

CITY OF LUDINGTON

Mason County, Michigan

FINANCIAL STATEMENTS

December 31, 2009

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, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financing reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009, 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 31, 2010 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 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 a required part 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 inquiries 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 supplemental information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 13, the City has implemented a new financial reporting standard, as required by the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as of December 31, 2009.

Berthiaume & Co.

Saginaw, Michigan
March 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LUDINGTON

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, 2009. 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 \$28,711,186 (net assets). Of this amount, \$5,316,275 (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 \$5,198. Governmental activities decreased \$66,600, while business-type activities increased \$71,798.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,273,818, an increase of \$86,991 in comparison with prior year. Approximately 29 percent of this total or \$670,329 is reserved for various purposes leaving an unreserved, undesignated fund balance of \$1,603,489.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$816,325, or 16% of the General Fund's annual expenditures (including transfers). Total General Fund fund balance, both reserved and unreserved, was \$916,238, or 18% 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

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

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 \$28,711,186 at the close of the most recent fiscal year. Most of this amount (75 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 (7 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (18 percent) may be used to meet the government's ongoing obligations to citizens and others.

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Current assets	\$ 6,975,794	\$ 7,288,234	\$ 3,593,944	\$ 4,105,001	\$ 10,569,738	\$ 11,393,235
Noncurrent assets:						
Restricted assets	-	-	976,017	936,017	976,017	936,017
Other assets	116,747	135,165	-	-	116,747	135,165
Capital assets	<u>8,188,742</u>	<u>7,981,054</u>	<u>16,843,471</u>	<u>16,434,090</u>	<u>25,032,213</u>	<u>24,415,144</u>
Total assets	<u>15,281,283</u>	<u>15,404,453</u>	<u>21,413,432</u>	<u>21,475,108</u>	<u>36,694,715</u>	<u>36,879,561</u>
Liabilities:						
Other liabilities	4,032,710	3,958,780	230,247	206,823	4,262,957	4,165,603
Long-term liabilities	<u>2,309,325</u>	<u>2,439,825</u>	<u>1,411,247</u>	<u>1,568,145</u>	<u>3,720,572</u>	<u>4,007,970</u>
Total liabilities	<u>6,342,035</u>	<u>6,398,605</u>	<u>1,641,494</u>	<u>1,774,968</u>	<u>7,983,529</u>	<u>8,173,573</u>
Net assets:						
Invested in capital assets, net of related debt	5,988,742	5,631,054	15,473,471	14,909,090	21,462,213	20,540,144
Restricted	956,681	871,716	976,017	936,017	1,932,698	1,807,733
Unrestricted	<u>1,993,825</u>	<u>2,503,078</u>	<u>3,322,450</u>	<u>3,855,033</u>	<u>5,316,275</u>	<u>6,358,111</u>
Total net assets	<u>\$ 8,939,248</u>	<u>\$ 9,005,848</u>	<u>\$ 19,771,938</u>	<u>\$ 19,700,140</u>	<u>\$ 28,711,186</u>	<u>\$ 28,705,988</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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues						
Charges for services	\$ 789,360	\$ 951,720	\$ 3,376,311	\$ 3,413,778	\$ 4,165,671	\$ 4,365,498
Operating grants	1,123,184	1,301,995	-	-	1,123,184	1,301,995
Capital grants	21,324	83,724	292,780	293,968	314,104	377,692
General revenues						
Property taxes	3,644,287	3,592,690	-	-	3,644,287	3,592,690
Franchise fees	65,450	50,798	-	-	65,450	50,798
State revenue sharing	725,262	817,842	-	-	725,262	817,842
Investment earnings	79,010	160,445	93,595	75,412	172,605	235,857
Total revenues	<u>6,447,877</u>	<u>6,959,214</u>	<u>3,762,686</u>	<u>3,783,158</u>	<u>10,210,563</u>	<u>10,742,372</u>
Expenses:						
General government	1,370,864	1,446,437	-	-	1,370,864	1,446,437
Public safety	1,625,178	1,680,309	-	-	1,625,178	1,680,309
Public works	2,618,751	2,080,716	-	-	2,618,751	2,080,716
Health and welfare	140,753	161,507	-	-	140,753	161,507
Community and economic development	225,186	442,719	-	-	225,186	442,719
Recreation and culture	412,713	690,114	-	-	412,713	690,114
Interest on long-term debt	111,025	117,528	-	-	111,025	117,528
Sewer	-	-	1,313,134	1,583,240	1,313,134	1,583,240
Water	-	-	1,546,588	1,496,438	1,546,588	1,496,438
Marina	-	-	705,060	905,715	705,060	905,715
Cartier Park Campground	-	-	139,091	437	139,091	437
Total expenses	<u>6,504,470</u>	<u>6,619,330</u>	<u>3,703,873</u>	<u>3,985,830</u>	<u>10,208,343</u>	<u>10,605,160</u>
Excess of revenues over expenses before other	<u>(56,593)</u>	<u>339,884</u>	<u>58,813</u>	<u>(202,672)</u>	<u>2,220</u>	<u>137,212</u>
Other items:						
Contributions to principal	3,285	3,200	-	-	3,285	3,200
Sale of capital assets	(307)	6,956	-	-	(307)	6,956
Transfers	(12,985)	(214,888)	12,985	214,888	-	-
Total other items	<u>(10,007)</u>	<u>(204,732)</u>	<u>12,985</u>	<u>214,888</u>	<u>2,978</u>	<u>10,156</u>
Change in net assets	(66,600)	135,152	71,798	12,216	5,198	147,368
Net assets, beginning of year, restated	<u>9,005,848</u>	<u>8,870,696</u>	<u>19,700,140</u>	<u>19,687,924</u>	<u>28,705,988</u>	<u>28,558,620</u>
Net assets, end of year	<u>\$ 8,939,248</u>	<u>\$ 9,005,848</u>	<u>\$ 19,771,938</u>	<u>\$ 19,700,140</u>	<u>\$ 28,711,186</u>	<u>\$ 28,705,988</u>

CITY OF LUDINGTON

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 \$18,531 in 2009. The City Council adopted a policy 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 18% of the General Fund's annual expenditures for 2009. As a result, no money was transferred in 2009 to the Capital Improvement Fund.

The Sewer Fund covers the operations of the 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.

Revenue changes from the original budgeted figures are as follows:

- A project involving the development of the Western Land Services property did not take place; a CDBG grant was budgeted for \$650,000 and a contribution from Western Land Services for \$1,410,000 for a total decrease in budgeted revenues of \$2,060,000
- Interest income was less than expected requiring a reduction in budgeted revenues of \$21,500

Expenditure changes from the original budgeted figures are as follows:

- A project involving the development of the Western Land Services property did not take place; the expenditures decreased by \$2,060,000 (same as the revenue)
- Salaries/wages and fringe benefits decreased by approximately \$84,000 due to the vacancy of one employee and the retirement of another and these positions were not replaced
- Despite the City's efforts in reducing electricity consumption by 10% over 2008, street lighting electricity cost was \$41,000 more than what was budgeted. This was the result of rate increases imposed by the vendor.
- Repairs and equipment purchases in the parks department were higher than budgeted by approximately \$20,000

CITY OF LUDINGTON

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, 2009 amounts to \$25,032,213 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, furniture and equipment, infrastructure, systems, and sidewalks. Governmental activities included additions of approximately \$656,000 in equipment and infrastructure. Business-type activities included additions of approximately \$892,000 in various equipment and system improvements.

Debt – At the end of the current fiscal year, the City had total long-term debt outstanding, excluding compensated absences, of \$3,570,000. Of this amount, \$2,200,000 comprises debt backed by the full faith and credit of the government. The remaining of the City's debt \$1,370,000 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 2010. 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, 2009

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and investments	\$ 2,479,112	\$ 2,438,543	\$ 4,917,655	\$ 69,450
Receivables	4,204,174	882,628	5,086,802	107,397
Inventory	159,831	198,211	358,042	-
Prepaid expenses	132,677	74,562	207,239	300
Restricted cash and investments	-	976,017	976,017	-
Capital assets:				
Nondepreciable capital assets	262,280	867,055	1,129,335	-
Depreciable capital assets, net	7,926,462	15,976,416	23,902,878	27,830
Deferred charges	116,747	-	116,747	-
Total assets	15,281,283	21,413,432	36,694,715	204,977
Liabilities:				
Accounts payable and accrued expenses	316,334	140,798	457,132	14,714
Deferred revenue	3,716,376	89,449	3,805,825	102,304
Long-term liabilities:				
Due within one year	165,000	65,000	230,000	-
Due in more than one year	2,144,325	1,346,247	3,490,572	-
Total liabilities	6,342,035	1,641,494	7,983,529	117,018
Net assets:				
Invested in capital assets, net of related debt	5,988,742	15,473,471	21,462,213	-
Restricted for:				
Debt service	2	120,000	120,002	-
Streets	704,330	-	704,330	-
Nonexpendable cemetery principal	252,349	-	252,349	-
Equipment replacement	-	856,017	856,017	-
Unrestricted	1,993,825	3,322,450	5,316,275	87,959
Total net assets	\$ 8,939,248	\$ 19,771,938	\$ 28,711,186	\$ 87,959

