,958	-	-	-	292,958	-
State grant	1,010	-	-	-	1,010	-
Storm emergency repairs	(279,255)	-	-	-	(279,255)	-
Interest income	31,093	16,924	27,395	-	75,412	28,797
Rental income	-	41,834	-	-	41,834	-
Gain on sale of capital assets	-	-	-	-	-	6,956
Other income - Scrap sales	3,104	-	-	-	3,104	-
Interest expense	(21,777)	(5,998)	-	-	(27,775)	-
Net non-operating	27,133	52,760	27,395	-	107,288	35,753

continued

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, CONTINUED

Year Ended December 31, 2008

	<i>Business-type Activities</i>				<i>Governmental Activities</i>	
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Enterprise Fund Cartier Park Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Net income (loss) before transfers	74,416	(186,675)	(89,976)	(437)	(202,672)	(34,525)
<b>Transfer from other funds</b>	230,000	-	-	17,388	247,388	-
<b>Transfer to other funds</b>	-	-	(32,500)	-	(32,500)	-
Net income (loss)	304,416	(186,675)	(122,476)	16,951	12,216	(34,525)
Net assets, beginning of year	8,395,568	8,157,454	3,031,880	-	19,584,902	4,464,915
Net assets, end of year	<u>\$ 8,699,984</u>	<u>\$ 7,970,779</u>	<u>\$ 2,909,404</u>	<u>\$ 16,951</u>	<u>\$ 19,597,118</u>	<u>\$ 4,430,390</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

	<i>Business-type Activities</i>					<i>Governmental</i>
						<i>Activities</i>
					<i>Nonmajor</i>	
					<i>Enterprise</i>	
	<i>Sewer</i>	<i>Water</i>	<i>Marina</i>	<i>Cartier</i>	<i>Total</i>	<i>Internal</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Park</i>	<i>Enterprise</i>	<i>Service</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>	<i>Funds</i>
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 1,076,286	\$ 1,255,704	\$ 785,352	\$ -	\$ 3,117,342	\$ 153,144
Cash received from interfund services	-	-	-	-	-	959,165
Cash payments to employees	(330,911)	(507,629)	(107,868)	-	(946,408)	(174,628)
Cash payments to suppliers for goods and services	(750,232)	(785,081)	(716,858)	(612)	(2,252,783)	(758,935)
Net cash provided (used) by operating activities	(4,857)	(37,006)	(39,374)	(612)	(81,849)	178,746
<b>Cash flows from non-capital financing activities:</b>						
Transfers from (to) other funds	230,000	-	(32,500)	17,388	214,888	-
<b>Cash flows from capital and related financing activities:</b>						
Federal grant	292,958	-	-	-	292,958	-
State grant	1,010	-	-	-	1,010	-
Storm emergency repairs	(279,255)	-	-	-	(279,255)	-
Gain on sale of capital assets	-	-	-	-	-	6,956
Other income - Scrap sales	3,104	-	-	-	3,104	-
Acquisition and construction of capital assets	(806,271)	(358,242)	(25,933)	-	(1,190,446)	(116,654)
Principal payments	(65,000)	(85,000)	-	-	(150,000)	-
Interest paid	(21,777)	(5,998)	-	-	(27,775)	-
Net cash used by capital and related financing activities	(875,231)	(449,240)	(25,933)	-	(1,350,404)	(109,698)
<b>Cash flows from investing activities:</b>						
Interest received	39,843	27,713	31,333	-	98,889	31,450
Rent received	-	41,834	-	-	41,834	-
Net cash provided by investing activities	39,843	69,547	31,333	-	140,723	31,450

continued

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS, CONTINUED

Year Ended December 31, 2008

	<i>Business-type Activities</i>					<i>Governmental</i>
						<i>Activities</i>
					<i>Nonmajor</i>	
					<i>Enterprise</i>	
	<i>Sewer</i>	<i>Water</i>	<i>Marina</i>	<i>Cartier</i>	<i>Total</i>	<i>Internal</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Park</i>	<i>Enterprise</i>	<i>Service</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>	<i>Funds</i>
Net increase (decrease) in cash and investments	(610,245)	(416,699)	(66,474)	16,776	(1,076,642)	100,498
Cash and investments, beginning of year	<u>1,371,050</u>	<u>2,519,986</u>	<u>1,044,720</u>	<u>-</u>	<u>4,935,756</u>	<u>974,877</u>
Cash and investments, end of year	<u>\$ 760,805</u>	<u>\$ 2,103,287</u>	<u>\$ 978,246</u>	<u>\$ 16,776</u>	<u>\$ 3,859,114</u>	<u>\$ 1,075,375</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 47,283	\$ (239,435)	\$ (117,371)	\$ (437)	\$ (309,960)	\$ (70,278)
Adjustments:						
Depreciation	206,485	167,132	86,519	-	460,136	215,496
Change in assets and liabilities:						
Accounts receivable	40,569	3,919	196	-	44,684	-
Due from other governmental units	(293,774)	780	-	-	(292,994)	-
Inventory	3,719	3,890	(9,860)	-	(2,251)	21,474
Prepaid expenses	(4,607)	(2,607)	(1,083)	(250)	(8,547)	(14,784)
Accounts payable	1,292	29,882	5,812	75	37,061	29,206
Accrued expenses	(2,800)	(4,213)	(361)	-	(7,374)	(2,459)
Deposits payable	500	-	-	-	500	-
Deferred revenue	-	-	(3,188)	-	(3,188)	-
Compensated absences payable	(3,524)	3,646	(38)	-	84	91
Net cash provided (used) by operating activities	<u>\$ (4,857)</u>	<u>\$ (37,006)</u>	<u>\$ (39,374)</u>	<u>\$ (612)</u>	<u>\$ (81,849)</u>	<u>\$ 178,746</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF LUDINGTON

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## FIDUCIARY FUNDS

### STATEMENT OF NET ASSETS

December 31, 2008

	<u><i>Police Pension Trust Fund</i></u>	<u><i>Agency Funds</i></u>	<u><i>Total Fiduciary Funds</i></u>
<b>Assets:</b>			
Cash and investments	\$ 3,045,743	\$ 4,335,393	\$ 7,381,136
Taxes receivable	255,402	-	255,402
Accrued interest receivable	5,785	-	5,785
Total assets	<u>3,306,930</u>	<u>4,335,393</u>	<u>7,642,323</u>
<b>Liabilities:</b>			
Accounts payable	-	2,000	2,000
Undistributed tax collections	-	4,333,393	4,333,393
Deferred revenue	<u>255,402</u>	<u>-</u>	<u>255,402</u>
Total liabilities	<u>255,402</u>	<u>4,335,393</u>	<u>4,590,795</u>
<b>Net Assets:</b>			
Held in trust for pension benefits	<u>3,051,528</u>	<u>-</u>	<u>3,051,528</u>
Total net assets	<u>\$ 3,051,528</u>	<u>\$ -</u>	<u>\$ 3,051,528</u>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF LUDINGTON

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## FIDUCIARY FUNDS

### STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2008

	<i>Police Pension Trust Fund</i>
	<u>                    </u>
<b>Additions:</b>	
Property taxes	\$ 247,904
Employee contributions	44,508
Investment income (loss)	<u>(674,666)</u>
Total additions	<u>(382,254)</u>
<b>Deductions:</b>	
Benefit payments	<u>293,515</u>
Total deductions	<u>293,515</u>
Net decrease	(675,769)
Net assets, beginning of year	<u>3,727,297</u>
Net assets, end of year	<u><u>\$ 3,051,528</u></u>

*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The City of Ludington was incorporated in 1873 under the provisions of the Home Rule Act of the State of Michigan. The City operates a Council-Manager form of government and provides the following services as authorized by its charter: general administrative services, public safety, highway and street maintenance, health, culture, recreation and other governmental functions.

