

# **CITY OF LUDINGTON**

Mason County, Michigan

## **FINANCIAL STATEMENTS**

December 31, 2010

# 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 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, 2010, 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 opinions 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 opinions.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ludington, as of December 31, 2010, 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, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 10), schedules of pension plans funding progress (page 47), and budgetary comparison information (pages 48 through 49) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

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

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ludington's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Berthiaume & Co.*

Saginaw, Michigan  
March 31, 2011

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

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ludington (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2010. 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 year by \$29,696,653 (net assets). Of this amount, \$5,235,176 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and others.

During the year, the City's total net assets increased by \$951,509. Governmental activities increased \$850,738, while business-type activities increased \$100,771.

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$2,696,423, an increase of \$374,644 in comparison with prior year. Approximately 18 percent of this total or \$479,013 is reserved for various purposes leaving an unreserved, undesignated fund balance of \$2,217,410.

At the end of the current year, unreserved fund balance for the General Fund was \$1,111,851, or 20% of the General Fund's annual expenditures (including transfers). Total fund balance, both reserved and unreserved of the General Fund, was \$1,268,971, or 23% 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 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 periods (for example, earned but unused vacation leave).

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

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fund Financial Statements

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

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

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

The City maintains sixteen (16) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other fifteen (15) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund, Water Fund, Marina Fund, and Cartier Park Fund and totals for the Internal Service Funds. Individual fund data for each of the internal service funds is provided elsewhere in this report.

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

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

### Government-wide Financial Analysis

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities of the City, assets exceeded liabilities by \$29,696,653 at the close of the most recent 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

### City of Ludington's Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Assets:</b>						
Current assets	\$ 7,089,748	\$ 6,975,794	\$ 3,409,944	\$ 3,593,944	\$ 10,499,692	\$ 10,569,738
Noncurrent assets:						
Restricted assets	-	-	1,016,017	976,017	1,016,017	976,017
Other assets	98,482	116,747	-	-	98,482	116,747
Capital assets	<u>8,675,285</u>	<u>8,188,742</u>	<u>16,993,876</u>	<u>16,843,471</u>	<u>25,669,161</u>	<u>25,032,213</u>
Total assets	<u>15,863,515</u>	<u>15,281,283</u>	<u>21,419,837</u>	<u>21,413,432</u>	<u>37,283,352</u>	<u>36,694,715</u>
<b>Liabilities:</b>						
Other liabilities	3,867,720	3,998,752	195,167	230,247	4,062,887	4,228,999
Long-term liabilities	<u>2,171,851</u>	<u>2,309,325</u>	<u>1,351,961</u>	<u>1,411,247</u>	<u>3,523,812</u>	<u>3,720,572</u>
Total liabilities	<u>6,039,571</u>	<u>6,308,077</u>	<u>1,547,128</u>	<u>1,641,494</u>	<u>7,586,699</u>	<u>7,949,571</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	6,640,285	5,988,742	15,688,876	15,473,471	22,329,161	21,462,213
Restricted	1,116,299	956,681	1,016,017	976,017	2,132,316	1,932,698
Unrestricted	<u>2,067,360</u>	<u>2,027,783</u>	<u>3,167,816</u>	<u>3,322,450</u>	<u>5,235,176</u>	<u>5,350,233</u>
Total net assets	<u>\$ 9,823,944</u>	<u>\$ 8,973,206</u>	<u>\$ 19,872,709</u>	<u>\$ 19,771,938</u>	<u>\$ 29,696,653</u>	<u>\$ 28,745,144</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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 917,981	\$ 789,360	\$ 3,484,954	\$ 3,376,311	\$ 4,402,935	\$ 4,165,671
Operating grants	1,127,635	1,123,184	-	-	1,127,635	1,123,184
Capital grants	1,019,961	21,324	156,798	292,780	1,176,759	314,104
General revenues						
Property taxes	3,699,088	3,644,287	-	-	3,699,088	3,644,287
Franchise fees	70,664	65,450	-	-	70,664	65,450
State revenue sharing	702,420	725,262	-	-	702,420	725,262
Investment earnings	42,826	79,010	73,571	93,595	116,397	172,605
Total revenues	<u>7,580,575</u>	<u>6,447,877</u>	<u>3,715,323</u>	<u>3,762,686</u>	<u>11,295,898</u>	<u>10,210,563</u>
<b>Expenses:</b>						
General government	1,264,615	1,370,864	-	-	1,264,615	1,370,864
Public safety	1,768,732	1,625,178	-	-	1,768,732	1,625,178
Public works	2,540,181	2,618,751	-	-	2,540,181	2,618,751
Health and welfare	152,414	140,753	-	-	152,414	140,753
Community and economic development	472,081	225,186	-	-	472,081	225,186
Recreation and culture	434,020	412,713	-	-	434,020	412,713
Interest on long-term debt	101,720	111,025	-	-	101,720	111,025
Sewer	-	-	1,299,118	1,313,134	1,299,118	1,313,134
Water	-	-	1,443,726	1,546,588	1,443,726	1,546,588
Marina	-	-	720,976	705,060	720,976	705,060
Cartier Park Campground	-	-	150,061	139,091	150,061	139,091
Total expenses	<u>6,733,763</u>	<u>6,504,470</u>	<u>3,613,881</u>	<u>3,703,873</u>	<u>10,347,644</u>	<u>10,208,343</u>
Excess of revenues over expenses before other	<u>846,812</u>	<u>(56,593)</u>	<u>101,442</u>	<u>58,813</u>	<u>948,254</u>	<u>2,220</u>
<b>Other items:</b>						
Contributions to principal	2,480	3,285	-	-	2,480	3,285
Sale of capital assets	775	(307)	-	-	775	(307)
Transfers	671	(12,985)	(671)	12,985	-	-
Total other items	<u>3,926</u>	<u>(10,007)</u>	<u>(671)</u>	<u>12,985</u>	<u>3,255</u>	<u>2,978</u>
<b>Change in net assets</b>	<b>850,738</b>	<b>(66,600)</b>	<b>100,771</b>	<b>71,798</b>	<b>951,509</b>	<b>5,198</b>
Net assets, beginning of year, restated	<u>8,973,206</u>	<u>9,039,806</u>	<u>19,771,938</u>	<u>19,700,140</u>	<u>28,745,144</u>	<u>28,739,946</u>
Net assets, end of year	<u>\$ 9,823,944</u>	<u>\$ 8,973,206</u>	<u>\$ 19,872,709</u>	<u>\$ 19,771,938</u>	<u>\$ 29,696,653</u>	<u>\$ 28,745,144</u>

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City Funds Financial Analysis

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

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

The General Fund accounts for functions relating to the general government activities of the City, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. Fund balance of the General Fund increased \$309,979 in 2010. The City Council adopted a policy to retain an unreserved fund balance in the General Fund equal to 20% of its annual expenditures budget and to annually transfer any excess fund balance to a Capital Improvement Fund, which will be used on improvements to the City's infrastructure. The unreserved fund balance is 20% of the General Fund's annual expenditures for 2010. As a result, no money was transferred in 2010 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.