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

CITY OF LUDINGTON

STATEMENT OF ACTIVITIES Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 1,370,864	\$ 337,657	\$ -	\$ -	\$ (1,033,207)
Public safety	1,625,178	97,772	56,487	-	(1,470,919)
Public works	2,618,751	207,816	611,199	13,248	(1,786,488)
Health and welfare	140,753	6,899	85,785	-	(48,069)
Community and economic development	225,186	17,310	312,769	-	104,893
Recreation and culture	412,713	121,906	56,944	8,076	(225,787)
Interest on long-term debt	111,025	-	-	-	(111,025)
Total governmental activities	<u>6,504,470</u>	<u>789,360</u>	<u>1,123,184</u>	<u>21,324</u>	<u>(4,570,602)</u>
<i>Business-type activities:</i>					
Sewer	1,313,134	1,245,383	-	-	(67,751)
Water	1,546,588	1,297,873	-	-	(248,715)
Marina	705,060	641,682	-	292,780	229,402
Cartier Park Campground	139,091	191,373	-	-	52,282
Total business-type activities	<u>3,703,873</u>	<u>3,376,311</u>	<u>-</u>	<u>292,780</u>	<u>(34,782)</u>
Total primary government	<u>\$ 10,208,343</u>	<u>\$ 4,165,671</u>	<u>\$ 1,123,184</u>	<u>\$ 314,104</u>	<u>\$ (4,605,384)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 75,848</u>	<u>\$ -</u>	<u>\$ 23,161</u>	<u>\$ -</u>	<u>\$ (52,687)</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	\$ (4,570,602)	\$ (34,782)	\$ (4,605,384)	\$ (52,687)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,633,775	-	3,633,775	-
Property taxes, levied by DDA	-	-	-	103,568
Payment in lieu of taxes	10,512	-	10,512	-
Franchise taxes	65,450	-	65,450	-
Grants and contributions not restricted to specific programs	725,262	-	725,262	-
Unrestricted investment earnings	79,010	93,595	172,605	2,288
Contributions to principal of permanent funds	3,285	-	3,285	-
Special item - Gain (loss) on sale of capital asset	(307)	-	(307)	-
Transfers	(12,985)	12,985	-	-
Total general revenues and other	<u>4,504,002</u>	<u>106,580</u>	<u>4,610,582</u>	<u>105,856</u>
Change in net assets	(66,600)	71,798	5,198	53,169
Net assets, beginning of year, restated	<u>9,005,848</u>	<u>19,700,140</u>	<u>28,705,988</u>	<u>34,790</u>
Net assets, end of year	<u>\$ 8,939,248</u>	<u>\$ 19,771,938</u>	<u>\$ 28,711,186</u>	<u>\$ 87,959</u>

CITY OF LUDINGTON

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2009

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 776,167	\$ 1,108,147	\$ 1,884,314
Taxes receivable	3,658,303	-	3,658,303
Accounts receivable	55,284	56	55,340
Special assessments receivable	17,675	-	17,675
Notes receivable	-	5,207	5,207
Accrued interest receivable	4,612	4,754	9,366
Due from other governmental units	138,727	306,800	445,527
Inventory	15,067	50,003	65,070
Prepaid expenditures	84,846	7,504	92,350
Total assets	<u>\$ 4,750,681</u>	<u>\$ 1,482,471</u>	<u>\$ 6,233,152</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 81,941	\$ 88,984	\$ 170,925
Accrued expenses	45,300	12,730	58,030
Deferred revenue	3,707,202	23,177	3,730,379
Total liabilities	<u>3,834,443</u>	<u>124,891</u>	<u>3,959,334</u>
Fund balances:			
Reserved for:			
Inventory	15,067	50,003	65,070
Prepaid expenditures	84,846	7,504	92,350
Debt service	-	2	2
Capital projects	-	260,558	260,558
Nonexpendable cemetery principal	-	252,349	252,349
Unreserved:			
General fund	816,325	-	816,325
Special revenue funds	-	787,164	787,164
Total fund balances	<u>916,238</u>	<u>1,357,580</u>	<u>2,273,818</u>
Total liabilities and fund balances	<u>\$ 4,750,681</u>	<u>\$ 1,482,471</u>	<u>\$ 6,233,152</u>

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

CITY OF LUDINGTON

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

December 31, 2009

Total fund balances for governmental funds		\$ 2,273,818
Total net assets reported for governmental activities in the statement 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	6,504,915	
Less accumulated depreciation	<u>(1,707,150)</u>	4,797,765
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.		116,747
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		(36,230)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		
Notes	5,207	
Special assessments	<u>8,796</u>	14,003
Net other postemployment benefit obligation (OPEB) are not reported in the governmental funds.		(14,443)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Bonds payable	(2,200,000)	
Compensated absences payable	<u>(88,347)</u>	(2,288,347)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		<u>4,075,935</u>
Net assets of governmental activities		<u>\$ 8,939,248</u>

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, 2009

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 3,644,287	\$ -	\$ 3,644,287
Licenses and permits	73,894	-	73,894
Federal grants	16,621	155,782	172,403
State grants	744,538	789,931	1,534,469
Contributions from other units	31,560	119,265	150,825
Charges for services	447,584	66,946	514,530
Fines and forfeits	34,036	-	34,036
Interest and rents	50,522	18,613	69,135
Other revenue	98,247	59,081	157,328
	<u>5,141,289</u>	<u>1,209,618</u>	<u>6,350,907</u>
Total revenues			
Expenditures:			
Current			
General government	1,332,349	-	1,332,349
Public safety	1,573,843	-	1,573,843
Public works	1,117,366	577,857	1,695,223
Health and welfare	-	135,875	135,875
Community and economic development	88,613	134,717	223,330
Recreation and culture	402,135	162,957	565,092
Other	46,160	-	46,160
Capital outlay	12,817	420,501	433,318
Debt service			
Principal	-	150,000	150,000
Interest and fees	-	95,741	95,741
	<u>4,573,283</u>	<u>1,677,648</u>	<u>6,250,931</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>568,006</u>	<u>(468,030)</u>	<u>99,976</u>
Other financing sources (uses):			
Transfers from other funds	10,566	654,941	665,507
Transfers to other funds	(560,041)	(118,451)	(678,492)
	<u>(549,475)</u>	<u>536,490</u>	<u>(12,985)</u>
Net other financing sources (uses)			
Net change in fund balances	18,531	68,460	86,991
Fund balances, beginning of year	897,707	1,289,120	2,186,827
Fund balances, end of year	<u>\$ 916,238</u>	<u>\$ 1,357,580</u>	<u>\$ 2,273,818</u>

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

CITY OF LUDINGTON

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

Year Ended December 31, 2009

Net change in fund balances - total governmental funds \$ 86,991

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	307,361	
Less depreciation expense	<u>(222,322)</u>	85,039

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	(2,994)	
Special assessments	<u>3,808</u>	814

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. (18,418)

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. 150,000

The increase in net other postemployment benefit obligation (OPEB) does not require the use of current resources and is not reported in the governmental funds. (14,443)

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	(5,262)	
Change in accrued interest on bonds	<u>3,134</u>	(2,128)

The net revenue (expense) of the internal service fund is reported with governmental activities. (354,455)

Change in net assets of governmental activities \$ (66,600)

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

CITY OF LUDINGTON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

December 31, 2009

	<i>Business-type Activities</i>					<i>Governmental</i>
						<i>Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Cartier Park Campground Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Assets:						
Current assets:						
Cash and investments	\$ 478,690	\$ 1,399,357	\$ 486,875	\$ 73,621	\$ 2,438,543	\$ 594,798
Accounts receivable	265,422	312,575	-	-	577,997	8,737
Accrued interest receivable	4,516	9,541	2,427	367	16,851	2,963
Due from other governmental units	-	-	287,780	-	287,780	1,056
Inventory	56,342	119,758	22,111	-	198,211	94,761
Prepaid expenses	32,355	34,147	7,267	793	74,562	40,327
Total current assets	<u>837,325</u>	<u>1,875,378</u>	<u>806,460</u>	<u>74,781</u>	<u>3,593,944</u>	<u>742,642</u>
Noncurrent assets:						
Restricted cash and investments	427,004	549,013	-	-	976,017	-
Capital assets:						
Nondepreciable capital assets	72,415	3,247	791,393	-	867,055	4,250
Depreciable capital assets, net	<u>8,737,505</u>	<u>5,435,406</u>	<u>1,701,734</u>	<u>101,771</u>	<u>15,976,416</u>	<u>3,386,727</u>
Total noncurrent assets	<u>9,236,924</u>	<u>5,987,666</u>	<u>2,493,127</u>	<u>101,771</u>	<u>17,819,488</u>	<u>3,390,977</u>
Total assets	<u>10,074,249</u>	<u>7,863,044</u>	<u>3,299,587</u>	<u>176,552</u>	<u>21,413,432</u>	<u>4,133,619</u>
Liabilities:						
Current liabilities:						
Accounts payable	27,967	33,561	54,857	2,880	119,265	46,066
Accrued expenses	7,626	12,417	840	-	20,883	5,083
Deposits payable	500	150	-	-	650	-
Deferred revenue	-	-	89,449	-	89,449	-
Current long-term debt	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Total current liabilities	<u>101,093</u>	<u>46,128</u>	<u>145,146</u>	<u>2,880</u>	<u>295,247</u>	<u>51,149</u>
Noncurrent liabilities:						
Compensated absences payable	8,860	28,691	673	-	38,224	6,535
Long-term debt	1,305,000	-	-	-	1,305,000	-
Net OPEB obligation	<u>608</u>	<u>1,814</u>	<u>601</u>	<u>-</u>	<u>3,023</u>	<u>-</u>
Total noncurrent liabilities	<u>1,314,468</u>	<u>30,505</u>	<u>1,274</u>	<u>-</u>	<u>1,346,247</u>	<u>6,535</u>
Total liabilities	<u>1,415,561</u>	<u>76,633</u>	<u>146,420</u>	<u>2,880</u>	<u>1,641,494</u>	<u>57,684</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, 2009