The accounting policies of the City of Ludington conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

#### **Blended Component Unit**

***Building Authority*** – The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were a part of the primary government because its primary purpose is to finance and construct the City's public buildings. The Building Authority is reported as a debt service fund.

#### **Discretely Presented Component Unit**

***Downtown Development Authority*** – The Downtown Development Authority (DDA) is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The DDA was created to prevent and correct deterioration, encourage historical preservation, and promote economic growth within the downtown district. The DDA's board is appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

#### **Joint Ventures**

***Western Mason County Fire District Authority*** – The City participates with the Townships of Hamlin and Pere Marquette. The Authority was established on May 20, 1996 in accordance with state law 1988 P.A. 57 for the purpose of forming a joint fire commission for uniform and orderly control of fire protection, fire department functions (including vehicle purchase and insurance coverage), and financing within the territorial limits of the City of Ludington and the Townships of Hamlin and Pere Marquette. Complete financial statements for the Authority can be obtained from Pere Marquette Township at 1699 South Pere Marquette Highway, Ludington, Michigan.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the City 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 that 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.

### ***Government-wide Financial Statements:***

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

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

### ***Fund Financial Statements:***

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.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 proprietary funds are charges to customers for sales and services. Operating expenses for enterprise 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The City reports the following major governmental funds:

The **General Fund** is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The City reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

The **Marina Fund** is used to account for the revenues and expenses for the operation of a marina.

Additionally, the City reports the following fiduciary fund types:

The **Police Pension Trust Fund** accounts for the activities of the City's police retirement system.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

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 City has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all investments (including restricted assets) to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after January 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-75 years
Furniture and equipment	5-10 years
Infrastructure	25 years
Land improvements	5-50 years
Machinery and equipment	5-25 years
Utility systems and plants	15-99 years

**Compensated Absences** – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation days. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

**Long-term Obligations** – In the government-wide financial statements and the proprietary 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 statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Property taxes attach as enforceable liens on properties as of December 31. The related property taxes are levied on September 1 and are payable from the date of levy through October 9 and are recognized as revenue the following year. The City bills and collects its own property taxes and also taxes for the county, school district, community college, the Ludington Area Mass Transit Authority, and the intermediate school district. Collections of all the taxes and remittances of them to the other taxing authorities are accounted for in an agency fund.

Revenues for 2008 include property taxes levied in 2007 but appropriated by a City ordinance to finance 2008 operations. Property taxes levied in 2008 for the operations of 2009 are a lien against properties and are an asset of the City. They are recorded as taxes receivable and deferred revenue at December 31, 2008.

In 2007, the City levied property taxes on an assessed property tax value of \$252,484,123 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 11.5675 mills for the City’s operating purposes, 2.7762 mills for refuse services, and 1.0150 mills for police pension.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to November 1 of each year, the City Manager submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. During the month of November, the City Council holds open meetings to review the budget in detail and to obtain taxpayer comments.
3. At the first Council meeting in December, the budget is legally enacted by adoption of the City Council.
4. Any revision that alters the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, the special revenue funds, and debt service funds. Formal budgetary integration is not employed for other funds, but informational summaries are prepared for the enterprise, the internal service and other funds to serve as a management control device and are presented to the City Council for consideration.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i>Final Budget</i>		<i>Actual</i>		<i>Excess</i>
<b>General Fund:</b>					
Community and economic development	\$ 83,700	\$	84,164	\$	464
Recreation and culture	474,700		492,438		17,738

#### State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000, reported in the General Fund, is as follows:

Cumulative surplus at January 1, 2008	\$ -
Current year building permit revenue	22,260
Related expenses:	
Direct costs	<u>(84,512)</u>
Cumulative surplus at December 31, 2008	<u>\$ -</u>

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Police Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity contracts, real estate leased to public entities, mortgages, real estate (if the trust funds assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated seven banks for the deposit of its funds. The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are presented in more detail as follows:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$12,449,297 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,326,577 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

#### **Custodial Credit Risk of Investments:**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. government securities	\$ 1,329,284	Counterparty
Mutual funds - Police Pension Trust -		
Corporate	2,057,086	Counterparty
Governmental	527,087	Counterparty

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

### Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. government securities	\$ 1,329,284	1.52

### Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Corporate mutual funds - Police Pension Trust	\$ 2,057,086	Not Rated	N/A

### Concentration of Credit Risk:

The City places limits on the amount the City may invest in any one issuer. At December 31, 2008, there were no investments in any one issuer (other than the U.S. government and mutual funds) that exceeded more than 5 percent of total investments.

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## NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

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There are a number of limitations and restrictions contained in the various bond indentures, including requirements to maintain certain restricted assets. The City is in compliance with all significant provisions of the bond indentures.

At December 31, 2008 the City had these accounts established and had restricted cash as follows:

	<u>Restricted Cash and Investments</u>
<b>Sewer Fund:</b>	
Bond Reserve	\$ 100,000
Equipment Replacement	307,004
<b>Water Fund:</b>	
Bond Reserve	100,000
Equipment Replacement	<u>429,013</u>
	<u>\$ 936,017</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

### NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	<i>January 1, 2008</i>	<i>Additions</i>	<i>Retirements</i>	<i>December 31, 2008</i>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 258,580	\$ 2,500	\$ -	\$ 261,080
Depreciable capital assets:				
Buildings and improvements	5,042,359	-	-	5,042,359
Furniture and equipment	176,312	27,383	-	203,695
Infrastructure	697,848	480,518	-	1,178,366
Land and site improvements	709,253	235,205	-	944,458
Machinery and equipment	4,584,103	121,757	(75,370)	4,630,490
Total depreciable capital assets	11,209,875	864,863	(75,370)	11,999,368
Accumulated depreciation	(3,821,584)	(429,933)	75,145	(4,176,372)
Depreciable capital assets, net	7,388,291	434,930	(225)	7,822,996
Governmental activities, capital assets, net	<u>\$ 7,646,871</u>	<u>\$ 437,430</u>	<u>\$ (225)</u>	<u>\$ 8,084,076</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Land	\$ 867,055	\$ -	\$ -	\$ 867,055
Depreciable capital assets				
Buildings and improvements	4,212,264	141,390	-	4,353,654
Land improvements	2,148,664	13,948	-	2,162,612
Machinery and equipment	907,452	38,467	-	945,919
Sewer systems and plants	11,313,423	788,485	-	12,101,908
Water systems and plants	5,281,465	208,156	-	5,489,621
Total depreciable capital assets	23,863,268	1,190,446	-	25,053,714
Accumulated depreciation	(9,129,565)	(460,136)	-	(9,589,701)
Depreciable capital assets, net	14,733,703	730,310	-	15,464,013
Business-type activities, capital assets, net	<u>\$ 15,600,758</u>	<u>\$ 730,310</u>	<u>\$ -</u>	<u>\$ 16,331,068</u>

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

Depreciation expense was charged to functions as follows:

### Governmental Activities

General government	\$	96,928
Public safety		35,013
Public works		250,081
Health and welfare		4,579
Community and economic development		516
Recreation and culture		42,816
	\$	<u>429,933</u>

### Business-type Activities

Sewer	\$	206,485
Water		167,132
Marina		86,519
	\$	<u>460,136</u>

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## NOTE 6: DEFERRED CHARGES

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In 2005, the City of Ludington issued general obligation bonds of \$2,135,000 to advance refund \$1,940,000 of general obligation bonds that were issued in 2000. The bond issuance costs in relation to this refunding were recorded as deferred charges on the statement of net assets and are being amortized over the life of the bond based on the amount of interest paid per year as a percentage of total interest.