The City originally budgeted that General Fund revenues would exceed General Fund expenditures by \$200,400. This surplus would be used to help cover part of the projected deficits in the General Fund for 2012 and 2013. The differences between actual and budgeted items are as follows.

Revenue changes from the original budgeted figures are as follows:

- Increase of \$21,500 over budget for PILT payments from Longfellow Towers.
- Building permit revenues were \$14,500 higher than budgeted.
- Constitutional revenue sharing increased \$29,900 over what was budgeted.
- Statutory revenue sharing increased \$12,500 over what was budgeted.
- City received \$30,700 more than budgeted for administrative fees associated with the building rehabilitation program.
- Net asset check received of \$28,436 from MMRMA, which was not budgeted.
- Cemetery sales were up \$14,200 over budget.
- Sale of refuse stickers was up \$21,000 over last year (the City never recorded income and expense in the past as all payments had been sent directly to Allied Waste).
- Donation of a federal Coast Guard Station to the City for which the City recorded as an acquisition on the financial statements.

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenditure changes from the original budgeted figures are as follows:

- Increase in City Clerk's budget due to paying for former employee's unused accumulated vacation leave and funding an additional HSA deductible for new employee replacement.
- Increase of \$4,200 to pay for televising public meetings and maintaining equipment, though this increase was paid from an increase in fees from Charter Communications.
- Electrical costs for streetlights increased \$32,000 over budget.
- \$5,700 was paid to demolish a house on Melendy Street.
- The General Fund's contributions to other funds increased by \$69,600 due to paying for the fence at the dog park (for which City received the 100% reimbursement), work associated with the new Loomis Street breakwater and a grant for the Ludington Area Arts Council.

### Capital Assets and Debt Administration

**Capital Assets** – The City's investment in capital assets for governmental and business-type activities as of December 31, 2010 amounts to \$25,669,161 (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 \$958,000 in buildings/improvements and infrastructure. Business-type activities included additions of approximately \$670,000 in various equipment and system improvements.

**Debt** – At the end of the current year, the City had total long-term debt outstanding, excluding compensated absences and net OPEB obligations, of \$3,340,000. Of this amount, \$2,035,000 comprises debt backed by the full faith and credit of the government. The remaining of the City's debt \$1,305,000 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 is projected to decrease by 1.89% or \$4,952,840 resulting in a projected loss of property tax revenue of \$76,300 in 2012. The State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing its deficits. The loss of statutory revenue sharing could be replaced with an incentive program proposed by the Governor, which could result in employees paying 20% of health care costs and a local retirement system that is blended between a Defined Benefit and a Defined Contribution Plan. 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 2011. Because of the uncertainty given the current economic environment, the City completed a three-year financial projection through the year 2013 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. Projections for 2012 and 2013 reflect expenditures in excess of revenues and the City is evaluating options for which the City will need to address prior to the approval of the 2012 budget.

### 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, 2010

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and investments	\$ 2,763,233	\$ 2,414,549	\$ 5,177,782	\$ 87,508
Receivables	4,029,164	706,339	4,735,503	114,923
Inventory	130,494	198,430	328,924	-
Prepaid expenses	166,857	90,626	257,483	243
Restricted cash and investments	-	1,016,017	1,016,017	-
Capital assets:				
Nondepreciable capital assets	262,280	867,055	1,129,335	-
Depreciable capital assets, net	8,413,005	16,126,821	24,539,826	22,537
Deferred charges	98,482	-	98,482	-
<b>Total assets</b>	<b>15,863,515</b>	<b>21,419,837</b>	<b>37,283,352</b>	<b>225,211</b>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	250,959	106,537	357,496	10,668
Deferred revenue	3,616,761	88,630	3,705,391	105,743
Long-term liabilities:				
Due within one year	175,000	65,000	240,000	-
Due in more than one year	1,996,851	1,286,961	3,283,812	-
<b>Total liabilities</b>	<b>6,039,571</b>	<b>1,547,128</b>	<b>7,586,699</b>	<b>116,411</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	6,640,285	15,688,876	22,329,161	22,537
Restricted for:				
Debt service	2	140,000	140,002	-
Streets	861,468	-	861,468	-
Nonexpendable cemetery principal	254,829	-	254,829	-
Equipment replacement	-	876,017	876,017	-
Unrestricted	2,067,360	3,167,816	5,235,176	86,263
<b>Total net assets</b>	<b>\$ 9,823,944</b>	<b>\$ 19,872,709</b>	<b>\$ 29,696,653</b>	<b>\$ 108,800</b>

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

# CITY OF LUDINGTON

## STATEMENT OF ACTIVITIES Year Ended December 31, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 1,264,615	\$ 473,989	\$ 14,375	\$ -	\$ (776,251)
Public safety	1,768,732	94,911	28,650	185,000	(1,460,171)
Public works	2,540,181	229,215	617,439	171,252	(1,522,275)
Health and welfare	152,414	6,285	99,267	-	(46,862)
Community and economic development	472,081	2,350	313,442	-	(156,289)
Recreation and culture	434,020	111,231	54,462	663,709	395,382
Interest on long-term debt	101,720	-	-	-	(101,720)
Total governmental activities	<u>6,733,763</u>	<u>917,981</u>	<u>1,127,635</u>	<u>1,019,961</u>	<u>(3,668,186)</u>
<i>Business-type activities:</i>					
Sewer	1,299,118	1,227,649	-	-	(71,469)
Water	1,443,726	1,413,980	-	-	(29,746)
Marina	720,976	653,854	-	156,798	89,676
Cartier Park Campground	150,061	189,471	-	-	39,410
Total business-type activities	<u>3,613,881</u>	<u>3,484,954</u>	<u>-</u>	<u>156,798</u>	<u>27,871</u>
Total primary government	<u>\$ 10,347,644</u>	<u>\$ 4,402,935</u>	<u>\$ 1,127,635</u>	<u>\$ 1,176,759</u>	<u>\$ (3,640,315)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	<u>\$ 121,676</u>	<u>\$ -</u>	<u>\$ 32,915</u>	<u>\$ -</u>	<u>\$ (88,761)</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	\$ (3,668,186)	\$ 27,871	\$ (3,640,315)	\$ (88,761)
<i>General revenues:</i>				
<i>Taxes:</i>				
Property taxes, levied for general purpose	3,658,519	-	3,658,519	-
Property taxes, levied and captured by DDA	-	-	-	108,359
Payment in lieu of taxes	40,569	-	40,569	-
Franchise taxes	70,664	-	70,664	-
Grants and contributions not restricted to specific programs	702,420	-	702,420	-
Unrestricted investment earnings	42,826	73,571	116,397	1,243
Contributions to principal of permanent funds	2,480	-	2,480	-
Special item - Gain (loss) on sale of capital asset	775	-	775	-
Transfers	671	(671)	-	-
Total general revenues and other	<u>4,518,924</u>	<u>72,900</u>	<u>4,591,824</u>	<u>109,602</u>
Change in net assets	850,738	100,771	951,509	20,841
Net assets, beginning of year, restated	<u>8,973,206</u>	<u>19,771,938</u>	<u>28,745,144</u>	<u>87,959</u>
Net assets, end of year	<u>\$ 9,823,944</u>	<u>\$ 19,872,709</u>	<u>\$ 29,696,653</u>	<u>\$ 108,800</u>