	<i>Business-type Activities</i>				<i>Governmental Activities</i>	
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
				<i>Park Campground Fund</i>		
Net assets:						
Invested in capital assets, net of related debt	7,439,920	5,438,653	2,493,127	101,771	15,473,471	3,390,977
Restricted for:						
Debt service	120,000	-	-	-	120,000	-
Equipment replacement	307,004	549,013	-	-	856,017	-
Unrestricted	791,764	1,798,745	660,040	71,901	3,322,450	684,958
Total net assets	<u>\$ 8,658,688</u>	<u>\$ 7,786,411</u>	<u>\$ 3,153,167</u>	<u>\$ 173,672</u>	<u>\$ 19,771,938</u>	<u>\$ 4,075,935</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, 2009

	<i>Business-type Activities</i>					<i>Governmental</i>
						<i>Activities</i>
	<i>Nonmajor</i>				<i>Total</i>	<i>Internal</i>
	<i>Sewer</i>	<i>Water</i>	<i>Marina</i>	<i>Cartier</i>	<i>Enterprise</i>	
<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Park</i>	<i>Funds</i>	<i>Service</i>	
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>	<i>Funds</i>
Operating revenues:						
Charges for services	\$ 1,244,827	\$ 1,209,226	\$ 641,682	\$ 179,563	\$ 3,275,298	\$ -
Equipment rental	-	-	-	-	-	603,234
Other	519	2,237	-	11,810	14,566	82,251
Total operating revenues	<u>1,245,346</u>	<u>1,211,463</u>	<u>641,682</u>	<u>191,373</u>	<u>3,289,864</u>	<u>685,485</u>
Operating expenses:						
Personnel	304,924	524,491	98,780	56,112	984,307	168,864
Fringe benefits	169,350	282,444	29,340	5,883	487,017	90,876
Supplies	129,516	71,700	302,181	14,900	518,297	198,547
Contracted services	132,706	140,369	20,570	17,724	311,369	108,213
Administrative expense	70,000	70,000	46,600	20,000	206,600	52,500
Telephone	4,910	9,805	3,072	1,010	18,797	1,947
Mileage	-	34	300	-	334	-
Dues, licenses and permits	500	545	265	-	1,310	-
Education and training	1,662	2,483	40	-	4,185	139
Printing and publishing	-	-	2,686	605	3,291	-
Insurance	34,571	34,571	12,327	-	81,469	67,222
Utilities	157,587	129,183	27,088	11,284	325,142	39,197
Repairs and maintenance	27,308	58,649	41,682	7,411	135,050	94,610
Equipment rental	36,557	48,329	7,136	1,874	93,896	3,363
Other services and supplies	-	-	24,741	-	24,741	51
Depreciation	220,224	171,750	88,252	2,288	482,514	226,261
Total operating expenses	<u>1,289,815</u>	<u>1,544,353</u>	<u>705,060</u>	<u>139,091</u>	<u>3,678,319</u>	<u>1,051,790</u>
Operating income (loss)	<u>(44,469)</u>	<u>(332,890)</u>	<u>(63,378)</u>	<u>52,282</u>	<u>(388,455)</u>	<u>(366,305)</u>
Non-operating revenues						
(expenses):						
State grant	-	-	292,780	-	292,780	-
Interest income	16,455	61,362	14,361	1,417	93,595	12,157
Rental income	-	86,410	-	-	86,410	-
Gain (loss) on sale of capital assets	-	-	-	-	-	(307)
Other income - Scrap sales	37	-	-	-	37	-
Interest expense	(23,319)	(2,235)	-	-	(25,554)	-
Net non-operating	<u>(6,827)</u>	<u>145,537</u>	<u>307,141</u>	<u>1,417</u>	<u>447,268</u>	<u>11,850</u>

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, 2009

	<i>Business-type Activities</i>					<i>Governmental</i>
						<i>Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Cartier Park Campground Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Net income (loss) before transfers	(51,296)	(187,353)	243,763	53,699	58,813	(354,455)
Transfers from other funds	<u>10,000</u>	<u>2,985</u>	<u>-</u>	<u>-</u>	<u>12,985</u>	<u>-</u>
Net income (loss)	(41,296)	(184,368)	243,763	53,699	71,798	(354,455)
Net assets, beginning of year restated	<u>8,699,984</u>	<u>7,970,779</u>	<u>2,909,404</u>	<u>119,973</u>	<u>19,700,140</u>	<u>4,430,390</u>
Net assets, end of year	<u>\$ 8,658,688</u>	<u>\$ 7,786,411</u>	<u>\$ 3,153,167</u>	<u>\$ 173,672</u>	<u>\$ 19,771,938</u>	<u>\$ 4,075,935</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, 2009

	<i>Business-type Activities</i>				<i>Governmental Activities</i>	
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
				<i>Cartier Park Campground Fund</i>		
Cash flows from operating activities:						
Cash received from customers	\$ 1,541,282	\$ 1,212,987	\$ 354,178	\$ 191,373	\$ 3,299,820	\$ 72,458
Cash received from interfund services	-	-	-	-	-	603,234
Cash payments to employees	(307,764)	(521,494)	(100,835)	(56,112)	(986,205)	(167,440)
Cash payments to suppliers for goods and services	<u>(779,149)</u>	<u>(850,434)</u>	<u>(470,456)</u>	<u>(78,429)</u>	<u>(2,178,468)</u>	<u>(655,507)</u>
Net cash provided (used) by operating activities	<u>454,369</u>	<u>(158,941)</u>	<u>(217,113)</u>	<u>56,832</u>	<u>135,147</u>	<u>(147,255)</u>
Cash flows from non-capital financing activities:						
Transfers from (to) other funds	<u>10,000</u>	<u>2,985</u>	<u>-</u>	<u>-</u>	<u>12,985</u>	<u>-</u>
Cash flows from capital and related financing activities:						
State grant	-	-	292,780	-	292,780	-
Loss on sale of capital assets	-	-	-	-	-	(307)
Other income - Scrap sales	37	-	-	-	37	-
Acquisition and construction of capital assets	(247,543)	(58,256)	(585,059)	(1,037)	(891,895)	(348,910)
Principal payments	(65,000)	(90,000)	-	-	(155,000)	-
Interest paid	<u>(23,319)</u>	<u>(2,235)</u>	<u>-</u>	<u>-</u>	<u>(25,554)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(335,825)</u>	<u>(150,491)</u>	<u>(292,279)</u>	<u>(1,037)</u>	<u>(779,632)</u>	<u>(349,217)</u>
Cash flows from investing activities:						
Interest received	16,345	65,120	18,021	1,050	100,536	15,895
Rent received	<u>-</u>	<u>86,410</u>	<u>-</u>	<u>-</u>	<u>86,410</u>	<u>-</u>
Net cash provided by investing activities	<u>16,345</u>	<u>151,530</u>	<u>18,021</u>	<u>1,050</u>	<u>186,946</u>	<u>15,895</u>

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, 2009

	<i>Business-type Activities</i>					<i>Governmental</i>
						<i>Activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Marina</i>	<i>Nonmajor</i>	<i>Total</i>	<i>Internal</i>
<i>Fund</i>	<i>Fund</i>	<i>Fund</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>	<i>Fund</i>	<i>Fund</i>	<i>Campground</i>	<i>Funds</i>	<i>Funds</i>
Net increase (decrease) in cash and investments	144,889	(154,917)	(491,371)	56,845	(444,554)	(480,577)
Cash and investments, beginning of year	760,805	2,103,287	978,246	16,776	3,859,114	1,075,375
Cash and investments, end of year	\$ 905,694	\$ 1,948,370	\$ 486,875	\$ 73,621	\$ 3,414,560	\$ 594,798
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (44,469)	\$ (332,890)	\$ (63,378)	\$ 52,282	\$ (388,455)	\$ (366,305)
Adjustments:						
Depreciation	220,224	171,750	88,252	2,288	482,514	226,261
Change in assets and liabilities:						
Accounts receivable	1,968	1,524	-	-	3,492	(8,737)
Due from other governmental units	293,968	-	(287,780)	-	6,188	(1,056)
Inventory	5,611	(1,552)	7,731	-	11,790	(15,377)
Prepaid expenses	163	(1,937)	408	(543)	(1,909)	3,534
Accounts payable	(21,891)	1,326	39,268	2,805	21,508	13,001
Accrued expenses	1,635	2,841	165	-	4,641	1,629
Deposits payable	-	(3,000)	-	-	(3,000)	-
Deferred revenue	-	-	276	-	276	-
Compensated absences payable	(3,448)	1,183	(2,656)	-	(4,921)	(205)
Net OPEB obligation	608	1,814	601	-	3,023	-
Net cash provided (used) by operating activities	\$ 454,369	\$ (158,941)	\$ (217,113)	\$ 56,832	\$ 135,147	\$ (147,255)

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

CITY OF LUDINGTON

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

December 31, 2009

	<u><i>Police Pension Trust Fund</i></u>	<u><i>Agency Funds</i></u>	<u><i>Total Fiduciary Funds</i></u>
Assets:			
Cash and investments	\$ 3,456,558	\$ 3,901,893	\$ 7,358,451
Taxes receivable	260,159	-	260,159
Accrued interest receivable	137	-	137
Total assets	<u>3,716,854</u>	<u>3,901,893</u>	<u>7,618,747</u>
Liabilities:			
Accounts payable	-	2,000	2,000
Undistributed tax collections	-	3,899,893	3,899,893
Deferred revenue	<u>260,159</u>	<u>-</u>	<u>260,159</u>
Total liabilities	<u>260,159</u>	<u>3,901,893</u>	<u>4,162,052</u>
Net Assets:			
Held in trust for pension benefits	<u>3,456,695</u>	<u>-</u>	<u>3,456,695</u>
Total net assets	<u>\$ 3,456,695</u>	<u>\$ -</u>	<u>\$ 3,456,695</u>

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

CITY OF LUDINGTON

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2009

	<i>Police Pension Trust Fund</i>
Additions:	
Property taxes	\$ 253,829
Employee contributions	43,599
Investment income (loss)	<u>501,760</u>
Total additions	<u>799,188</u>
Deductions:	
Benefit payments	360,231
Fees and other	<u>33,790</u>
Total deductions	<u>394,021</u>
Net decrease	405,167
Net assets, beginning of year	<u>3,051,528</u>
Net assets, end of year	<u><u>\$ 3,456,695</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2009

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

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 2009 include property taxes levied in 2008 but appropriated by a City ordinance to finance 2009 operations. Property taxes levied in 2009 for the operations of 2010 are a lien against properties and are an asset of the City. They are recorded as taxes receivable and deferred revenue at December 31, 2009.