	<u>January 1, 2008</u>	<u>2008 Amortization Expense</u>	<u>December 31, 2008</u>
Deferred charges	\$ 153,736	\$ 18,724	\$ 135,012

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## NOTE 7: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
<b>Primary Government:</b>		
Property taxes	\$ -	\$ 3,610,406
Grants	2,994	-
Notes	5,207	-
Special assessments	4,988	1,785
Other	-	126,558
	<u>\$ 13,189</u>	<u>\$ 3,738,749</u>
<b>Component Unit:</b>		
Property taxes	\$ -	\$ 103,608

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

### NOTE 8: LONG-TERM LIABILITIES

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

Long-term liabilities at December 31, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><i>General Obligation Bonds:</i></b>					
2000 Issue - Building Authority	8/1/04-8/1/10	5.125-5.3%	\$120,000-145,000	\$ 2,700,000	\$ 275,000
2005 Issue - Building Authority					
Refunding Bonds	8/1/06-8/1/19	3.0-4.0%	20,000-285,000	2,135,000	2,075,000
Contract financing	1/1/08	0.00%	19,035	38,070	-
<b><u>Business-type Activities</u></b>					
<b><i>Revenue Bonds:</i></b>					
1998 Issue - Water Supply System	2/1/99-2/1/09	4.25-4.3%	85,000-90,000	700,000	90,000
2007 Issue - Sewer Disposal System	10/1/08-10/1/27	1.625%	65,000-85,000	1,500,000	1,435,000

The following is a summary of long-term liabilities transactions for the year ended December 31, 2008:

	<u>2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>2008</u>	<u>One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds					
2000 Issue	\$ 395,000	\$ -	\$ (120,000)	\$ 275,000	\$ 130,000
2005 Issue	2,095,000	-	(20,000)	2,075,000	20,000
Contract financing	19,035	-	(19,035)	-	-
Compensated absences	97,041	-	(7,216)	89,825	-
Total governmental activities-long-term liabilities	<u>\$ 2,606,076</u>	<u>\$ -</u>	<u>\$ (166,251)</u>	<u>\$ 2,439,825</u>	<u>\$ 150,000</u>
<b>Business-type activities:</b>					
Revenue Bonds:					
1998 Issue	\$ 175,000	\$ -	\$ (85,000)	\$ 90,000	\$ 90,000
2007 Issue	1,500,000	-	(65,000)	1,435,000	65,000
Compensated absences	43,061	-	84	43,145	-
Total business-type activities-long-term liabilities	<u>\$ 1,718,061</u>	<u>\$ -</u>	<u>\$ (149,916)</u>	<u>\$ 1,568,145</u>	<u>\$ 155,000</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<i>Year Ended</i> <i>December 31,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 150,000	\$ 94,475	\$ 244,475	\$ 155,000	\$ 25,253	\$ 180,253
2010	165,000	86,950	251,950	65,000	22,262	87,262
2011	175,000	78,565	253,565	65,000	21,206	86,206
2012	190,000	72,440	262,440	70,000	20,150	90,150
2013	195,000	65,315	260,315	70,000	19,012	89,012
2014-2018	1,190,000	199,715	1,389,715	365,000	77,756	442,756
2019-2023	285,000	11,400	296,400	395,000	47,044	442,044
2024-2027	-	-	-	340,000	13,814	353,814
	<u>\$ 2,350,000</u>	<u>\$ 608,860</u>	<u>\$ 2,958,860</u>	<u>\$ 1,525,000</u>	<u>\$ 246,497</u>	<u>\$ 1,771,497</u>

The City has an installment purchase contract payable to West Shore Bank and Fifth Third Bank. The balance owed on these contracts as of December 31, 2008 is \$808,876. These liabilities were incurred for the purchase of a fire truck and equipment for the Western Mason County Fire Authority (a joint venture). The fire truck and equipment, as well as the corresponding liabilities, have been assigned to the Authority and are not included in the financial statements of the City.

### NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's primary government and component unit are as follows:

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Receivables:</b>				
Property taxes	\$ 3,610,406	\$ -	\$ 3,610,406	\$ 103,608
Special assessments	11,026	-	11,026	-
Accounts	44,047	581,489	625,536	-
Accrued interest	18,906	23,792	42,698	217
Notes	5,207	-	5,207	-
Intergovernmental	269,879	293,968	563,847	-
Total receivables	<u>\$ 3,959,471</u>	<u>\$ 899,249</u>	<u>\$ 4,858,720</u>	<u>\$ 103,825</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts	\$ 217,659	\$ 97,758	\$ 315,417	\$ 682
Payroll liabilities	44,500	16,242	60,742	-
Deposits payable	7,681	3,650	11,331	-
Accrued interest	39,364	-	39,364	-
Total accounts payable and accrued expenses	<u>\$ 309,204</u>	<u>\$ 117,650</u>	<u>\$ 426,854</u>	<u>\$ 682</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

The only receivables not expected to be collected in one year are \$286,900 of due from other governmental units in the Sewer Fund.

### NOTE 10: INTERFUND BALANCES AND TRANSFERS

There were no outstanding interfund receivable and payable balances at December 31, 2008.

The composition of interfund transfers at December 31, 2008 is as follows reported in the fund financial statements:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	
	Recreation Fund	\$ 42,000
	Local Street Fund	91,800
	Senior Center Fund	42,300
	Building Authority Bond Fund	241,716
	W. Ludington Avenue Project Fund	<u>32,500</u> \$ 450,316
Marina Fund	Nonmajor Governmental Funds	
	W. Ludington Avenue Project Fund	32,500
Nonmajor Governmental Funds	Nonmajor Governmental Funds	
Major Street Fund	Local Street Fund	99,700
Capital Improvements Fund	Local Street Fund	250,000
Nonmajor Governmental Funds	Nonmajor Enterprise Fund	
Cartier Park Improvement Fund	Cartier Park Fund	17,388
Nonmajor Governmental Funds	Sewer Fund	
Capital Improvements Fund		230,000
Nonmajor Governmental Funds	General Fund	
Cartier Park Improvement Fund		30,000
Site Assessment Fund		24,984
Cemetery Perpetual Care Fund		<u>6,862</u>
	Total	<u>\$ 1,141,750</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

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### NOTE 11: RISK MANAGEMENT

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The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City manages its liability, property, and worker's compensation risk by participating in Michigan Municipal Risk Management Authority, a public entity risk pool providing property, liability, and worker compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal Risk Management Authority for its insurance coverage. The Michigan Municipal Risk Management Authority is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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### NOTE 12: EMPLOYEE RETIREMENT PLANS

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#### **Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):**

*Plan Description* – The City contributes to the Michigan Municipal Employees' Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries.