# CITY OF LUDINGTON

## GOVERNMENTAL FUNDS

### BALANCE SHEET

December 31, 2010

	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<b>Assets:</b>			
Cash and investments	\$ 1,129,050	\$ 1,183,988	\$ 2,313,038
Taxes receivable	3,601,500	-	3,601,500
Accounts receivable	56,724	3,746	60,470
Special assessments receivable	6,099	-	6,099
Notes receivable	-	5,207	5,207
Accrued interest receivable	2,312	2,152	4,464
Due from other governmental units	134,221	206,441	340,662
Inventory	11,062	51,323	62,385
Prepaid expenditures	108,404	10,532	118,936
Total assets	<u>\$ 5,049,372</u>	<u>\$ 1,463,389</u>	<u>\$ 6,512,761</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 120,449	\$ 12,978	\$ 133,427
Accrued expenses	45,296	12,344	57,640
Deposits payable	8,510	-	8,510
Deferred revenue	3,606,146	10,615	3,616,761
Total liabilities	<u>3,780,401</u>	<u>35,937</u>	<u>3,816,338</u>
<b>Fund balances:</b>			
Reserved for:			
Inventory	11,062	51,323	62,385
Prepaid expenditures	108,404	10,532	118,936
Long-term receivables	37,654	5,207	42,861
Debt service	-	2	2
Nonexpendable cemetery principal	-	254,829	254,829
Unreserved:			
General fund	1,111,851	-	1,111,851
Special revenue funds	-	922,316	922,316
Capital projects funds	-	183,243	183,243
Total fund balances	<u>1,268,971</u>	<u>1,427,452</u>	<u>2,696,423</u>
Total liabilities and fund balances	<u>\$ 5,049,372</u>	<u>\$ 1,463,389</u>	<u>\$ 6,512,761</u>

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

# CITY OF LUDINGTON

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

December 31, 2010

<b>Total fund balances for governmental funds</b>			\$ 2,696,423
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	7,462,953		
Less accumulated depreciation	<u>(1,942,383)</u>	5,520,570	
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.			98,482
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			(32,735)
Net other postemployment benefit obligation (OPEB) are not reported in the governmental funds.			(42,125)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Bonds payable	(2,035,000)		
Compensated absences payable	<u>(87,648)</u>	(2,122,648)	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.			<u>3,705,977</u>
<b>Net assets of governmental activities</b>			<u>\$ 9,823,944</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, 2010

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Property taxes	\$ 3,699,088	\$ -	\$ 3,699,088
Licenses and permits	94,197	-	94,197
Federal grants	-	491,600	491,600
State grants	730,875	757,066	1,487,941
Contributions from other units	69,343	130,007	199,350
Charges for services	502,295	57,463	559,758
Fines and forfeits	33,091	-	33,091
Interest and rents	31,675	10,640	42,315
Other revenue	676,877	28,051	704,928
Total revenues	<u>5,837,441</u>	<u>1,474,827</u>	<u>7,312,268</u>
<b>Expenditures:</b>			
Current			
General government	1,249,305	-	1,249,305
Public safety	1,528,184	-	1,528,184
Public works	1,095,924	512,786	1,608,710
Health and welfare	-	146,663	146,663
Community and economic development	88,197	382,580	470,777
Recreation and culture	398,430	163,768	562,198
Other	45,430	-	45,430
Capital outlay	534,930	540,148	1,075,078
Debt service			
Principal	-	165,000	165,000
Interest and fees	-	86,950	86,950
Total expenditures	<u>4,940,400</u>	<u>1,997,895</u>	<u>6,938,295</u>
Excess (deficiency) of revenues over expenditures	<u>897,041</u>	<u>(523,068)</u>	<u>373,973</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	4,618	604,729	609,347
Transfers to other funds	(591,680)	(16,996)	(608,676)
Net other financing sources (uses)	<u>(587,062)</u>	<u>587,733</u>	<u>671</u>
Net change in fund balances	309,979	64,665	374,644
Fund balances, beginning of year, restated	<u>958,992</u>	<u>1,362,787</u>	<u>2,321,779</u>
Fund balances, end of year	<u>\$ 1,268,971</u>	<u>\$ 1,427,452</u>	<u>\$ 2,696,423</u>

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

# CITY OF LUDINGTON

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

Year Ended December 31, 2010

<b>Net change in fund balances - total governmental funds</b>		\$ 374,644
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	958,038	
Less depreciation expense	<u>(235,233)</u>	722,805
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.		(18,265)
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.		165,000
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.		(27,682)
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	699	
Change in accrued interest on bonds	<u>3,495</u>	4,194
The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(369,958)</u>
<b>Change in net assets of governmental activities</b>		<u>\$ 850,738</u>