In 2008, the City levied property taxes on an assessed property tax value of \$264,006,210 (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. The Downtown Development Authority levied property taxes on an assessed property tax value of \$26,112,989 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 1.608 mills.

Other Postemployment Benefit Costs:

The City offers a monthly stipend to qualified retirees to be used for postemployment health care. The City obtained an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as the stipend is paid. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution less any current year paid benefits, adjusted for interest and “adjustment to the ARC” on the beginning of the year underpaid amount, if any.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 did not incur expenditures in excess of the amounts budgeted.

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, 2009	\$	-
Current year building permit revenue		8,444
Related expenses:		
Direct costs		(73,248)
Cumulative surplus at December 31, 2009	\$	-

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

NOTE 3: DEPOSITS AND INVESTMENTS

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 \$8,808,608 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,919,371 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	\$ 1,307,158	Counterparty
Mutual funds - Police Pension Trust -		
Corporate	2,961,605	Counterparty
Governmental	366,067	Counterparty

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

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	\$ 1,307,158	1.96

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>
Mutual funds - Police Pension Trust - Corporate	\$ 2,961,605	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, 2009, 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.

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

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, 2009 the City had these accounts established and had restricted cash as follows:

	<u>Restricted Cash and Investments</u>
Sewer Fund:	
Bond reserve	\$ 120,000
Equipment Replacement	307,004
Water Fund:	
Equipment Replacement	<u>549,013</u>
	<u>\$ 976,017</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	<i>January 1, 2009</i>	<i>Additions</i>	<i>Retirements</i>	<i>December 31, 2009</i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 261,080	\$ 1,200	\$ -	\$ 262,280
Depreciable capital assets:				
Buildings and improvements	5,042,359	-	-	5,042,359
Furniture and equipment	203,695	19,548	-	223,243
Infrastructure	1,178,366	80,605	-	1,258,971
Land and site improvements	839,572	204,350	-	1,043,922
Machinery and equipment	4,630,490	350,874	(800)	4,980,564
Total depreciable capital assets	11,894,482	655,377	(800)	12,549,059
Accumulated depreciation	(4,174,508)	(448,583)	494	(4,622,597)
Depreciable capital assets, net	7,719,974	206,794	(306)	7,926,462
Governmental activities, capital assets, net	<u>\$ 7,981,054</u>	<u>\$ 207,994</u>	<u>\$ (306)</u>	<u>\$ 8,188,742</u>
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 867,055	\$ -	\$ -	\$ 867,055
Depreciable capital assets				
Buildings and improvements	4,353,654	19,115	-	4,372,769
Land improvements	2,267,498	575,859	-	2,843,357
Machinery and equipment	945,919	29,853	-	975,772
Sewer systems and plants	12,101,908	211,388	-	12,313,296
Water systems and plants	5,489,621	55,680	-	5,545,301
Total depreciable capital assets	25,158,600	891,895	-	26,050,495
Accumulated depreciation	(9,591,565)	(482,514)	-	(10,074,079)
Depreciable capital assets, net	15,567,035	409,381	-	15,976,416
Business-type activities, capital assets, net	<u>\$ 16,434,090</u>	<u>\$ 409,381</u>	<u>\$ -</u>	<u>\$ 16,843,471</u>
Component unit - DDA:				
Depreciable capital assets				
Machinery and equipment	\$ -	\$ 28,815	\$ -	\$ 28,815
Accumulated depreciation	-	(985)	-	(985)
Depreciable capital assets, net	<u>\$ -</u>	<u>\$ 27,830</u>	<u>\$ -</u>	<u>\$ 27,830</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

Depreciation expense was charged to functions as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit - DDA</u>
Governmental Activities			
General government	\$ 97,638	\$ -	\$ -
Public safety	33,135	-	-
Public works	268,873	-	-
Health and welfare	4,299	-	-
Community and economic development	713	-	985
Recreation and culture	43,925	-	-
Sewer	-	220,224	-
Water	-	171,750	-
Marina	-	88,252	-
Cartier Park Campground	-	2,288	-
	<u>\$ 448,583</u>	<u>\$ 482,514</u>	<u>\$ 985</u>

NOTE 6: DEFERRED CHARGES

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, 2009</u>	<u>2009 Amortization Expense</u>	<u>December 31, 2009</u>
Deferred charges	\$ 135,165	\$ 18,418	\$ 116,747

NOTE 7: DEFERRED REVENUE

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>
Primary Government:		
Property taxes	\$ -	\$ 3,658,302
Grants	-	-
Notes	5,207	-
Special assessments	8,796	6,026
Other	-	141,497
	<u>\$ 14,003</u>	<u>\$ 3,805,825</u>
Component Unit:		
Property taxes	\$ -	\$ 102,304

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

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 obligation activity for the year ended December 31, 2009 is summarized as follows:

	<i>Principal Maturity Ranges</i>	<i>January 1, 2008</i>	<i>Additions (Reductions)</i>	<i>December 31, 2009</i>	<i>Due Within One Year</i>
Governmental Activities:					
2000 Building Authority Bonds, for \$2,700,000, at 5.25-5.30% interest; Maturing through August 1, 2010	\$130,000-145,000	\$ 275,000	(130,000)	\$ 145,000	\$ 145,000
2005 Building Authority Refunding Bonds, for \$2,135,000, at 3.50-4.00% interest; Maturing through August 1, 2019	20,000-285,000	2,075,000	(20,000)	2,055,000	20,000
Compensated absences		89,825	5,057	94,882	-
Net OPEB obligation		-	14,443	14,443	-
Total Governmental Activities		<u>\$2,439,825</u>	<u>\$ (130,500)</u>	<u>\$ 2,309,325</u>	<u>\$ 165,000</u>
Business-type Activities:					
1998 Water Supply System Revenue Bonds, for \$700,000, at 4.30% interest; Maturing through February 1, 2009	\$90,000	\$ 90,000	(90,000)	\$ -	\$ -
2007 Sewage Disposal System Junior Lien Revenue Bonds, for \$1,500,000, at 1.625% interest; Maturing through October 1, 2027	65,000-85,000	1,435,000	(65,000)	1,370,000	65,000
Compensated absences		43,145	(4,921)	38,224	-
Net OPEB obligation		-	3,023	3,023	-
Total Business-type Activities		<u>\$1,568,145</u>	<u>\$ (156,898)</u>	<u>\$ 1,411,247</u>	<u>\$ 65,000</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

Annual debt service requirements to maturity for the above obligations (excluding compensated absences and net OPEB obligation) 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>
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	210,000	57,515	267,515	70,000	17,874	87,874
2015-2019	1,265,000	153,600	1,418,600	370,000	71,826	441,826
2020-2024	-	-	-	405,000	40,626	445,626
2025-2027	-	-	-	255,000	8,288	263,288
	<u>\$ 2,200,000</u>	<u>\$ 514,385</u>	<u>\$ 2,714,385</u>	<u>\$ 1,370,000</u>	<u>\$ 221,244</u>	<u>\$ 1,591,244</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, 2009 is \$753,223. 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>	
Receivables:				
Property taxes	\$ 3,658,303	\$ -	\$ 3,658,303	\$ 102,304
Accounts	64,077	577,997	642,074	4,749
Special assessments	20,638	-	20,638	-
Notes	5,207	-	5,207	-
Accrued interest	10,422	16,851	27,273	344
Intergovernmental	445,527	287,780	733,307	-
Total receivables	<u>\$ 4,204,174</u>	<u>\$ 882,628</u>	<u>\$ 5,086,802</u>	<u>\$ 107,397</u>
Accounts payable and accrued expenses:				
Accounts	\$ 216,991	\$ 119,265	\$ 336,256	\$ 14,714
Payroll liabilities	63,113	20,883	83,996	-
Deposits payable	-	650	650	-
Accrued interest	36,230	-	36,230	-
Total accounts payable and accrued expenses	<u>\$ 316,334</u>	<u>\$ 140,798</u>	<u>\$ 457,132</u>	<u>\$ 14,714</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

NOTE 10: INTERFUND BALANCES AND TRANSFERS

There were no outstanding interfund receivable and payable balances at December 31, 2009.

The composition of interfund transfers at December 31, 2009 is as follows reported in the fund financial statements:

<u><i>Funds Transferred From</i></u>	<u><i>Funds Transferred To</i></u>	<u><i>Amount</i></u>
General Fund	Nonmajor Governmental Funds	
	Recreation Fund	\$ 42,000
	Local Street Fund	230,000
	Senior Center Fund	42,300
	Building Authority Bond Fund	245,741
Nonmajor Governmental Funds	Nonmajor Governmental Funds	
Major Street Fund	Local Street Fund	94,900
Nonmajor Governmental Funds	Sewer Fund	
Capital Improvements Fund		10,000
Nonmajor Governmental Funds	Water Fund	
Watchcase Contamination Fund		2,985
Nonmajor Governmental Funds	General Fund	
Ludington Skate Plaza Fund		5,502
Bryant Woods Project Fund		323
Cemetery Perpetual Care Fund		4,741
	Total	<u>\$ 678,492</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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

NOTE 11: RISK MANAGEMENT

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.