All full-time employees, except policemen, are eligible to participate in the plan. Benefits vest after 10 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.50 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period of which actuarial data was available was for the year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as emended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

*Funding Policy* – The obligation to contribute to and maintain the system for these employees was established by negotiations with the City Council and personnel policy, which does not require employees to contribute to the plan. The City of Ludington is required to contribute at an actuarially determined rate; the current rate was 19.37 percent of eligible payroll through May 31 and then increased to 21.75 through December 31 based on the December 31, 2006 valuation.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

**Annual Pension Costs** – For year ended December 31, 2008, the City’s annual pension cost of \$468,618 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual pension cost	\$ 468,618	\$ 374,696	\$ 346,899
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

### **Funded Status –**

<u>Actuarial Valuation Date</u>	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
Actuarial Value of Assets	\$ 12,585,728	\$ 12,064,009	\$ 11,557,680
Actuarial Accrued Liability (AAL)	15,251,734	14,799,090	13,810,287
Unfunded AAL (UAAL)	2,666,006	2,735,081	2,252,607
Funded Ratio	83%	82%	84%
Covered Payroll	2,099,257	1,988,160	1,899,244
UAAL as a percentage of covered payroll	127%	138%	119%

### **City of Ludington Police Retirement System:**

**Plan Description** - The City also operates the City of Ludington Police Retirement System; a single-employer retirement plan established under Act 345, PA of 1937 of the State of Michigan. The plan covers all full-time police employees of the City and is funded through an annual tax levy. The plan is a part of the City of Ludington reporting entity and its financial statements are included in the City's Statement of Net Assets for Fiduciary Funds.

Membership in the plan consisted of the following at December 31, 2008:

Retirees and Beneficiaries receiving benefits	13
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u>28</u>

The City of Ludington Police Retirement System provides retirement benefits as well as death, disability, and health benefits. All benefits vest after 10 years of credited service. Employees who retire after 25 years of credited service are entitled to an annual retirement benefit, payable monthly, in an amount equal to 2.7% of their average compensation for every year of credited service. The average is computed using the three highest compensated years out of last five years of employment. If an employee leaves covered employment or dies before ten years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

**Summary of Significant Accounting Policies and Asset Matters** - The financial statements of the City of Ludington Police Retirement System are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

**Method Used to Value Investments** - Investments of the plan are reported at fair value based on provided market values. Investment income is recognized as earned. The net appreciation in the fair value of investments is recognized as additions to assets. Gains and losses on the sale of securities are recognized on the transaction date. The plan's cash and investments at December 31, 2008 were as follows:

	<i><u>Fair Value</u></i>
Cash and cash equivalents	\$ 461,570
Investments - Mutual funds	<u>2,584,173</u>
	<u>\$ 3,045,743</u>

**Contributions** - The obligation to contribute to the system for the police employees was established by negotiations between the City Council and the police bargaining unit (union contract). The contract requires the employees to contribute to the plan, at a rate of 5% of eligible payroll. The City is required to contribute based on a property tax levy of 1.0150 mills.

For the year ended December 31, 2008, the City made contributions of \$247,904 and the police employees contributed \$44,508.

Three year trend information as of December 31 follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual pension cost	\$ 247,904	\$ 234,733	\$ 221,142
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

### **Funded Status -**

<u>Actuarial Valuation Date</u>	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
Actuarial Value of Assets	\$ 3,613,801	\$ 3,421,410	\$ 3,231,942
Actuarial Accrued Liability (AAL)	5,281,642	5,099,132	5,060,288
Unfunded AAL (UAAL)	1,667,841	1,677,722	1,828,346
Funded Ratio	68%	67%	64%
Covered Payroll	806,609	777,390	777,526
UAAL as a percentage of covered payroll	207%	216%	235%

**Plan Provided Health Benefits** - The City provides health insurance benefits as part of its police retirement plan. These benefits are funded by investment income. The plan's health care costs for the year ended December 31, 2008 were \$3,600.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

### Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The City adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The City has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

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## NOTE 13: POST EMPLOYMENT BENEFITS

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### Health Insurance:

According to the police employment contracts, the City provides police persons with partial payment toward the cost of health insurance after they qualify to retire and are retired from City employment. The City pays 50% of the health insurance cost up to a maximum of \$200 per month for those retired after 1993. Those who retired between 1989 through 1993 receive a maximum paid benefit of \$100 per month. Also, for other employees who retire with 20 or more years of service, the City will pay \$75 to \$200 per month. Elected officials who retire with 25 or more years of service will receive a maximum paid benefit of \$250 per month.

The City is using a pay-as-you-go method for financing this benefit. Currently there are 20 participants eligible to receive this benefit. During 2008, the City expended \$39,293 for this benefit in addition to the \$3,600 paid by the police pension plan.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning January 1, 2009.

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## NOTE 14: FUND EQUITY

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Specific reservations on fund equity include:

**Reserved for inventory** – This reserve was created to indicate that the portion of fund balance represented by inventory is not available for appropriation.

**Reserved for prepaid expenditures** – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

**Reserved for debt service** – This reserve was created to indicate that the portion of fund balance represented by debt service is not available for appropriation.

**Reserved for capital projects** – This reserve was created to indicate that portion of fund balance reserved for capital projects.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008

***Reserved for nonexpendable cemetery principal*** – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

***REQUIRED SUPPLEMENTAL INFORMATION***

# CITY OF LUDINGTON

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 3,566,500	\$ 3,590,600	\$ 3,592,690	\$ 2,090
Licenses and permits	56,800	72,900	73,058	158
Federal grants	11,000	13,500	86,621	73,121
State grants	809,100	862,300	862,808	508
Contributions from other units	24,200	34,000	34,506	506
Charges for services	438,000	446,100	384,917	(61,183)
Fines and forfeits	33,000	33,000	40,169	7,169
Interest and rents	127,100	127,100	107,675	(19,425)
Other revenue	91,500	122,700	136,711	14,011
Total revenues	<u>5,157,200</u>	<u>5,302,200</u>	<u>5,319,155</u>	<u>16,955</u>
<b>Expenditures:</b>				
Current				
General government	1,415,000	1,412,000	1,401,608	(10,392)
Public safety	1,666,300	1,645,200	1,645,149	(51)
Public works	1,093,000	1,195,500	1,194,602	(898)
Community and economic development	92,200	83,700	84,164	464
Recreation and culture	400,200	474,700	492,438	17,738
Other	58,200	60,300	60,080	(220)
Capital outlay	24,900	24,900	16,630	(8,270)
Debt service				
Principal	-	19,100	19,035	(65)
Total expenditures	<u>4,749,800</u>	<u>4,915,400</u>	<u>4,913,706</u>	<u>(1,694)</u>
Excess (deficiency) of revenues over expenditures	<u>407,400</u>	<u>386,800</u>	<u>405,449</u>	<u>18,649</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	43,000	67,900	61,846	(6,054)
Transfers to other funds	<u>(450,400)</u>	<u>(450,400)</u>	<u>(450,316)</u>	<u>84</u>
Total other financing sources (uses)	<u>(407,400)</u>	<u>(382,500)</u>	<u>(388,470)</u>	<u>(5,970)</u>
Net change in fund balance	-	4,300	16,979	12,679
Fund balance, beginning of year	<u>880,728</u>	<u>880,728</u>	<u>880,728</u>	-
Fund balance, end of year	<u>\$ 880,728</u>	<u>\$ 885,028</u>	<u>\$ 897,707</u>	<u>\$ 12,679</u>

***SUPPLEMENTAL INFORMATION***

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended December 31, 2008

#### Revenues:

##### *Current Taxes:*

Property taxes	\$ 3,493,228
Fees, penalties and interest on taxes	89,128
Payment in lieu of taxes	10,334
	<u>3,592,690</u>

##### *Licenses and permits:*

Nonbusiness licenses and permits	22,260
CATV franchise fees	50,798
	<u>73,058</u>

##### *Federal grants:*

Police	45,405
FEMA	41,216
	<u>86,621</u>

##### *State Grants:*

Liquor license fees	9,733
State revenue sharing - sales tax	817,842
Police	3,361
FEMA	6,872
Other	25,000
	<u>862,808</u>