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

# CITY OF LUDINGTON

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS

December 31, 2010

	<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>
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and investments	\$ 506,316	\$ 1,447,103	\$ 390,004	\$ 71,126	\$ 2,414,549	\$ 450,195
Accounts receivable	260,635	322,651	-	-	583,286	8,897
Accrued interest receivable	1,854	3,840	839	138	6,671	876
Due from other governmental units	-	-	116,382	-	116,382	989
Inventory	52,388	124,585	21,457	-	198,430	68,109
Prepaid expenses	37,001	42,898	9,691	1,036	90,626	47,921
Total current assets	<u>858,194</u>	<u>1,941,077</u>	<u>538,373</u>	<u>72,300</u>	<u>3,409,944</u>	<u>576,987</u>
<b>Noncurrent assets:</b>						
Restricted cash and investments	447,004	569,013	-	-	1,016,017	-
Capital assets:						
Nondepreciable capital assets	72,415	3,247	791,393	-	867,055	4,250
Depreciable capital assets, net	<u>8,582,385</u>	<u>5,383,075</u>	<u>2,019,678</u>	<u>141,683</u>	<u>16,126,821</u>	<u>3,150,465</u>
Total noncurrent assets	<u>9,101,804</u>	<u>5,955,335</u>	<u>2,811,071</u>	<u>141,683</u>	<u>18,009,893</u>	<u>3,154,715</u>
Total assets	<u>9,959,998</u>	<u>7,896,412</u>	<u>3,349,444</u>	<u>213,983</u>	<u>21,419,837</u>	<u>3,731,702</u>
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable	40,550	25,303	10,793	107	76,753	13,965
Accrued expenses	9,118	14,226	1,040	-	24,384	4,682
Deposits payable	500	4,900	-	-	5,400	-
Deferred revenue	-	-	88,630	-	88,630	-
Current long-term debt	65,000	-	-	-	65,000	-
Total current liabilities	<u>115,168</u>	<u>44,429</u>	<u>100,463</u>	<u>107</u>	<u>260,167</u>	<u>18,647</u>
<b>Noncurrent liabilities:</b>						
Compensated absences payable	10,226	27,377	1,481	-	39,084	7,078
Long-term debt	1,240,000	-	-	-	1,240,000	-
Net OPEB obligation	2,369	4,717	791	-	7,877	-
Total noncurrent liabilities	<u>1,252,595</u>	<u>32,094</u>	<u>2,272</u>	<u>-</u>	<u>1,286,961</u>	<u>7,078</u>
Total liabilities	<u>1,367,763</u>	<u>76,523</u>	<u>102,735</u>	<u>107</u>	<u>1,547,128</u>	<u>25,725</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, 2010

	<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>		
<b>Net assets:</b>						
Invested in capital assets, net of related debt	7,349,800	5,386,322	2,811,071	141,683	15,688,876	3,154,715
Restricted for:						
Debt service	140,000	-	-	-	140,000	-
Equipment replacement	307,004	569,013	-	-	876,017	-
Unrestricted	795,431	1,864,554	435,638	72,193	3,167,816	551,262
Total net assets	<u>\$ 8,592,235</u>	<u>\$ 7,819,889</u>	<u>\$ 3,246,709</u>	<u>\$ 213,876</u>	<u>\$ 19,872,709</u>	<u>\$ 3,705,977</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, 2010

	<i>Business-type Activities</i>					<i>Governmental</i>
					<i>Total</i>	<i>Activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Marina</i>	<i>Nonmajor</i>	<i>Enterprise</i>	<i>Internal</i>
<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Park</i>	<i>Funds</i>	<i>Service</i>	
			<i>Campground</i>		<i>Funds</i>	<i>Funds</i>
			<i>Fund</i>			
<b>Operating revenues:</b>						
Charges for services	\$ 1,225,959	\$ 1,325,822	\$ 653,854	\$ 176,650	\$ 3,382,285	\$ -
Equipment rental	-	-	-	-	-	591,957
Other	381	8,129	-	12,821	21,331	120,265
Total operating revenues	1,226,340	1,333,951	653,854	189,471	3,403,616	712,222
<b>Operating expenses:</b>						
Personnel	290,452	477,081	99,711	67,566	934,810	165,862
Fringe benefits	170,960	279,184	31,471	7,755	489,370	90,875
Supplies	115,691	64,904	298,165	12,538	491,298	237,619
Contracted services	119,417	75,095	26,980	10,988	232,480	64,658
Administrative expense	71,400	71,400	47,500	20,400	210,700	53,500
Telephone	4,807	7,754	2,159	792	15,512	2,341
Mileage	33	15	275	-	323	-
Dues, licenses and permits	553	215	650	-	1,418	-
Education and training	1,485	1,339	-	-	2,824	-
Printing and publishing	-	-	2,974	639	3,613	-
Insurance	34,072	34,072	9,465	-	77,609	66,252
Utilities	172,686	140,895	26,793	13,527	353,901	37,297
Repairs and maintenance	23,601	66,020	18,235	6,426	114,282	121,775
Equipment rental	37,900	48,682	8,009	4,591	99,182	6,451
Other services and supplies	-	3,591	38,431	2,250	44,272	8,900
Depreciation	233,798	173,479	110,158	2,589	520,024	231,037
Total operating expenses	1,276,855	1,443,726	720,976	150,061	3,591,618	1,086,567
Operating income (loss)	(50,515)	(109,775)	(67,122)	39,410	(188,002)	(374,345)
<b>Non-operating revenues</b>						
<b>(expenses):</b>						
Interest income	5,016	63,224	4,537	794	73,571	3,612
Rental income	-	80,029	-	-	80,029	-
Gain (loss) on sale of capital assets	-	-	-	-	-	775
Other income - Scrap sales	1,309	-	-	-	1,309	-
Interest expense	(22,263)	-	-	-	(22,263)	-
Net non-operating	(15,938)	143,253	4,537	794	132,646	4,387

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, 2010

	<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 income (loss) before transfers	(66,453)	33,478	(62,585)	40,204	(55,356)	(369,958)
<b>Contributions to other government</b>	-	-	-	-	-	(185,000)
<b>Capital contributions-federal grant</b>	-	-	-	-	-	185,000
<b>Capital contributions-state grant</b>	-	-	156,798	-	156,798	-
<b>Transfer to other funds</b>	-	-	(671)	-	(671)	-
Net income (loss)	(66,453)	33,478	93,542	40,204	100,771	(369,958)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 8,592,235</u>	<u>\$ 7,819,889</u>	<u>\$ 3,246,709</u>	<u>\$ 213,876</u>	<u>\$ 19,872,709</u>	<u>\$ 3,705,977</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, 2010

	<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>Park</i>	<i>Funds</i>	<i>Funds</i>	
			<i>Campground</i>			
			<i>Fund</i>			
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 1,231,127	\$ 1,323,875	\$ 824,433	\$ 189,471	\$ 3,568,906	\$ 120,172
Cash received from interfund services	-	-	-	-	-	591,957
Cash payments to employees	(287,325)	(475,492)	(98,713)	(67,566)	(929,096)	(165,720)
Cash payments to suppliers for goods and services	(739,222)	(808,443)	(556,741)	(82,922)	(2,187,328)	(702,711)
Net cash provided (used) by operating activities	204,580	39,940	168,979	38,983	452,482	(156,302)
<b>Cash flows from non-capital financing activities:</b>						
Transfers from (to) other funds	-	-	(671)	-	(671)	-
<b>Cash flows from capital and related financing activities:</b>						
State grant	-	-	156,798	-	156,798	-
Sale of capital assets	-	-	-	-	-	6,000
Other income - scrap sales	1,309	-	-	-	1,309	-
Acquisition and construction of capital assets	(78,678)	(121,148)	(428,102)	(42,501)	(670,429)	-
Principal payments	(65,000)	-	-	-	(65,000)	-
Interest paid	(22,263)	-	-	-	(22,263)	-
Net cash used by capital and related financing activities	(164,632)	(121,148)	(271,304)	(42,501)	(599,585)	6,000
<b>Cash flows from investing activities:</b>						
Interest received	7,678	68,925	6,125	1,023	83,751	5,699
Rent received	-	80,029	-	-	80,029	-
Net cash provided by investing activities	7,678	148,954	6,125	1,023	163,780	5,699