NOTE 12: EMPLOYEE RETIREMENT PLANS

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 2.5 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, 2008.

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 amended, 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 21.25 percent of eligible payroll based on the December 31, 2007 valuation.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

Annual Pension Costs – For year ended December 31, 2009, the City’s annual pension cost of \$456,155 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, 2007, 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 28 years.

Three year trend information as of December 31, follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual pension cost	\$ 456,155	\$ 468,618	\$ 374,696
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Funded Status –

<u>Actuarial Valuation Date</u>	<u>12/31/08</u>	<u>12/31/07</u>	<u>12/31/06</u>
Actuarial Value of Assets	\$ 12,720,838	\$ 12,585,728	\$ 12,064,009
Actuarial Accrued Liability (AAL)	16,211,613	15,251,734	14,799,090
Unfunded AAL (UAAL)	3,490,775	2,666,006	2,735,081
Funded Ratio	78%	83%	82%
Covered Payroll	2,213,525	2,099,257	1,988,160
UAAL as a percentage of covered payroll	158%	127%	138%

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 3-year average final compensation (AFC) times first 25 years of service plus 1% of AFC times years of service in excess of 25 years. 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, 2009

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, 2009 were as follows:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 128,886
Investments - mutual funds	<u>3,327,672</u>
	<u>\$ 3,456,558</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, 2009, the City made contributions of \$253,829 and the police employees contributed \$43,599.

Three year trend information as of December 31 follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual pension cost	\$ 253,829	\$ 247,904	\$ 234,733
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Funded Status -

<u>Actuarial Valuation Date</u>	<u>12/31/08</u>	<u>12/31/07</u>	<u>12/31/06</u>
Actuarial Value of Assets	\$ 3,658,503	\$ 3,613,801	\$ 3,421,410
Actuarial Accrued Liability (AAL)	5,569,397	5,281,642	5,099,132
Unfunded AAL (UAAL)	1,910,894	1,667,841	1,677,722
Funded Ratio	66%	68%	67%
Covered Payroll	902,623	806,609	777,390
UAAL as a percentage of covered payroll	212%	207%	216%

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

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.

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS

Change in Accounting - The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2004.

GASB Statement No. 45 established standards for measurement, recognition and display of other postemployment benefits (OPEB) and related liabilities and note disclosures in other plans in which the City participates. GASB No. 45 was effective for the year beginning January 1, 2009. Current year expenditures include the current year "pay-as-you-go" amount and the recognition of the unfunded current year actuarial recommended contribution (ARC) in the governmental activities and enterprise funds. This change had no impact on beginning net assets. The changes in financial reporting as a result of this statement are outlined below.

Plan Description - The City provides retiree healthcare benefits to eligible employees upon retirement in accordance with labor contracts and other City personnel policies. The City provides police personnel 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. For other City personnel 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.

At the fund level, the expense is recognized by the City as the payments to the employees are made. During the year, this amounted to \$42,630.

Funding Policy - The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The City has made no contributions in advance.

Funding Progress - As of January 1, 2007, the City obtained an actuarial valuation to estimate the cost of providing retiree healthcare benefits. The actuarial valuation computed an annual required contribution that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009

The computed annual required contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 60,096
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
Annual OPEB cost	<u>60,096</u>
Amounts contributed:	
Payments of current premiums	(42,630)
Advance funding	-
Increase in net OPEB obligation	<u>17,466</u>
OPEB obligation, beginning of year	-
OPEB obligation, end of year	<u>\$ 17,466</u>

The OPEB obligation is recorded as follows:

Governmental activities	\$ 14,443
Business-type activities	<u>3,023</u>
Total	<u>\$ 17,466</u>

The funding progress of the plan as of the most recent valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>1/1/07</u>
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability (AAL)	879,686
Unfunded AAL (UAAL)	879,686
Funded Ratio	0%
Covered Payroll	2,825,920
UAAL as a percentage of covered payroll	31%

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. In future years, the schedule of funding progress will present multiyear trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2007 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return. The UAAL is being amortized as a level percentage of projected payroll over 30 years.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2009

NOTE 14: PRIOR PERIOD ADJUSTMENT

Change in Accounting:

As of January 1, 2009, the City began to operate the Cartier Park Campground as an enterprise fund (business-type) activity; the Campground was previously operated and reported as a governmental activity. As a result of this change, the Campground's depreciable capital assets were reclassified from the governmental activities to the business-type activities effective December 31, 2008. The effect on beginning net assets is as follows:

	<u><i>Fund Statement</i></u>	<u><i>Government-wide Statement</i></u>	
	<u><i>Cartier Park Campground</i></u>	<u><i>Governmental Activities</i></u>	<u><i>Business-type Activities</i></u>
Net assets, December 31, 2008, as previously stated	\$ 16,951	\$ 9,108,870	\$ 19,597,118
Reclassify: Depreciable capital assets, net	103,022	(103,022)	103,022
Net assets, December 31, 2008, restated	<u>\$ 119,973</u>	<u>\$ 9,005,848</u>	<u>\$ 19,700,140</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LUDINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 3,635,000	\$ 3,635,000	\$ 3,644,287	\$ 9,287
Licenses and permits	51,800	51,800	73,894	22,094
Federal grants	655,000	5,000	16,621	11,621
State grants	814,100	814,100	744,538	(69,562)
Contributions from other units	1,438,800	28,800	31,560	2,760
Charges for services	454,600	449,600	447,584	(2,016)
Fines and forfeits	33,000	33,000	34,036	1,036
Interest and rents	81,300	59,800	50,522	(9,278)
Other revenue	67,400	67,400	98,247	30,847
Total revenues	7,231,000	5,144,500	5,141,289	(3,211)
Expenditures:				
Current				
General government				
Mayor and City Council	42,900	37,100	36,835	(265)
Manager	226,800	226,600	226,559	(41)
Clerk/General Accounting	301,800	295,100	295,037	(63)
Board of Review	2,800	2,400	2,381	(19)
Treasurer	139,500	150,400	150,393	(7)
Assessor and Building Inspection	290,200	232,400	232,347	(53)
Elections	25,000	20,200	20,106	(94)
Hall and Grounds	855,300	208,500	207,279	(1,221)
Attorney	58,200	60,100	60,055	(45)
Cemetery	189,100	177,700	177,630	(70)
Total general government	2,131,600	1,410,500	1,408,622	(1,878)
Public safety				
Police	1,352,200	1,336,300	1,336,228	(72)
Fire	1,576,400	165,700	165,567	(133)
Total public safety	2,928,600	1,502,000	1,501,795	(205)
Public works				
Department of Public Works	303,700	321,300	321,238	(62)
Sidewalk Construction	69,400	72,700	72,695	(5)
Street Lighting	105,000	146,100	146,090	(10)
Garbage and Rubbish	595,300	577,500	577,343	(157)
Total public works	1,073,400	1,117,600	1,117,366	(234)
Community and economic development				
Planning Commission	7,500	5,700	5,622	(78)
Economic and Community Development	87,000	83,000	82,991	(9)
Total community and economic development	94,500	88,700	88,613	(87)

continued

CITY OF LUDINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended December 31, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Recreation and culture				
Parks	268,800	313,100	313,038	(62)
Lifeguards	26,800	22,800	22,797	(3)
Launching Ramps	99,800	74,900	74,892	(8)
Total recreation and culture	<u>395,400</u>	<u>410,800</u>	<u>410,727</u>	<u>(73)</u>
Other				
Insurance and bonds	<u>54,000</u>	<u>46,200</u>	<u>46,160</u>	<u>(40)</u>
Total expenditures	<u>6,677,500</u>	<u>4,575,800</u>	<u>4,573,283</u>	<u>(2,517)</u>
Excess (deficiency) of revenues over expenditures	<u>553,500</u>	<u>568,700</u>	<u>568,006</u>	<u>(694)</u>
Other financing sources (uses):				
Transfers from other funds	6,000	6,000	10,566	4,566
Transfers to other funds	<u>(559,500)</u>	<u>(560,100)</u>	<u>(560,041)</u>	<u>59</u>
Net other financing sources (uses)	<u>(553,500)</u>	<u>(554,100)</u>	<u>(549,475)</u>	<u>4,625</u>
Net change in fund balance	-	14,600	18,531	3,931
Fund balance, beginning of year	<u>897,707</u>	<u>897,707</u>	<u>897,707</u>	-
Fund balance, end of year	<u>\$ 897,707</u>	<u>\$ 912,307</u>	<u>\$ 916,238</u>	<u>\$ 3,931</u>

SUPPLEMENTAL INFORMATION

CITY OF LUDINGTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended December 31, 2009

Revenues:

Current Taxes:

Property taxes	\$ 3,575,890
Fees, penalties and interest on taxes	57,885
Payment in lieu of taxes	10,512
	<u>3,644,287</u>

Licenses and permits:

Nonbusiness licenses and permits	8,444
CATV franchise fees	65,450
	<u>73,894</u>

Federal grants:

Police and port security	<u>16,621</u>
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State Grants:

Liquor license fees	20,504
State revenue sharing - sales tax	701,966
Police	3,068
Other	19,000
	<u>744,538</u>

Contribution from other units:

Downtown Development Authority - administrative expense	10,000
Ludington Area Schools - Resource officer	15,294
Other	6,266
	<u>31,560</u>

Charges for services:

Recreation fees	43,219
Cemetery fees	39,250
Police services and reports	35,990
Fire runs	19,302
Appeals fees	950
Other	7,473
Charges to other funds	301,400
	<u>447,584</u>

Fines and forfeits:

Parking fines	12,955
Ordinance fines	21,081
	<u>34,036</u>

Interest and rents:

Interest	48,240
Rents	2,282
	<u>50,522</u>

continued

CITY OF LUDINGTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES, CONTINUED

Year Ended December 31, 2009

Other Revenue:

Special assessments	3,099
Cemetery lots/perpetual care	20,440
Contributions	5,296
Reimbursements	33,531
Sidewalk construction	35,235
Commissions	646
	<u>98,247</u>
Total revenues	<u>5,141,289</u>

Other Financing Sources:

Transfers from other funds	<u>10,566</u>
Total other financing sources	<u>10,566</u>
Total revenues and other financing sources	<u>\$ 5,151,855</u>

CITY OF LUDINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended December 31, 2009

Expenditures:

General Government:

Mayor and Council:

Personnel	\$	30,000
Fringe benefits		3,000
Supplies		144
Contracted services		98
Telephone		2,220
Transportation		323
Dues and memberships		125
Conferences and workshops		245
Other		680
		<u>36,835</u>

Manager:

Personnel		132,656
Fringe benefits		69,180
Supplies		1,904
Contracted services		6,612
Telephone		2,532
Transportation		4,200
Dues and memberships		6,169
Conferences and workshops		1,175
Equipment rental		1,552
Other		579
		<u>226,559</u>

Clerk/General Accounting:

Personnel		149,590
Fringe benefits		83,645
Supplies		8,318
Contracted services		19,594
Telephone		3,826
Transportation		1,201
Dues and memberships		275
Conferences and workshops		1,587
Printing and publications		8,421
Equipment rental		16,817
Other		1,763
		<u>295,037</u>

Board of Review:

Personnel		1,480
Fringe benefits		148
Transportation		26
Conferences and workshops		45
Printing and publications		637
Other		45
		<u>2,381</u>

CITY OF LUDINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2009

Expenditures, continued:

General Government, continued:

Treasurer:

Personnel	90,872
Fringe benefits	47,082
Supplies	904
Contracted services	7,217
Telephone	360
Dues and memberships	165
Education and training	115
Printing and publications	104
Equipment rental	3,450
Other	124
	<hr/>
	150,393

Assessor:

Personnel	47,784
Fringe benefits	56,082
Supplies	4,441
Contracted services	30,079
Transportation	202
Dues and memberships	730
Conferences and workshops	883
Equipment rental	18,898
	<hr/>
	159,099

Elections:

Personnel	13,294
Fringe benefits	1,090
Supplies	3,313
Contracted services	1,520
Printing and publications	889
	<hr/>
	20,106

Hall and Grounds:

Personnel	61,827
Fringe benefits	32,797
Supplies	8,889
Contracted services	31,412
Telephone	418
Utilities	31,474
Repairs and maintenance	17,766
Equipment rental	20,530
Other	2,166
	<hr/>
	207,279

Attorney:

Contracted services	<hr/>
	60,055

CITY OF LUDINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2009

Expenditures, continued:

General Government, continued:

Cemetery:

Personnel	84,975
Fringe benefits	41,847
Supplies	4,986
Contracted services	5,144
Telephone	831
Dues and memberships	35
Conferences and workshops	298
Utilities	10,398
Repairs and maintenance	5,739
Equipment rental	20,352
	<u>174,605</u>
Total general government	<u>1,332,349</u>

Public Safety:

Police:

Personnel	918,328
Fringe benefits	279,871
Supplies	7,933
Contracted services	16,796
Telephone	6,768
Transportation	519
Dues and memberships	440
Conferences and workshops	6,197
Repairs and maintenance	3,066
Equipment rental	94,778
Other	1,532
	<u>1,336,228</u>

Fire:

Personnel	91,136
Fringe benefits	18,657
Supplies	4,839
Contracted services	23,618
Telephone	5,281
Transportation	891
Dues and memberships	225
Conferences and workshops	2,014
Utilities	9,587
Repairs and maintenance	3,797
Equipment rental	2,760
Other	1,562
	<u>164,367</u>

CITY OF LUDINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2009

Expenditures, continued:

Public Safety, continued:

Building Inspection:

Personnel	73,256
Telephone	(8)

73,248

Total public safety 1,573,843

Public Works:

Department of Public Works:

Personnel	144,344
Fringe benefits	69,182
Supplies	14,250
Contracted services	35,783
Telephone	1,064
Transportation	105
Printing and publications	1,120
Repairs and maintenance	2,656
Equipment rental	52,500
Other	234

321,238

Sidewalk Construction:

Contracted services	<u>72,695</u>
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Street Lighting:

Utilities	<u>146,090</u>
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Garbage and Rubbish:

Personnel	63,779
Fringe benefits	33,791
Supplies	4,805
Contracted services	391,628
Printing and publications	840
Equipment rental	82,500

577,343

Total public works 1,117,366

Community and Economic Development:

Planning:

Supplies	493
Contracted services	3,567
Dues and memberships	240
Conferences and workshops	230
Printing and publications	1,092

5,622

CITY OF LUDINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2009

Expenditures, continued:

Economic and Community Development:

Personnel	43,165
Fringe benefits	22,910
Supplies	636
Contracted services	1,646
Telephone	225
Transportation	269
Conferences and workshops	174
Equipment rental	1,466
Other	12,500
	<hr/>
	82,991
	<hr/>
Total community and economic development	88,613

Recreation and Culture:

Parks and Recreation:

Personnel	99,101
Fringe benefits	48,651
Supplies	11,175
Contracted services	49,901
Telephone	12
Utilities	34,886
Repairs and maintenance	20,288
Equipment rental	40,432
	<hr/>
	304,446

Lifeguards:

Personnel	18,896
Fringe benefits	1,674
Supplies	2,053
Telephone	142
Repairs and maintenance	32
	<hr/>
	22,797

Launching Ramps:

Personnel	24,676
Fringe benefits	6,704
Supplies	4,660
Contracted services	20,702
Telephone	301
Utilities	3,461
Repairs and maintenance	8,275
Equipment rental	6,113
	<hr/>
	74,892

Total recreation and culture

 402,135

CITY OF LUDINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2009

Other:

Insurance and bonds	<u>46,160</u>
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Capital Outlay:

General government	3,025
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Public safety	1,200
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Recreation and culture	8,592
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	<u>12,817</u>
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Total expenditures	<u>4,573,283</u>
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Other Financing Uses:

Transfers to other funds	<u>560,041</u>
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Total expenditures and other financing uses	<u><u>\$ 5,133,324</u></u>
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CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

December 31, 2009

	<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>
Assets:					
Cash and investments	\$ 280,685	\$ 265,891	\$ 83,338	\$ 33,018	\$ 23,722
Accounts receivable	56	-	-	-	-
Notes receivable	-	-	-	-	-
Accrued interest receivable	1,400	1,326	425	162	118
Due from other governmental units	79,210	36,768	9,016	-	-
Inventory	50,003	-	-	-	-
Prepaid expenditures	2,485	2,811	-	2,208	-
Total assets	<u>\$ 413,839</u>	<u>\$ 306,796</u>	<u>\$ 92,779</u>	<u>\$ 35,388</u>	<u>\$ 23,840</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 6,373	\$ -	\$ 958	\$ 5,800	\$ -
Accrued expenses	5,171	4,761	1,080	1,718	-
Deferred revenue	-	-	13,000	4,970	-
Total liabilities	<u>11,544</u>	<u>4,761</u>	<u>15,038</u>	<u>12,488</u>	<u>-</u>
Fund balances:					
Reserved for:					
Inventory	50,003	-	-	-	-
Prepaid expenditures	2,485	2,811	-	2,208	-
Nonexpendable cemetery principal	-	-	-	-	-
Unreserved:					
Special revenue funds	349,807	299,224	77,741	20,692	23,840
Debt service fund	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total fund balances	<u>402,295</u>	<u>302,035</u>	<u>77,741</u>	<u>22,900</u>	<u>23,840</u>
Total liabilities and fund balances	<u>\$ 413,839</u>	<u>\$ 306,796</u>	<u>\$ 92,779</u>	<u>\$ 35,388</u>	<u>\$ 23,840</u>

<u>Special Revenue Funds</u>		<i>Debt Service Fund</i>	<u>Capital Projects Funds</u>				<i>Subtotal Nonmajor Governmental Funds</i>
<i>Movies in the Park Fund</i>	<i>Site Assessment Fund</i>	<i>Building Authority Bond Fund</i>	<i>W. Ludington Avenue Project Fund</i>	<i>1984 Building Rehab Fund</i>	<i>Capital Improvements Fund</i>	<i>Watchcase Contamination Fund</i>	
\$ 955	\$ (5,100)	\$ 2	\$ (71,572)	\$ 97,734	\$ 13,033	\$ 135,345	\$ 857,051
-	-	-	-	-	-	-	56
-	-	-	-	5,207	-	-	5,207
5	-	-	-	-	65	-	3,501
-	20,000	-	150,701	11,105	-	-	306,800
-	-	-	-	-	-	-	50,003
-	-	-	-	-	-	-	7,504
<u>\$ 960</u>	<u>\$ 14,900</u>	<u>\$ 2</u>	<u>\$ 79,129</u>	<u>\$ 114,046</u>	<u>\$ 13,098</u>	<u>\$ 135,345</u>	<u>\$ 1,230,122</u>
\$ -	\$ -	\$ -	\$ 75,710	\$ -	\$ -	\$ 143	\$ 88,984
-	-	-	-	-	-	-	12,730
-	-	-	-	5,207	-	-	23,177
-	-	-	75,710	5,207	-	143	124,891
-	-	-	-	-	-	-	50,003
-	-	-	-	-	-	-	7,504
-	-	-	-	-	-	-	-
960	14,900	-	-	-	-	-	787,164
-	-	2	-	-	-	-	2
-	-	-	3,419	108,839	13,098	135,202	260,558
<u>960</u>	<u>14,900</u>	<u>2</u>	<u>3,419</u>	<u>108,839</u>	<u>13,098</u>	<u>135,202</u>	<u>1,105,231</u>
<u>\$ 960</u>	<u>\$ 14,900</u>	<u>\$ 2</u>	<u>\$ 79,129</u>	<u>\$ 114,046</u>	<u>\$ 13,098</u>	<u>\$ 135,345</u>	<u>\$ 1,230,122</u>