##### *Contribution from other units:*

Downtown Development Authority - administrative expense	10,000
Ludington Area Schools - Resource officer	14,657
Ludington Area Schools - Election reimbursement	9,372
Other	477
	<u>34,506</u>

##### *Charges for services:*

Recreation fees	48,819
Cemetery fees	37,495
Police services and reports	2,689
Fire runs	16,488
Appeals fees	1,300
Other	7,626
Charges to other funds	270,500
	<u>384,917</u>

##### *Fines and forfeits:*

Parking fines	14,671
Ordinance fines	25,498
	<u>40,169</u>

##### *Interest and rents:*

Interest	105,058
Rents	2,617
	<u>107,675</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES, CONTINUED

Year Ended December 31, 2008

***Other Revenue:***

Special assessments	1,424
Cemetery lots/perpetual care	25,800
Reimbursements	66,050
Sidewalk construction	40,334
Commissions	3,103
	<u>136,711</u>
Total revenues	<u>5,319,155</u>

**Other Financing Sources:**

Transfers from other funds	<u>61,846</u>
Total other financing sources	<u>61,846</u>
Total revenues and other financing sources	<u>\$ 5,381,001</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended December 31, 2008

#### Expenditures:

##### *General Government:*

###### *Mayor and Council:*

Personnel	\$	30,000
Fringe benefits		2,895
Supplies		127
Contracted services		135
Telephone		2,191
Transportation		534
Dues and memberships		125
Conferences and workshops		425
Other		2,338
		<u>38,770</u>

###### *Manager:*

Personnel		131,132
Fringe benefits		69,079
Supplies		2,625
Contracted services		2,018
Telephone		2,063
Transportation		4,200
Dues and memberships		5,757
Conferences and workshops		948
Equipment rental		1,994
Other		1,170
		<u>220,986</u>

###### *Clerk:*

Personnel		152,114
Fringe benefits		83,140
Supplies		9,891
Contracted services		24,272
Telephone		5,707
Transportation		943
Dues and memberships		285
Conferences and workshops		2,113
Printing and publications		7,219
Equipment rental		14,379
Other		1,835
		<u>301,898</u>

###### *Board of Review:*

Personnel		1,720
Fringe benefits		166
Supplies		68
Transportation		44
Conferences and workshops		75
Printing and publications		547
Other		41
		<u>2,661</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2008

**Expenditures, continued:**

*General Government, continued:*

*Treasurer:*

Personnel	83,218
Fringe benefits	43,920
Supplies	3,373
Contracted services	8,488
Telephone	437
Dues and memberships	204
Printing and publications	419
Equipment rental	4,303
Other	90
	<hr/>
	144,452

*Assessor:*

Personnel	84,021
Fringe benefits	79,574
Supplies	7,722
Contracted services	1,806
Telephone	203
Transportation	229
Dues and memberships	930
Conferences and workshops	1,605
Equipment rental	26,671
Other	-
	<hr/>
	202,761

*Elections:*

Personnel	26,850
Fringe benefits	2,550
Supplies	6,250
Contracted services	243
Printing and publications	144
Other	164
	<hr/>
	36,201

*Hall and Grounds:*

Personnel	63,620
Fringe benefits	33,218
Supplies	16,955
Contracted services	11,165
Telephone	438
Utilities	32,593
Repairs and maintenance	20,019
Equipment rental	34,199
	<hr/>
	212,207

*Attorney:*

Contracted services	62,997
	<hr/>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2008

**Expenditures, continued:**

***General Government, continued:***

*Cemetery:*

Personnel	84,277
Fringe benefits	42,954
Supplies	3,506
Contracted services	601
Telephone	667
Dues and memberships	84
Conferences and workshops	171
Utilities	6,344
Repairs and maintenance	5,170
Equipment rental	34,901
	<u>178,675</u>
Total general government	<u>1,401,608</u>

***Public Safety:***

*Police:*

Personnel	927,246
Fringe benefits	302,061
Supplies	10,260
Contracted services	5,847
Telephone	6,901
Transportation	890
Conferences and workshops	9,713
Repairs and maintenance	4,626
Equipment rental	138,199
Other	7,276
	<u>1,413,019</u>

*Fire:*

Personnel	73,599
Fringe benefits	15,471
Supplies	5,472
Contracted services	23,548
Telephone	5,882
Transportation	176
Dues and memberships	220
Conferences and workshops	2,535
Utilities	9,580
Repairs and maintenance	6,006
Equipment rental	3,149
Other	1,980
	<u>147,618</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2008

**Expenditures, continued:**

***Public Safety, continued:***

*Building Inspection:*

Personnel	83,542
Contracted services	810
Telephone	160
	<u>84,512</u>

Total public safety 1,645,149

***Public Works:***

*Department of Public Works:*

Personnel	149,049
Fringe benefits	71,877
Supplies	15,004
Contracted services	15,167
Telephone	522
Printing and publications	338
Repairs and maintenance	2,832
Equipment rental	118,005
Other	214
	<u>373,008</u>

*Sidewalks:*

Contracted services 87,940

*Street Lighting:*

Utilities 123,816

*Refuse:*

Personnel	57,892
Fringe benefits	30,605
Supplies	5,589
Contracted services	407,892
Printing and publications	933
Equipment rental	106,927
	<u>609,838</u>

Total public works 1,194,602

***Community and Economic Development:***

*Planning:*

Supplies	1,232
Contracted services	3,522
Dues and memberships	180
Conferences and workshops	149
Printing and publications	1,121
Repairs and maintenance	650
	<u>6,854</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2008

#### **Expenditures, continued:**

##### *Economic and Community Development:*

Personnel	38,700
Fringe benefits	20,447
Supplies	1,209
Contracted services	1,350
Telephone	46
Transportation	553
Conferences and workshops	270
Printing and publications	1,053
Equipment rental	1,155
Other	12,527
	<hr/>
	77,310
	<hr/>
Total community and economic development	84,164

##### *Recreation and Culture:*

###### *Parks and Recreation:*

Personnel	93,481
Fringe benefits	47,904
Supplies	15,508
Contracted services	65,225
Utilities	39,512
Repairs and maintenance	27,188
Equipment rental	73,993
	<hr/>
	362,811

###### *Lifeguards:*

Personnel	19,982
Fringe benefits	1,758
Supplies	1,569
Telephone	250
Printing and publications	108
	<hr/>
	23,667

###### *Launching Ramps:*

Personnel	36,174
Fringe benefits	9,556
Supplies	3,459
Contracted services	33,526
Telephone	385
Utilities	2,699
Repairs and maintenance	8,886
Equipment rental	11,275
	<hr/>
	105,960

Total recreation and culture 492,438

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2008

***Other:***

Insurance and bonds	<u>60,080</u>
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***Capital Outlay:***

General government	3,825
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Public safety	7,200
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Recreation and culture	<u>5,605</u>
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	<u>16,630</u>
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***Debt Service:***

Principal	<u>19,035</u>
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Total expenditures	<u>4,913,706</u>
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**Other Financing Uses:**

Transfers to other funds	<u>450,316</u>
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Total expenditures and other financing uses	<u><u>\$ 5,364,022</u></u>
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# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