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, 2010

	<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	47,626	67,746	(96,871)	(2,495)	16,006	(144,603)
Cash and investments, beginning of year	905,694	1,948,370	486,875	73,621	3,414,560	594,798
Cash and investments, end of year	<u>\$ 953,320</u>	<u>\$ 2,016,116</u>	<u>\$ 390,004</u>	<u>\$ 71,126</u>	<u>\$ 3,430,566</u>	<u>\$ 450,195</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (50,515)	\$ (109,775)	\$ (67,122)	\$ 39,410	\$ (188,002)	\$ (374,345)
Adjustments:						
Depreciation	233,798	173,479	110,158	2,589	520,024	231,037
Change in assets and liabilities:						
Accounts receivable	4,787	(10,076)	-	-	(5,289)	(160)
Due from other governmental units	-	-	171,398	-	171,398	67
Inventory	3,954	(4,827)	654	-	(219)	26,652
Prepaid expenses	(4,646)	(8,751)	(2,424)	(243)	(16,064)	(7,594)
Accounts payable	12,583	(8,258)	(44,064)	(2,773)	(42,512)	(32,101)
Accrued expenses	1,492	1,809	200	-	3,501	(401)
Deposits payable	-	4,750	-	-	4,750	-
Deferred revenue	-	-	(819)	-	(819)	-
Compensated absences payable	1,366	(1,314)	808	-	860	543
Net OPEB obligation	1,761	2,903	190	-	4,854	-
Net cash provided (used) by operating activities	<u>\$ 204,580</u>	<u>\$ 39,940</u>	<u>\$ 168,979</u>	<u>\$ 38,983</u>	<u>\$ 452,482</u>	<u>\$ (156,302)</u>

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

# CITY OF LUDINGTON

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## FIDUCIARY FUNDS

### STATEMENT OF NET ASSETS

December 31, 2010

	<i>Police Pension Trust Fund</i>	<i>Agency Funds</i>	<i>Total</i>
<b>Assets:</b>			
Cash and investments	\$ 3,690,757	\$ 3,804,679	\$ 7,495,436
Taxes receivable	265,943	-	265,943
Accounts receivable	853	-	853
Accrued interest receivable	64	-	64
	<hr/>	<hr/>	<hr/>
Total assets	3,957,617	3,804,679	7,762,296
	<hr/>	<hr/>	<hr/>
<b>Liabilities:</b>			
Accounts payable	624	2,000	2,624
Undistributed tax collections	-	3,802,679	3,802,679
Deferred revenue	265,943	-	265,943
	<hr/>	<hr/>	<hr/>
Total liabilities	266,567	3,804,679	4,071,246
	<hr/>	<hr/>	<hr/>
<b>Net Assets:</b>			
Held in trust for pension benefits	3,691,050	-	3,691,050
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 3,691,050	\$ -	\$ 3,691,050
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

# CITY OF LUDINGTON

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## FIDUCIARY FUNDS

### STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2010

	<i>Police Pension Trust Fund</i>
<b>Additions:</b>	
Property taxes	\$ 260,631
Employee contributions	42,544
Investment income (loss)	<u>328,550</u>
Total additions	<u>631,725</u>
<b>Deductions:</b>	
Benefit payments	354,030
Fees and other	<u>43,340</u>
Total deductions	<u>397,370</u>
Net decrease	234,355
Net assets, beginning of year	<u>3,456,695</u>
Net assets, end of year	<u><u>\$ 3,691,050</u></u>

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



***NOTES TO FINANCIAL STATEMENTS***

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Reporting Entity:**

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

#### **Blended Component Unit**

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

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

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

#### **Joint Ventures**

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

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

### **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.

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

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

government considers revenues to be available if they are collected within 60 days of the end of the current 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 period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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.

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.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2010

### 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 for the cemetery and public works departments. The City’s Motor Pool had been carrying its inventory based on an estimate. In 2010, the Motor Pool Fund did an actual inventory which reduced its inventories and income by \$30,000. 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

The City has a collection of sculptures located at the waterfront park. The collection is not capitalized because it meets all the following conditions: (1) the collection is held for reasons other than financial gain; (2) the collection is protected, kept unencumbered, cared for, and preserved; (3) the collection is subject to City policy requiring that proceeds from sales of collection items be used to acquire other items for collections.

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

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

**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.

**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.

**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.

### **Management’s Review of Subsequent Events:**

Subsequent events have been evaluated through March 31, 2011 which is the date the financial statements were available to be issued.

### **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 2010 include property taxes levied in 2009 but appropriated by a City ordinance to finance 2010 operations. Property taxes levied in 2010 for the operations of 2011 are a lien against properties and are an asset of the City. They are recorded as taxes receivable and deferred revenue at December 31, 2010. In 2009, the City levied property taxes on an assessed property tax value of \$268,688,058 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 11.5096 mills for the City’s operating purposes, 2.7623 mills for refuse services, and 1.015 mills for police pension.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2010

The Downtown Development Authority levied property taxes on an assessed property tax value of \$26,650,234 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 1.608 mills.

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

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#### Budgetary Information:

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

1. Prior to November 1 of each year, the City Manager submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. During the month of November, the City Council holds open meetings to review the budget in detail and to obtain taxpayer comments.
3. At the first Council meeting in December, the budget is legally enacted by adoption of the City Council.
4. Any revision that alters the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, the special revenue funds, and debt service funds. Formal budgetary integration is not employed for other funds, but informational summaries are prepared for the enterprise, the internal service and other funds to serve as a management control device and are presented to the City Council for consideration.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at 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, 2010	\$ -
Current year building permit revenue	23,533
Related expenses:	
Direct costs	(38,776)
Cumulative surplus at December 31, 2010	\$ -

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

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### NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

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

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

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$7,796,276 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$823,598 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	\$ 2,005,228	Counterparty
Mutual funds - Police Pension Trust -		
Corporate	3,171,783	Counterparty
Governmental	370,570	Counterparty

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

### 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	\$ 2,005,228	2.51 years

### 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	\$ 3,171,783	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, 2010, there were no investments in any one issuer (other than the U.S. government and mutual funds) that exceeded more than 5 percent of total investments.