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET, CONTINUED

December 31, 2009

	<u>Permanent Fund</u>	
	<u>Cemetery Perpetual Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:		
Cash and investments	\$ 251,096	\$ 1,108,147
Accounts receivable	-	56
Notes receivable	-	5,207
Accrued interest receivable	1,253	4,754
Due from other governmental units	-	306,800
Inventory	-	50,003
Prepaid expenditures	-	7,504
	<u> </u>	<u> </u>
Total assets	<u>\$ 252,349</u>	<u>\$ 1,482,471</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ -	\$ 88,984
Accrued expenses	-	12,730
Deferred revenue	-	23,177
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>124,891</u>
Fund balances:		
Reserved for:		
Inventory	-	50,003
Prepaid expenditures	-	7,504
Nonexpendable cemetery principal	252,349	252,349
Unreserved:		
Special revenue funds	-	787,164
Debt service fund	-	2
Capital projects funds	-	260,558
	<u> </u>	<u> </u>
Total fund balances	<u>252,349</u>	<u>1,357,580</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 252,349</u>	<u>\$ 1,482,471</u>

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended December 31, 2009

	<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>	<i>Movies in the Park Fund</i>
Revenues:						
Federal grants	\$ -	\$ 13,248	\$ -	\$ 10,285	\$ -	\$ -
State grants	431,266	179,933	-	-	-	-
Contributions from other units	-	-	42,465	75,500	-	1,300
Charges for services	-	-	61,324	5,622	-	-
Interest and rents	5,027	5,221	2,104	883	456	20
Other revenue	1,341	-	11,299	13,838	-	100
Total revenues	<u>437,634</u>	<u>198,402</u>	<u>117,192</u>	<u>106,128</u>	<u>456</u>	<u>1,420</u>
Expenditures:						
Current						
Public works	310,793	267,064	-	-	-	-
Health and welfare	-	-	-	135,875	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	157,763	-	2,349	1,495
Capital outlay	9,578	196,921	-	3,758	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-
Total expenditures	<u>320,371</u>	<u>463,985</u>	<u>157,763</u>	<u>139,633</u>	<u>2,349</u>	<u>1,495</u>
Excess (deficiency) of revenues over expenditures	<u>117,263</u>	<u>(265,583)</u>	<u>(40,571)</u>	<u>(33,505)</u>	<u>(1,893)</u>	<u>(75)</u>
Other financing sources (uses):						
Transfers from other funds	-	324,900	42,000	42,300	-	-
Transfers to other funds	(94,900)	-	-	-	-	-
Net other financing sources (uses)	<u>(94,900)</u>	<u>324,900</u>	<u>42,000</u>	<u>42,300</u>	<u>-</u>	<u>-</u>
Net change in fund balances	22,363	59,317	1,429	8,795	(1,893)	(75)
Fund balances, beginning of year	<u>379,932</u>	<u>242,718</u>	<u>76,312</u>	<u>14,105</u>	<u>25,733</u>	<u>1,035</u>
Fund balances, end of year	<u>\$ 402,295</u>	<u>\$ 302,035</u>	<u>\$ 77,741</u>	<u>\$ 22,900</u>	<u>\$ 23,840</u>	<u>\$ 960</u>

<u>Special Revenue Funds</u>		<i>Debt Service Fund</i>	<u>Capital Projects Funds</u>				
<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>1984 Building Rehab Fund</i>	<i>Bryant Woods Project Fund</i>	<i>Capital Improvements Fund</i>	<i>Subtotal Nonmajor Governmental Funds</i>
\$ -	\$ -	\$ -	\$ -	\$ 132,249	\$ -	\$ -	\$ 155,782
8,031	20,000	-	150,701	-	-	-	789,931
-	-	-	-	-	-	-	119,265
-	-	-	-	-	-	-	66,946
91	(1)	-	1	-	-	70	13,872
45	-	-	-	29,173	-	-	55,796
<u>8,167</u>	<u>19,999</u>	<u>-</u>	<u>150,702</u>	<u>161,422</u>	<u>-</u>	<u>70</u>	<u>1,201,592</u>
-	-	-	-	-	-	-	577,857
-	-	-	-	-	-	-	135,875
-	5,567	-	-	126,676	-	-	132,243
1,350	-	-	-	-	-	-	162,957
1,315	-	-	203,035	5,894	-	-	420,501
-	-	150,000	-	-	-	-	150,000
-	-	95,741	-	-	-	-	95,741
<u>2,665</u>	<u>5,567</u>	<u>245,741</u>	<u>203,035</u>	<u>132,570</u>	<u>-</u>	<u>-</u>	<u>1,675,174</u>
<u>5,502</u>	<u>14,432</u>	<u>(245,741)</u>	<u>(52,333)</u>	<u>28,852</u>	<u>-</u>	<u>70</u>	<u>(473,582)</u>
-	-	245,741	-	-	-	-	654,941
<u>(5,502)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(323)</u>	<u>(10,000)</u>	<u>(110,725)</u>
<u>(5,502)</u>	<u>-</u>	<u>245,741</u>	<u>-</u>	<u>-</u>	<u>(323)</u>	<u>(10,000)</u>	<u>544,216</u>
-	14,432	-	(52,333)	28,852	(323)	(9,930)	70,634
-	468	2	55,752	79,987	323	23,028	899,395
<u>\$ -</u>	<u>\$ 14,900</u>	<u>\$ 2</u>	<u>\$ 3,419</u>	<u>\$ 108,839</u>	<u>\$ -</u>	<u>\$ 13,098</u>	<u>\$ 970,029</u>

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended December 31, 2009

	<i>Capital Projects Fund</i>	<i>Permanent Fund</i>	
	<i>Watchcase Contamination Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues:			
Federal grants	\$ -	\$ -	\$ 155,782
State grants	-	-	789,931
Contributions from other units	-	-	119,265
Charges for services	-	-	66,946
Interest and rents	-	4,741	18,613
Other revenue	-	3,285	59,081
	<u>-</u>	<u>8,026</u>	<u>1,209,618</u>
Expenditures:			
Current			
Public works	-	-	577,857
Health and welfare	-	-	135,875
Community and economic development	2,474	-	134,717
Recreation and culture	-	-	162,957
Capital outlay	-	-	420,501
Debt service			
Principal	-	-	150,000
Interest and fees	-	-	95,741
	<u>2,474</u>	<u>-</u>	<u>1,677,648</u>
Excess (deficiency) of revenues over expenditures	<u>(2,474)</u>	<u>8,026</u>	<u>(468,030)</u>
Other financing sources (uses):			
Transfers from other funds	-	-	654,941
Transfers to other funds	<u>(2,985)</u>	<u>(4,741)</u>	<u>(118,451)</u>
Total other financing sources (uses)	<u>(2,985)</u>	<u>(4,741)</u>	<u>536,490</u>
Net change in fund balances	(5,459)	3,285	68,460
Fund balances, beginning of year	<u>140,661</u>	<u>249,064</u>	<u>1,289,120</u>
Fund balances, end of year	<u>\$ 135,202</u>	<u>\$ 252,349</u>	<u>\$ 1,357,580</u>

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS

STATEMENT OF NET ASSETS

December 31, 2009

	<u>Motor Pool</u> <u>Fund</u>	<u>Technology</u> <u>Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and investments	\$ 594,691	\$ 107	\$ 594,798
Accounts receivable	8,737	-	8,737
Accrued interest receivable	2,963	-	2,963
Due from other governmental units	1,056	-	1,056
Inventory	94,761	-	94,761
Prepaid expenses	40,122	205	40,327
Total current assets	<u>742,330</u>	<u>312</u>	<u>742,642</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable capital assets	4,250	-	4,250
Depreciable capital assets, net	<u>3,356,681</u>	<u>30,046</u>	<u>3,386,727</u>
Total noncurrent assets	<u>3,360,931</u>	<u>30,046</u>	<u>3,390,977</u>
Total assets	<u>4,103,261</u>	<u>30,358</u>	<u>4,133,619</u>
Liabilities:			
Current liabilities:			
Accounts payable	35,075	10,991	46,066
Accrued expenses	<u>5,083</u>	<u>-</u>	<u>5,083</u>
Total current liabilities	<u>40,158</u>	<u>10,991</u>	<u>51,149</u>
Noncurrent liabilities:			
Compensated absences payable	<u>6,535</u>	<u>-</u>	<u>6,535</u>
Total noncurrent liabilities	<u>6,535</u>	<u>-</u>	<u>6,535</u>
Total liabilities	<u>46,693</u>	<u>10,991</u>	<u>57,684</u>
Net assets:			
Invested in capital assets, net of related debt	3,360,931	30,046	3,390,977
Unrestricted (deficit)	<u>695,637</u>	<u>(10,679)</u>	<u>684,958</u>
Total net assets	<u>\$ 4,056,568</u>	<u>\$ 19,367</u>	<u>\$ 4,075,935</u>