December 31, 2008

	<i>Special Revenue Funds</i>				
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>	<i>Waterfront Playground Fund</i>
<b>Assets:</b>					
Cash and investments	\$ 322,935	\$ 234,688	\$ 71,741	\$ 18,354	\$ 25,574
Accounts receivable	48	-	-	935	-
Notes receivable	-	-	-	-	-
Accrued interest receivable	2,009	1,460	456	115	159
Due from other governmental units	28,757	21,716	5,000	-	-
Inventory	55,197	-	-	-	-
Prepaid expenditures	2,229	2,902	-	1,906	-
Total assets	<u>\$ 411,175</u>	<u>\$ 260,766</u>	<u>\$ 77,197</u>	<u>\$ 21,310</u>	<u>\$ 25,733</u>
<b>Liabilities and Fund Balances:</b>					
<i>Liabilities:</i>					
Accounts payable	\$ 29,328	\$ 15,203	\$ 336	\$ 2,468	\$ -
Accrued expenses	1,915	2,845	549	1,400	-
Deferred revenue	-	-	-	3,337	-
Total liabilities	<u>31,243</u>	<u>18,048</u>	<u>885</u>	<u>7,205</u>	<u>-</u>
<i>Fund balances:</i>					
Reserved for:					
Inventory	55,197	-	-	-	-
Prepaid expenditures	2,229	2,902	-	1,906	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Nonexpendable cemetery principal	-	-	-	-	-
Unreserved:					
Special revenue funds	<u>322,506</u>	<u>239,816</u>	<u>76,312</u>	<u>12,199</u>	<u>25,733</u>
Total fund balances	<u>379,932</u>	<u>242,718</u>	<u>76,312</u>	<u>14,105</u>	<u>25,733</u>
Total liabilities and fund balances	<u>\$ 411,175</u>	<u>\$ 260,766</u>	<u>\$ 77,197</u>	<u>\$ 21,310</u>	<u>\$ 25,733</u>

<u>Special Revenue Funds</u>			<i>Debt Service Fund</i>	<u>Capital Projects Funds</u>			
<i>Movies in the Park Fund</i>	<i>Ludington Skate Plaza Fund</i>	<i>Site Assessment Fund</i>	<i>Building Authority Bond Fund</i>	<i>W. Ludington Avenue Project Fund</i>	<i>Bryant Woods Project Fund</i>	<i>1984 Building Rehab Fund</i>	<i>Subtotal Nonmajor Governmental Funds</i>
\$ 1,029	\$ (3,974)	\$ 468	\$ 2	\$ 55,752	\$ (4,497)	\$ 79,987	\$ 802,059
-	-	-	-	-	-	-	983
-	-	-	-	-	-	5,207	5,207
6	-	-	-	-	-	-	4,205
-	6,969	2,994	-	-	4,820	-	70,256
-	-	-	-	-	-	-	55,197
-	-	-	-	-	-	-	7,037
<u>\$ 1,035</u>	<u>\$ 2,995</u>	<u>\$ 3,462</u>	<u>\$ 2</u>	<u>\$ 55,752</u>	<u>\$ 323</u>	<u>\$ 85,194</u>	<u>\$ 944,944</u>
\$ -	\$ 2,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,330
-	-	-	-	-	-	-	6,709
-	-	2,994	-	-	-	5,207	11,538
-	2,995	2,994	-	-	-	5,207	68,577
-	-	-	-	-	-	-	55,197
-	-	-	-	-	-	-	7,037
-	-	-	2	-	-	-	2
-	-	-	-	55,752	323	79,987	136,062
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,035	-	468	-	-	-	-	678,069
1,035	-	468	2	55,752	323	79,987	876,367
<u>\$ 1,035</u>	<u>\$ 2,995</u>	<u>\$ 3,462</u>	<u>\$ 2</u>	<u>\$ 55,752</u>	<u>\$ 323</u>	<u>\$ 85,194</u>	<u>\$ 944,944</u>

continued

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET, CONTINUED

December 31, 2008

	<u>Capital Projects Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Improvements Fund</u>	<u>Watchcase Contamination Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
<b>Assets:</b>				
Cash and investments	\$ 22,762	\$ 140,743	\$ 247,529	\$ 1,213,093
Accounts receivable	-	-	-	983
Notes receivable	-	-	-	5,207
Accrued interest receivable	266	-	1,535	6,006
Due from other governmental units	-	-	-	70,256
Inventory	-	-	-	55,197
Prepaid expenditures	-	-	-	7,037
Total assets	<u>\$ 23,028</u>	<u>\$ 140,743</u>	<u>\$ 249,064</u>	<u>\$ 1,357,779</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 82	\$ -	\$ 50,412
Accrued expenses	-	-	-	6,709
Deferred revenue	-	-	-	11,538
Total liabilities	<u>-</u>	<u>82</u>	<u>-</u>	<u>68,659</u>
<b>Fund balances:</b>				
Reserved for:				
Inventory	-	-	-	55,197
Prepaid expenditures	-	-	-	7,037
Debt service	-	-	-	2
Capital projects	23,028	140,661	-	299,751
Nonexpendable cemetery principal	-	-	249,064	249,064
Unreserved:				
Special revenue funds	-	-	-	678,069
Total fund balances	<u>23,028</u>	<u>140,661</u>	<u>249,064</u>	<u>1,289,120</u>
Total liabilities and fund balances	<u>\$ 23,028</u>	<u>\$ 140,743</u>	<u>\$ 249,064</u>	<u>\$ 1,357,779</u>

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2008

	<i>Special Revenue Funds</i>				
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>	<i>Waterfront Playground Fund</i>
<b>Revenues:</b>					
Federal grants	\$ -	\$ -	\$ -	\$ 10,331	\$ -
State grants	469,843	184,134	-	1,824	-
Contributions from other units	-	-	42,553	70,700	-
Charges for services	-	-	56,570	17,617	-
Interest and rents	7,487	7,060	2,751	1,306	708
Other revenue	1,403	9,889	9,202	7,887	130
Total revenues	<u>478,733</u>	<u>201,083</u>	<u>111,076</u>	<u>109,665</u>	<u>838</u>
<b>Expenditures:</b>					
Current					
Public works	358,760	360,733	-	-	-
Health and welfare	-	-	-	157,568	-
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	136,114	-	480
Capital outlay	1,501	247,523	14,945	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fees	-	-	-	-	-
Total expenditures	<u>360,261</u>	<u>608,256</u>	<u>151,059</u>	<u>157,568</u>	<u>480</u>
Excess (deficiency) of revenues over expenditures	<u>118,472</u>	<u>(407,173)</u>	<u>(39,983)</u>	<u>(47,903)</u>	<u>358</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	-	441,500	42,000	42,300	-
Transfers to other funds	(99,700)	-	-	-	-
Total other financing sources (uses)	<u>(99,700)</u>	<u>441,500</u>	<u>42,000</u>	<u>42,300</u>	<u>-</u>
Net change in fund balances	18,772	34,327	2,017	(5,603)	358
Fund balances, beginning of year	<u>361,160</u>	<u>208,391</u>	<u>74,295</u>	<u>19,708</u>	<u>25,375</u>
Fund balances, end of year	<u>\$ 379,932</u>	<u>\$ 242,718</u>	<u>\$ 76,312</u>	<u>\$ 14,105</u>	<u>\$ 25,733</u>