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## NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

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

At December 31, 2010 the City had these accounts established and had restricted cash as follows:

	<u>Restricted Cash and Investments</u>
<b>Sewer Fund:</b>	
Bond reserve	\$ 140,000
Equipment Replacement	307,004
<b>Water Fund:</b>	
Equipment Replacement	<u>569,013</u>
	<u>\$ 1,016,017</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

### NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>January 1,</u> <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31,</u> <u>2010</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 262,280	\$ -	\$ -	\$ 262,280
Depreciable capital assets:				
Buildings and improvements	5,042,359	534,930	-	5,577,289
Furniture and equipment	223,243	-	-	223,243
Infrastructure	1,258,971	423,108	-	1,682,079
Land and site improvements	1,043,922	-	-	1,043,922
Machinery and equipment	4,980,564	-	(28,500)	4,952,064
Total depreciable capital assets	12,549,059	958,038	(28,500)	13,478,597
Accumulated depreciation	(4,622,597)	(466,270)	23,275	(5,065,592)
Depreciable capital assets, net	<u>7,926,462</u>	<u>491,768</u>	<u>(5,225)</u>	<u>8,413,005</u>
Governmental activities, capital assets, net	<u>\$ 8,188,742</u>	<u>\$ 491,768</u>	<u>\$ (5,225)</u>	<u>\$ 8,675,285</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Land	\$ 867,055	\$ -	\$ -	\$ 867,055
Depreciable capital assets				
Buildings and improvements	4,353,654	-	-	4,353,654
Land improvements	2,843,357	470,603	-	3,313,960
Machinery and equipment	975,772	59,371	-	1,035,143
Sewer systems and plants	12,332,411	19,307	-	12,351,718
Water systems and plants	5,545,301	121,148	-	5,666,449
Total depreciable capital assets	26,050,495	670,429	-	26,720,924
Accumulated depreciation	(10,074,079)	(520,024)	-	(10,594,103)
Depreciable capital assets, net	<u>15,976,416</u>	<u>150,405</u>	<u>-</u>	<u>16,126,821</u>
Business-type activities, capital assets, net	<u>\$ 16,843,471</u>	<u>\$ 150,405</u>	<u>\$ -</u>	<u>\$ 16,993,876</u>
<b>Component unit - DDA:</b>				
Depreciable capital assets				
Machinery and equipment	\$ 28,815	\$ -	\$ -	\$ 28,815
Accumulated depreciation	(985)	(5,293)	-	(6,278)
Depreciable capital assets, net	<u>\$ 27,830</u>	<u>\$ (5,293)</u>	<u>\$ -</u>	<u>\$ 22,537</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

Depreciation expense was charged to functions as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Unit - DDA</i>
General government	\$ 99,919	\$ -	\$ -
Public safety	42,925	-	-
Public works	263,550	-	-
Health and welfare	4,619	-	-
Community and economic development	1,490	-	5,293
Recreation and culture	53,767	-	-
Sewer	-	233,798	-
Water	-	173,479	-
Marina	-	110,158	-
Cartier Park Campground	-	2,589	-
	<u>\$ 466,270</u>	<u>\$ 520,024</u>	<u>\$ 5,293</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.

	<i>January 1, 2010</i>	<i>2010 Amortization Expense</i>	<i>December 31, 2010</i>
Deferred charges	<u>\$ 116,747</u>	<u>\$ 18,465</u>	<u>\$ 98,282</u>

### 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:

	<i>Unearned</i>
<b>Primary Government:</b>	
Property taxes	\$ 3,635,578
Special assessments	4,526
Other	99,245
	<u>\$ 3,739,349</u>
<b>Component Unit:</b>	
Property taxes	<u>\$ 105,743</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

### 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 and net OPEB obligation.

Long-term obligation activity for the year ended December 31, 2010 is summarized as follows:

	<i>Principal Maturity Ranges</i>	<i>January 1, 2010</i>	<i>Additions (Reductions)</i>	<i>December 31, 2010</i>	<i>Due Within One Year</i>
<b>Governmental Activities:</b>					
2000 Building Authority Bonds, for \$2,700,000, at 5.25-5.30% interest; Maturing through August 1, 2010	\$130,000-145,000	\$ 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	2,055,000	(20,000)	2,035,000	175,000
Compensated absences		94,882	(156)	94,726	-
Net OPEB obligation		14,443	27,682	42,125	-
Total Governmental Activities		<u>\$2,309,325</u>	<u>\$ (137,474)</u>	<u>\$ 2,171,851</u>	<u>\$ 175,000</u>
<b>Business-type Activities:</b>					
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	\$1,370,000	\$ (65,000)	\$ 1,305,000	\$ 65,000
Compensated absences		38,224	860	39,084	-
Net OPEB obligation		3,023	4,854	7,877	-
Total Business-type Activities		<u>\$1,411,247</u>	<u>\$ (59,286)</u>	<u>\$ 1,351,961</u>	<u>\$ 65,000</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

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>
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	225,000	49,115	274,115	70,000	16,738	86,738
2016-2020	1,040,000	104,485	1,144,485	380,000	150,068	530,068
2021-2025	-	-	-	410,000	190,694	600,694
2026-2027	-	-	-	170,000	4,144	174,144
	<u>\$ 2,035,000</u>	<u>\$ 427,435</u>	<u>\$ 2,462,435</u>	<u>\$ 1,305,000</u>	<u>\$ 423,148</u>	<u>\$ 1,728,148</u>

The City has installment purchase contracts payable to West Shore Bank and Fifth Third Bank. The balance owed on these contracts as of December 31, 2010 is \$677,059. These liabilities were incurred for the purchase of a fire truck and equipment for the Western Mason County Fire Authority (a joint venture). The fire truck and equipment, as well as the corresponding liabilities, have been assigned to the Authority and are not included in the financial statements of the City.

### NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Receivables:</b>				
Property taxes	\$ 3,601,500	\$ -	\$ 3,601,500	\$ 105,743
Accounts	69,367	583,286	652,653	9,012
Special assessments	6,975	-	6,975	-
Notes	5,207	-	5,207	-
Accrued interest	5,453	6,671	12,124	168
Intergovernmental	<u>340,662</u>	<u>116,382</u>	<u>457,044</u>	<u>-</u>
Total receivables	<u>\$ 4,029,164</u>	<u>\$ 706,339</u>	<u>\$ 4,735,503</u>	<u>\$ 114,923</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts	\$ 147,392	\$ 76,753	\$ 224,145	\$ 10,668
Payroll liabilities	62,322	24,384	86,706	-
Deposits payable	8,510	5,400	13,910	-
Accrued interest	<u>32,735</u>	<u>-</u>	<u>32,735</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 250,959</u>	<u>\$ 106,537</u>	<u>\$ 357,496</u>	<u>\$ 10,668</u>

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED December 31, 2010

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### NOTE 10: INTERFUND BALANCES AND TRANSFERS

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There were no outstanding interfund receivable and payable balances at December 31, 2010.