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

December 31, 2009

	<u>Motor Pool</u> <u>Fund</u>	<u>Technology</u> <u>Fund</u>	<u>Total</u>
Operating revenues:			
Equipment rental - interfund charges	\$ 518,719	\$ 84,515	\$ 603,234
Other	82,251	-	82,251
Total operating revenues	<u>600,970</u>	<u>84,515</u>	<u>685,485</u>
Operating expenses:			
Personnel	168,864	-	168,864
Fringe benefits	90,876	-	90,876
Supplies	188,512	10,035	198,547
Contracted services	40,725	67,488	108,213
Administrative expense	52,500	-	52,500
Telephone	1,947	-	1,947
Education and training	139	-	139
Insurance	67,222	-	67,222
Utilities	39,197	-	39,197
Repairs and maintenance	93,462	1,148	94,610
Equipment rental	3,363	-	3,363
Other services and supplies	51	-	51
Depreciation	220,417	5,844	226,261
Total operating expenses	<u>967,275</u>	<u>84,515</u>	<u>1,051,790</u>
Operating loss	<u>(366,305)</u>	<u>-</u>	<u>(366,305)</u>
Non-operating revenues (expenses):			
Interest income	12,157	-	12,157
Gain (loss) on sale of capital assets	(307)	-	(307)
Net non-operating revenues	<u>11,850</u>	<u>-</u>	<u>11,850</u>
Net loss	(354,455)	-	(354,455)
Net assets, beginning of year	<u>4,411,023</u>	<u>19,367</u>	<u>4,430,390</u>
Net assets, end of year	<u>\$ 4,056,568</u>	<u>\$ 19,367</u>	<u>\$ 4,075,935</u>

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS

STATEMENT OF CASH FLOWS

December 31, 2009

	<u>Motor Pool</u> <u>Fund</u>	<u>Technology</u> <u>Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 72,458	\$ -	\$ 72,458
Cash received from interfund services	518,719	84,515	603,234
Cash payments to employees	(167,440)	-	(167,440)
Cash payments to suppliers for goods and services	(589,047)	(66,460)	(655,507)
Net cash provided (used) by operating activities	<u>(165,310)</u>	<u>18,055</u>	<u>(147,255)</u>
Cash flows from capital and related financing activities:			
Gain (loss) on sale of capital assets	(307)	-	(307)
Acquisition of capital assets	(332,387)	(16,523)	(348,910)
Net cash used by capital and related financing activities	<u>(332,694)</u>	<u>(16,523)</u>	<u>(349,217)</u>
Cash flows from investing activities:			
Interest received	15,895	-	15,895
Net increase (decrease) in cash and investments	(482,109)	1,532	(480,577)
Cash and investments, beginning of year	1,076,800	(1,425)	1,075,375
Cash and investments, end of year	<u>\$ 594,691</u>	<u>\$ 107</u>	<u>\$ 594,798</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (366,305)	\$ -	\$ (366,305)
Adjustments:			
Depreciation	220,417	5,844	226,261
Change in assets and liabilities:			
Accounts receivable	(8,737)	-	(8,737)
Due from other governmental units	(1,056)	-	(1,056)
Inventory	(15,377)	-	(15,377)
Prepaid expenses	1,276	2,258	3,534
Accounts payable	3,048	9,953	13,001
Accrued expenses	1,629	-	1,629
Compensated absences payable	(205)	-	(205)
Net cash provided (used) by operating activities	<u>\$ (165,310)</u>	<u>\$ 18,055</u>	<u>\$ (147,255)</u>

CITY OF LUDINGTON

COMPONENT UNIT
BALANCE SHEET
 December 31, 2009

	<i><u>Downtown Development Authority</u></i>
Assets:	
Cash and investments	\$ 69,450
Taxes receivable	102,304
Accounts receivable	4,749
Accrued interest receivable	344
Prepaid expenditures	<u>300</u>
Total assets	<u>\$ 177,147</u>
Liabilities and Fund Balance:	
<i>Liabilities:</i>	
Accounts payable	\$ 14,714
Deferred revenue	<u>102,304</u>
Total liabilities	<u>117,018</u>
<i>Fund balance:</i>	
Unreserved	<u>60,129</u>
Total liabilities and fund balance	<u>\$ 177,147</u>
 Reconciliation of fund balance of the component unit fund statement to net assets of the government-wide component unit	
Fund balance for component unit	\$ 60,129
Net assets reported for the component unit in the government-wide statement of of net assets is different because:	
Capital assets used in the component unit are not financial resources and therefore are not reported in the fund statement.	
Capital assets	28,815
Less accumulated depreciation	<u>(985)</u> <u>27,830</u>
Net assets of component unit reported in the government-wide statements	<u>\$ 87,959</u>

CITY OF LUDINGTON

COMPONENT UNIT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended December 31, 2009

	<i><u>Downtown Development Authority</u></i>
Revenues:	
Property taxes	\$ 103,568
Interest and rents	2,288
Other revenue	<u>23,161</u>
Total revenues	<u>129,017</u>
Expenditures:	
Current	
Community and economic development	74,863
Capital outlay	<u>28,815</u>
Total expenditures	<u>103,678</u>
Net change in fund balance	25,339
Fund balance, beginning of year	<u>34,790</u>
Fund balance, end of year	<u><u>\$ 60,129</u></u>
Reconciliation of changes in fund balance of the component unit fund statement to the change in net assets of the government-wide component unit	
Net change in fund balance - fund statement	\$ 25,339
Total change in net assets reported for the component unit in the statement of activities is different because:	
Component units 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	28,815
Less depreciation expense	<u>(985)</u> <u>27,830</u>
Change in net assets of component unit reported in the government-wide	<u><u>\$ 53,169</u></u>

CITY OF LUDINGTON

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2009

	<u>January 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2009</u>
<u>Tax Collection Fund</u>				
Assets:				
Cash and cash equivalents	<u>\$ 4,333,393</u>	<u>\$ 15,293,800</u>	<u>\$ 15,727,300</u>	<u>\$ 3,899,893</u>
Liabilities:				
Undistributed tax collections	<u>\$ 4,333,393</u>	<u>\$ 15,293,800</u>	<u>\$ 15,727,300</u>	<u>\$ 3,899,893</u>
<u>Transportation Fund</u>				
Assets:				
Cash and cash equivalents	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>
Liabilities:				
Accounts payable	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and cash equivalents	<u>\$ 4,335,393</u>	<u>\$ 15,293,800</u>	<u>\$ 15,727,300</u>	<u>\$ 3,901,893</u>
Liabilities:				
Accounts payable	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>
Undistributed tax collections	<u>4,333,393</u>	<u>15,293,800</u>	<u>15,727,300</u>	<u>3,899,893</u>
	<u>\$ 4,335,393</u>	<u>\$ 15,293,800</u>	<u>\$ 15,727,300</u>	<u>\$ 3,901,893</u>

CITY OF LUDINGTON

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

December 31, 2009

BUILDING AUTHORITY BONDS, SERIES 2000

Issue in the amount of	\$ 2,700,000
Less: Principal paid in prior years	(2,425,000)
Principal paid in current year	<u>(130,000)</u>
Balance payable at December 31, 2009	<u>\$ 145,000</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>
2010	5.300%	<u>\$ 3,843</u>	<u>\$ 3,842</u>	<u>\$ 145,000</u>	<u>\$ 152,685</u>

2005 BUILDING AUTHORITY REFUNDING BONDS

Issue in the amount of	\$ 2,135,000
Less: Principal paid in prior years	(60,000)
Principal paid in current year	<u>(20,000)</u>
Balance payable at December 31, 2009	<u>\$ 2,055,000</u>

Balance payable as follows:

<u>Fiscal 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>
2010	3.50%	\$ 39,633	\$ 39,632	\$ 20,000	\$ 99,265
2011	3.50%	39,282	39,283	175,000	253,565
2012	3.75%	36,220	36,220	190,000	262,440
2013	4.00%	32,658	32,657	195,000	260,315
2014	4.00%	28,757	28,758	210,000	267,515
2015	4.00%	24,558	24,557	225,000	274,115
2016	3.70%	20,057	20,058	240,000	280,115
2017	3.80%	15,618	15,617	250,000	281,235
2018	3.90%	10,867	10,868	265,000	286,735
2019	4.00%	<u>5,700</u>	<u>5,700</u>	<u>285,000</u>	<u>296,400</u>
		<u>\$ 253,350</u>	<u>\$ 253,350</u>	<u>\$ 2,055,000</u>	<u>\$ 2,561,700</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

December 31, 2009

2007 SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS

Issue in the amount of	\$ 1,500,000
Less: Principal paid in prior years	(65,000)
Principal paid in current year	<u>(65,000)</u>
Balance payable at December 31, 2009	<u>\$ 1,370,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
2010	1.625%	\$ 11,131	\$ 11,131	\$ 65,000	\$ 87,262
2011	1.625%	10,603	10,603	65,000	86,206
2012	1.625%	10,075	10,075	70,000	90,150
2013	1.625%	9,506	9,506	70,000	89,012
2014	1.625%	8,937	8,937	70,000	87,874
2015	1.625%	8,369	8,369	70,000	86,738
2016	1.625%	7,800	7,800	75,000	90,600
2017	1.625%	7,191	7,191	75,000	89,382
2018	1.625%	6,581	6,581	75,000	88,162
2019	1.625%	5,972	5,972	75,000	86,944
2020	1.625%	5,363	5,363	80,000	90,726
2021	1.625%	4,712	4,712	80,000	89,424
2022	1.625%	4,063	4,063	80,000	88,126
2023	1.625%	3,412	3,412	80,000	86,824
2024	1.625%	2,763	2,763	85,000	90,526
2025	1.625%	2,072	2,072	85,000	89,144
2026	1.625%	1,381	1,381	85,000	87,762
2027	1.625%	691	691	85,000	86,382
		<u>\$ 110,622</u>	<u>\$ 110,622</u>	<u>\$ 1,370,000</u>	<u>\$ 1,591,244</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, 2009, and have issued our report thereon dated March 31, 2010. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

Berthiaume & Co.

Saginaw, Michigan
March 31, 2010