<i>Special Revenue Funds</i>			<i>Debt Service Fund</i>	<i>Capital Projects Funds</i>			
<i>Movies in the Park Fund</i>	<i>Ludington Skate Plaza Fund</i>	<i>Site Assessment Fund</i>	<i>Building Authority Bond Fund</i>	<i>W. Ludington Avenue Project Fund</i>	<i>Bryant Woods Project Fund</i>	<i>1984 Building Rehab Fund</i>	<i>Subtotal Nonmajor Governmental Funds</i>
\$ -	\$ 66,969	\$ -	\$ -	\$ -	\$ -	\$ 277,063	\$ 354,363
-	-	15,586	-	-	74,091	-	745,478
1,300	-	-	-	-	-	-	114,553
-	-	-	-	-	-	-	74,187
23	230	-	1	-	-	23	19,589
700	16,755	-	-	-	-	22,468	68,434
<u>2,023</u>	<u>83,954</u>	<u>15,586</u>	<u>1</u>	<u>-</u>	<u>74,091</u>	<u>299,554</u>	<u>1,376,604</u>
-	-	-	-	-	-	-	719,493
-	-	-	-	-	-	-	157,568
-	-	20,369	-	-	74,113	251,166	345,648
1,209	617	-	-	10,091	-	-	148,511
-	220,260	-	-	-	-	-	484,229
-	-	-	140,000	-	-	-	140,000
-	-	-	101,791	-	-	-	101,791
<u>1,209</u>	<u>220,877</u>	<u>20,369</u>	<u>241,791</u>	<u>10,091</u>	<u>74,113</u>	<u>251,166</u>	<u>2,097,240</u>
<u>814</u>	<u>(136,923)</u>	<u>(4,783)</u>	<u>(241,790)</u>	<u>(10,091)</u>	<u>(22)</u>	<u>48,388</u>	<u>(720,636)</u>
-	-	-	241,716	65,000.0	-	-	832,516
-	-	(24,984)	-	-	-	-	(124,684)
-	-	(24,984)	241,716	65,000	-	-	707,832
814	(136,923)	(29,767)	(74)	54,909	(22)	48,388	(12,804)
<u>221</u>	<u>136,923</u>	<u>30,235</u>	<u>76</u>	<u>843</u>	<u>345</u>	<u>31,599</u>	<u>889,171</u>
<u>\$ 1,035</u>	<u>\$ -</u>	<u>\$ 468</u>	<u>\$ 2</u>	<u>\$ 55,752</u>	<u>\$ 323</u>	<u>\$ 79,987</u>	<u>\$ 876,367</u>

continued

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended December 31, 2008

	<u>Capital Projects Funds</u>			<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Improvements Fund</u>	<u>Cartier Park Improvement Fund</u>	<u>Watchcase Contamination Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
<b>Revenues:</b>					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 354,363
State grants	-	-	-	-	745,478
Contributions from other units	-	-	-	-	114,553
Charges for services	-	-	-	-	74,187
Interest and rents	(339)	475	3	6,862	26,590
Other revenue	-	57,180	-	3,200	128,814
Total revenues	<u>(339)</u>	<u>57,655</u>	<u>3</u>	<u>10,062</u>	<u>1,443,985</u>
<b>Expenditures:</b>					
Current					
Public works	-	-	-	-	719,493
Health and welfare	-	-	-	-	157,568
Community and economic development	-	-	7,830	-	353,478
Recreation and culture	-	-	-	-	148,511
Capital outlay	18,131	11,100	-	-	513,460
Debt service					
Principal	-	-	-	-	140,000
Interest and fees	-	-	-	-	101,791
Total expenditures	<u>18,131</u>	<u>11,100</u>	<u>7,830</u>	<u>-</u>	<u>2,134,301</u>
Excess (deficiency) of revenues over expenditures	<u>(18,470)</u>	<u>46,555</u>	<u>(7,827)</u>	<u>10,062</u>	<u>(690,316)</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	-	-	-	-	832,516
Transfers to other funds	<u>(480,000.0)</u>	<u>(47,388.0)</u>	<u>-</u>	<u>(6,862.0)</u>	<u>(658,934)</u>
Total other financing sources (uses)	<u>(480,000)</u>	<u>(47,388)</u>	<u>-</u>	<u>(6,862)</u>	<u>173,582</u>
Net change in fund balances	(498,470)	(833)	(7,827)	3,200	(516,734)
Fund balances, beginning of year	<u>521,498</u>	<u>833</u>	<u>148,488</u>	<u>245,864</u>	<u>1,805,854</u>
Fund balances, end of year	<u>\$ 23,028</u>	<u>\$ -</u>	<u>\$ 140,661</u>	<u>\$ 249,064</u>	<u>\$ 1,289,120</u>

# CITY OF LUDINGTON

*INTERNAL SERVICE FUNDS*  
**STATEMENT OF NET ASSETS**  
 December 31, 2008

	<i>Governmental Activities</i>		
	<i>Motor Pool Fund</i>	<i>Technology Fund</i>	<i>Total Internal Service Funds</i>
<b>Assets:</b>			
<i>Current assets:</i>			
Cash and investments	\$ 1,076,800	\$ (1,425)	\$ 1,075,375
Accrued interest receivable	6,701	-	6,701
Inventory	79,384	-	79,384
Prepaid expenses	41,398	2,463	43,861
Total current assets	1,204,283	1,038	1,205,321
<i>Noncurrent assets:</i>			
Capital assets:			
Nondepreciable capital assets	4,250	-	4,250
Depreciable capital assets, net	3,244,711	19,367	3,264,078
Total noncurrent assets	3,248,961	19,367	3,268,328
Total assets	4,453,244	20,405	4,473,649
<b>Liabilities:</b>			
<i>Current liabilities:</i>			
Accounts payable	32,027	1,038	33,065
Accrued expenses	3,454	-	3,454
Total current liabilities	35,481	1,038	36,519
<i>Noncurrent liabilities:</i>			
Compensated absences payable	6,740	-	6,740
Total noncurrent liabilities	6,740	-	6,740
Total liabilities	42,221	1,038	43,259
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,248,961	19,367	3,268,328
Unrestricted	1,162,062	-	1,162,062
Total net assets	\$ 4,411,023	\$ 19,367	\$ 4,430,390

# CITY OF LUDINGTON

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## INTERNAL SERVICE FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

December 31, 2008

	<u>Motor Pool</u> <u>Fund</u>	<u>Technology</u> <u>Fund</u>	<u>Total</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
<b>Operating revenues:</b>			
Equipment rental - interfund charges	\$ 862,245	\$ 96,920	\$ 959,165
Other	153,144	-	153,144
Total operating revenues	<u>1,015,389</u>	<u>96,920</u>	<u>1,112,309</u>
<b>Operating expenses:</b>			
Personnel	172,260	-	172,260
Fringe benefits	93,209	-	93,209
Supplies	312,874	15,428	328,302
Contracted services	11,597	57,934	69,531
Administrative expense	51,400	-	51,400
Telephone	1,701	-	1,701
Mileage	95	-	95
Education and training	1,230	-	1,230
Insurance	87,617	-	87,617
Utilities	45,559	-	45,559
Repairs and maintenance	111,116	-	111,116
Equipment rental	5,038	-	5,038
Other services and supplies	33	-	33
Depreciation	211,305	4,191	215,496
Total operating expenses	<u>1,105,034</u>	<u>77,553</u>	<u>1,182,587</u>
Operating income (loss)	<u>(89,645)</u>	<u>19,367</u>	<u>(70,278)</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	28,797	-	28,797
Gain on sale of capital assets	6,956	-	6,956
Net non-operating revenues	<u>35,753</u>	<u>-</u>	<u>35,753</u>
Net income (loss)	(53,892)	19,367	(34,525)
Net assets, beginning of year	<u>4,464,915</u>	<u>-</u>	<u>4,464,915</u>
Net assets, end of year	<u>\$ 4,411,023</u>	<u>\$ 19,367</u>	<u>\$ 4,430,390</u>