The composition of interfund transfers at December 31, 2010 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
	W. Ludington Avenue Project Fund	44,030
	Local Street Fund	211,400
	Senior Center Fund	42,300
	Building Authority Bond Fund	251,950
Marina Fund	General Fund	671
Permanent Fund	General Fund	2,235
Nonmajor Governmental Funds		
Capital Improvements Fund	Local Street Fund	13,049
Site Assessment Fund	General Fund	<u>1,712</u>
	Total	<u>\$ 609,347</u>

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

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

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### NOTE 11: RISK MANAGEMENT

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

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

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### NOTE 12: EMPLOYEE RETIREMENT PLANS

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

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

All full-time employees, except policemen, are eligible to participate in the plan. Benefits vest after 10 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.5 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, 2009.

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

*Funding Policy* – The obligation to contribute to and maintain the system for these employees was established by negotiations with the City Council and personnel policy, which does not require employees to contribute to the plan. The City of Ludington is required to contribute at an actuarially determined rate; the current rate was 22.16 percent of eligible payroll based on the December 31, 2008 valuation.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

**Annual Pension Costs** – For year ended December 31, 2010, the City’s annual pension cost of \$438,611 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, 2008, 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>2010</u>	<u>2009</u>	<u>2008</u>
Annual pension cost	\$ 438,611	\$ 456,155	\$ 468,618
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

**Funded Status** – As of December 31, 2009, the most recent actuarial valuation date, the plan was 80 percent funded. The actuarial accrued liability for benefits was approximately \$15,900,000, and the actuarial value of assets was approximately \$12,800,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$3,100,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,900,000, and the ratio of the UAAL to the covered payroll was 165 percent.

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

### 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, 2009:

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

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

**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, 2010 were as follows:

	<i>Fair Value</i>
Cash and cash equivalents	\$ 148,404
Investments - mutual funds	<u>3,542,353</u>
	<u>\$ 3,690,757</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, 2010, the City made contributions of \$260,631 and the police employees contributed \$42,544.

Three year trend information as of December 31 follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual pension cost	\$ 260,631	\$ 253,829	\$ 247,904
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

**Funded Status** - As of December 31, 2009, the most recent actuarial valuation date, the plan was 65 percent funded. The actuarial accrued liability for benefits was approximately \$5,700,000, and the actuarial value of assets was approximately \$3,700,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$2,000,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$890,000, and the ratio of the UAAL to the covered payroll was 222 percent.

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

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

### **Deferred Compensation Plan:**

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

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

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### **NOTE 13: OTHER POSTEMPLOYMENT BENEFITS**

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**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 union 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. The benefit continues to the eligible surviving spouse. General non-union and SEIU union personnel, who retire with 20 or more years of service, will receive \$100 to \$200 per month. The City Clerk and Treasurer, who retire with 25 or more years of service, will receive a maximum paid benefit of \$250 per month for life, and continues to the eligible surviving spouse.

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 \$44,530.

**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.

**Annual Required Contribution Funding** – As of January 1, 2010, 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

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

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

For the year ended December 31, 2010:

Annual required contribution (recommended)	\$ 76,368
Interest on the prior year's net OPEB obligation	698
Less adjustment to the annual required contribution	<u>-</u>
Annual OPEB cost	77,066
Amounts contributed:	
Payments of current premiums	(44,530)
Advance funding	<u>-</u>
Increase in net OPEB obligation	32,536
OPEB obligation, beginning of year	<u>17,466</u>
OPEB obligation, end of year	<u><u>\$ 50,002</u></u>

The OPEB obligation is recorded as follows:

Governmental activities	\$ 42,125
Business-type activities	<u>7,877</u>
Total	<u><u>\$ 50,002</u></u>

**Funded Status** – As of January 1, 2010, the actuarial accrued liability for benefits was \$959,967, all of which was unfunded. The unfunded liability is approximately 36% of the current covered payroll of \$2,687,128. Because the plan is not being funded, the required schedule of funding progress immediately following the notes to the financial statements is not presented. The schedule of funding progress normally would present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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, 2010 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return. The UAAL, for purposes of calculating the annual required contribution (ARC), is being amortized as a level percent of payroll over 30 years.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

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### NOTE 14: PRIOR PERIOD ADJUSTMENT

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#### Change in Accounting Method:

Long-term receivables have previously been presented, in governmental funds, with an offsetting amount presented as deferred revenue under liabilities. Current generally accepted practice indicates that the long term receivables should be reported as reserved fund balance rather than as deferred revenue. The effect on beginning fund balance is as follows:

	<i>Fund Statements</i>		<i>Government- wide Statements</i>
	<i>1984</i>		
	<i>General Fund</i>	<i>Building Rehab Fund</i>	<i>Governmental Activities</i>
Fund balances/Net assets, December 31, 2009, previously stated	\$ 916,238	\$ 108,839	\$ 8,939,248
Add: Deferred revenue for long-term receivables	42,754	5,207	33,958
Fund balances/Net assets, December 31, 2009, restated	\$ 958,992	\$ 114,046	\$ 8,973,206

***REQUIRED SUPPLEMENTAL INFORMATION***

# CITY OF LUDINGTON

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## SCHEDULE OF PENSION PLANS FUNDING PROGRESS

Year Ended December 31, 2010

### *Schedule of Pension Plan Funding Progress - General:*

<u>Actuarial Valuation Date</u>	<u>12/31/09</u>	<u>12/31/08</u>	<u>12/31/07</u>
Actuarial Value of Assets	\$ 12,777,284	\$ 12,720,838	\$ 12,585,728
Actuarial Accrued Liability (AAL)	15,938,047	16,211,613	15,251,734
Unfunded AAL (UAAL)	3,160,763	3,490,775	2,666,006
Funded Ratio	80%	78%	83%
Covered Payroll	1,919,604	2,213,525	2,099,257
UAAL as a percentage of covered payroll	165%	158%	127%

### *Schedule of Pension Plan Funding Progress - Police:*

<u>Actuarial Valuation Date</u>	<u>12/31/09</u>	<u>12/31/08</u>	<u>12/31/07</u>
Actuarial Value of Assets	\$ 3,714,775	\$ 3,658,503	\$ 3,613,801
Actuarial Accrued Liability (AAL)	5,705,071	5,569,397	5,281,642
Unfunded AAL (UAAL)	1,990,296	1,910,894	1,667,841
Funded Ratio	65%	66%	68%
Covered Payroll	896,135	902,623	806,609
UAAL as a percentage of covered payroll	222%	212%	207%