# CITY OF LUDINGTON

## INTERNAL SERVICE FUNDS

### STATEMENT OF CASH FLOWS

December 31, 2008

	<u>Motor Pool</u>	<u>Technology</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Internal</u>
			<u>Service</u>
			<u>Funds</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 153,144	\$ -	\$ 153,144
Cash received from interfund services	862,245	96,920	959,165
Cash payments to employees	(174,628)	-	(174,628)
Cash payments to suppliers for goods and services	<u>(684,148)</u>	<u>(74,787)</u>	<u>(758,935)</u>
Net cash provided by operating activities	<u>156,613</u>	<u>22,133</u>	<u>178,746</u>
<b>Cash flows from capital and related financing activities:</b>			
Gain on sale of capital assets	6,956	-	6,956
Acquisition of capital assets	<u>(93,096)</u>	<u>(23,558)</u>	<u>(116,654)</u>
Net cash used by capital and related financing activities	<u>(86,140)</u>	<u>(23,558)</u>	<u>(109,698)</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>31,450</u>	<u>-</u>	<u>31,450</u>
Net cash provided by investing activities	<u>31,450</u>	<u>-</u>	<u>31,450</u>
Net increase (decrease) in cash and investments	101,923	(1,425)	100,498
Cash and investments, beginning of year	<u>974,877</u>	<u>-</u>	<u>974,877</u>
Cash and investments, end of year	<u>\$ 1,076,800</u>	<u>\$ (1,425)</u>	<u>\$ 1,075,375</u>
<b>Reconciliation of operating income (loss) to net cash provided</b>			
<b>by operating activities:</b>			
Operating income (loss)	\$ (89,645)	\$ 19,367	\$ (70,278)
Adjustments:			
Depreciation	211,305	4,191	215,496
Change in assets and liabilities:			
Inventory	21,474	-	21,474
Prepaid expenses	(12,321)	(2,463)	(14,784)
Accounts payable	28,168	1,038	29,206
Accrued expenses	(2,459)	-	(2,459)
Compensated absences payable	<u>91</u>	<u>-</u>	<u>91</u>
Net cash provided by operating activities	<u>\$ 156,613</u>	<u>\$ 22,133</u>	<u>\$ 178,746</u>

# CITY OF LUDINGTON

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## COMPONENT UNIT

### BALANCE SHEET

December 31, 2008

	<u><i>Downtown Development Authority</i></u>
<b>Assets:</b>	
Cash and investments	\$ 34,918
Taxes receivable	103,608
Accrued interest receivable	217
Prepaid expenditures	<u>337</u>
Total assets	<u>\$ 139,080</u>
<b>Liabilities and Fund Balance:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 682
Deferred revenue	<u>103,608</u>
Total liabilities	<u>104,290</u>
<b>Fund balance:</b>	
Unreserved	<u>34,790</u>
Total fund balance	<u>34,790</u>
Total liabilities and fund balance	<u>\$ 139,080</u>

# CITY OF LUDINGTON

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## COMPONENT UNIT

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended December 31, 2008

	<i><u>Downtown Development Authority</u></i>
<b>Revenues:</b>	
Property taxes	\$ 37,223
Interest and rents	1,498
Other revenue	<u>13,458</u>
Total revenues	<u>52,179</u>
<b>Expenditures:</b>	
Current	
Community and economic development	43,375
Capital outlay	<u>-</u>
Total expenditures	<u>43,375</u>
Net change in fund balance	8,804
Fund balance, beginning of year	<u>25,986</u>
Fund balance, end of year	<u><u>\$ 34,790</u></u>

# CITY OF LUDINGTON

## FIDUCIARY FUNDS – AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES Year Ended December 31, 2008

	<u>January 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2008</u>
<b><u>Bryant Road Property Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 94,383	\$ 842	\$ 95,225	\$ -
<b>Liabilities:</b>				
Accounts payable	\$ 94,383	\$ 842	\$ 95,225	\$ -
<b><u>Tax Collection Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,220,239	\$ 12,129,072	\$ 12,015,918	\$ 4,333,393
<b>Liabilities:</b>				
Undistributed tax collections	\$ 4,220,239	\$ 12,129,072	\$ 12,015,918	\$ 4,333,393
<b><u>Transportation Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,000	\$ -	\$ -	\$ 2,000
<b>Liabilities:</b>				
Accounts payable	\$ 2,000	\$ -	\$ -	\$ 2,000
<b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,316,622	\$ 12,129,914	\$ 12,111,143	\$ 4,335,393
<b>Liabilities:</b>				
Accounts payable	\$ 96,383	\$ 842	\$ 95,225	\$ 2,000
Undistributed tax collections	4,220,239	12,129,072	12,015,918	4,333,393
	<u>\$ 4,316,622</u>	<u>\$ 12,129,914</u>	<u>\$ 12,111,143</u>	<u>\$ 4,335,393</u>

# CITY OF LUDINGTON

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

December 31, 2008

#### BUILDING AUTHORITY BONDS, SERIES 2000

Issue in the amount of	\$ 2,700,000
Less: Principal paid in prior years	(2,305,000)
Principal paid in current year	<u>(120,000)</u>
Balance payable at December 31, 2008	<u>\$ 275,000</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Interest due February 1</u>	<u>Interest due August 1</u>	<u>Principal due August 1</u>	<u>Total Annual Requirement</u>
2009	5.250%	\$ 7,255	\$ 7,255	\$ 130,000	\$ 144,510
2010	5.300%	<u>3,843</u>	<u>3,842</u>	<u>145,000</u>	<u>152,685</u>
		<u>\$ 11,098</u>	<u>\$ 11,097</u>	<u>\$ 275,000</u>	<u>\$ 297,195</u>

# CITY OF LUDINGTON

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

December 31, 2008

#### 2005 BUILDING AUTHORITY REFUNDING BONDS

Issue in the amount of	\$ 2,135,000
Less: Principal paid in prior years	(40,000)
Principal paid in current year	<u>(20,000)</u>
Balance payable at December 31, 2008	<u>\$ 2,075,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Interest due</u> <u>February 1</u>	<u>Interest due</u> <u>August 1</u>	<u>Principal due</u> <u>August 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2009	3.50%	\$ 39,982	\$ 39,983	\$ 20,000	\$ 99,965
2010	3.50%	39,633	39,632	20,000	99,265
2011	3.50%	39,282	39,283	175,000	253,565

# CITY OF LUDINGTON

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

December 31, 2008

#### 1998 WATER SUPPLY SYSTEM REVENUE BONDS

Issue in the amount of	\$	700,000
Less:		
Principal paid in prior years		(525,000)
Principal paid in current year		<u>(85,000)</u>
Balance payable at December 31, 2008	\$	<u>90,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>February 1</u>	<u>Interest due</u> <u>February 1</u>	<u>Interest due</u> <u>August 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2009	4.300%	<u>\$ 90,000</u>	<u>\$ 1,935</u>	<u>\$ -</u>	<u>\$ 91,935</u>
		<u>\$ 90,000</u>	<u>\$ 1,935</u>	<u>\$ -</u>	<u>\$ 91,935</u>



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

To the Honorable Mayor and Members of City Council  
City of Ludington, Michigan

We have audited the financial statements of the City of Ludington as of and for the year ended December 31, 2008, and have issued our report thereon dated March 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Ludington's internal control over financial reporting 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We have not noted any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

## **Compliance and Other Matters**

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

This report is intended solely for the information and use of management, the City Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Berchume & Co.*

Saginaw, Michigan

March 25, 2009