GENERAL FUND

**BUDGETARY COMPARISON SCHEDULE**  
Year Ended December 31, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 3,673,900	\$ 3,695,400	\$ 3,699,088	\$ 3,688
Licenses and permits	73,800	94,100	94,197	97
Federal grants	17,000	-	-	-
State grants	684,800	727,300	730,875	3,575
Contributions from other units	42,300	62,300	69,343	7,043
Charges for services	455,400	519,400	502,295	(17,105)
Fines and forfeits	45,000	45,000	33,091	(11,909)
Interest and rents	28,100	28,100	31,675	3,575
Other revenue	93,300	674,900	676,877	1,977
	<u>5,113,600</u>	<u>5,846,500</u>	<u>5,837,441</u>	<u>(9,059)</u>
Total revenues				
<b>Expenditures:</b>				
Current				
General government				
Mayor and City Council	42,400	37,900	37,711	(189)
Manager	230,400	229,200	228,718	(482)
Clerk/General Accounting	253,200	262,800	262,050	(750)
Board of Review	2,800	2,800	2,252	(548)
Treasurer	141,400	136,900	136,595	(305)
Assessor and Building Inspection	183,700	169,800	169,746	(54)
Elections	22,000	26,500	26,490	(10)
Hall and Grounds	193,000	198,700	198,290	(410)
Attorney	65,000	57,600	57,525	(75)
Cemetery	172,200	168,800	168,704	(96)
Total general government	<u>1,306,100</u>	<u>1,291,000</u>	<u>1,288,081</u>	<u>(2,919)</u>
Public safety				
Police	1,321,800	1,320,800	1,317,718	(3,082)
Fire	173,100	171,800	171,690	(110)
Total public safety	<u>1,494,900</u>	<u>1,492,600</u>	<u>1,489,408</u>	<u>(3,192)</u>
Public works				
Department of Public Works	280,200	286,600	286,577	(23)
Sidewalk Construction	49,900	51,400	51,359	(41)
Street Lighting	130,000	162,000	161,901	(99)
Garbage and Rubbish	595,300	596,300	596,087	(213)
Total public works	<u>1,055,400</u>	<u>1,096,300</u>	<u>1,095,924</u>	<u>(376)</u>
Community and economic development				
Planning Commission	6,700	3,400	3,221	(179)
Economic and Community Development	88,500	85,200	84,976	(224)
Total community and economic development	<u>95,200</u>	<u>88,600</u>	<u>88,197</u>	<u>(403)</u>

continued

GENERAL FUND

**BUDGETARY COMPARISON SCHEDULE, CONTINUED**

Year Ended December 31, 2010

	<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	297,400	873,400	873,341	(59)
Launching Ramps	72,900	60,100	60,019	(81)
Total recreation and culture	370,300	933,500	933,360	(140)
Other				
Insurance and bonds	44,900	45,900	45,430	(470)
Total expenditures	4,366,800	4,947,900	4,940,400	(7,500)
Excess (deficiency) of revenues over expenditures	746,800	898,600	897,041	(1,559)
<b>Other financing sources (uses):</b>				
Transfers from other funds	1,300	1,300	4,618	3,318
Transfers to other funds	(547,700)	(592,700)	(591,680)	1,020
Net other financing sources (uses)	(546,400)	(591,400)	(587,062)	4,338
Net change in fund balance	200,400	307,200	309,979	2,779
Fund balance, beginning of year, restated	958,992	958,992	958,992	-
Fund balance, end of year	\$ 1,159,392	\$ 1,266,192	\$ 1,268,971	\$ 2,779

***SUPPLEMENTAL INFORMATION***

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended December 31, 2010

**Current Taxes:**

Property taxes	\$ 3,618,471
Fees, penalties and interest on taxes	40,048
Payment in lieu of taxes	40,569
	<u>3,699,088</u>

**Licenses and permits:**

Nonbusiness licenses and permits	23,533
CATV franchise fees	70,664
	<u>94,197</u>

**State Grants:**

Liquor license fees	11,095
State revenue sharing - sales tax	702,420
Police	2,985
Other	14,375
	<u>730,875</u>

**Contribution from other units:**

Downtown Development Authority - administrative expense	30,000
Ludington Area Schools - Resource officer	13,448
Other	25,895
	<u>69,343</u>

**Charges for services:**

Recreation fees	45,607
Cemetery fees	37,725
Police services and reports	17,486
Fire runs	20,801
Appeals fees	2,350
Other	30,354
Charges to other funds	347,972
	<u>502,295</u>

**Fines and forfeits:**

Parking fines	12,764
Ordinance fines	20,327
	<u>33,091</u>

**Interest and rents:**

Interest	28,575
Rents	3,100
	<u>31,675</u>

continued

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES, CONTINUED

Year Ended December 31, 2010

***Other Revenue:***

Special assessments	209
Cemetery lots/perpetual care	43,930
Contributions for recreation and culture	524,999
Contributions - other	5,971
Reimbursements	75,386
Special assessment for sidewalk construction	25,258
Commissions	616
Other	508
	<u>676,877</u>
Total revenues	<u>\$ 5,837,441</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended December 31, 2010

#### *General Government:*

##### *Mayor and Council:*

Personnel	\$	30,000
Fringe benefits		2,844
Contracted services		196
Telephone		2,400
Transportation		420
Conferences and workshops		1,227
Other		624
		<u>37,711</u>

##### *Manager:*

Personnel		132,656
Fringe benefits		73,559
Supplies		2,214
Contracted services		5,211
Telephone		1,969
Transportation		4,200
Dues and memberships		4,914
Conferences and workshops		1,985
Equipment rental		1,692
Other		318
		<u>228,718</u>

##### *Clerk/General Accounting:*

Personnel		122,568
Fringe benefits		72,876
Supplies		13,429
Contracted services		23,457
Telephone		3,202
Transportation		869
Dues and memberships		275
Conferences and workshops		1,457
Printing and publications		7,070
Equipment rental		15,228
Other		1,619
		<u>262,050</u>

##### *Board of Review:*

Personnel		1,520
Fringe benefits		148
Conferences and workshops		45
Printing and publications		476
Other		63
		<u>2,252</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2010

#### *General Government, continued:*

##### *Treasurer:*

Personnel	77,237
Fringe benefits	46,047
Supplies	1,963
Contracted services	5,887
Telephone	360
Mileage	282
Dues and memberships	100
Education and training	1,119
Equipment rental	3,595
Other	5
	<u>136,595</u>

##### *Assessor:*

Personnel	46,487
Fringe benefits	26,182
Supplies	3,043
Contracted services	35,611
Dues and memberships	180
Conferences and workshops	100
Equipment rental	19,367
	<u>130,970</u>

##### *Elections:*

Personnel	17,920
Fringe benefits	1,113
Supplies	6,690
Contracted services	767
	<u>26,490</u>

##### *Hall and Grounds:*

Personnel	56,572
Fringe benefits	31,381
Supplies	8,917
Contracted services	39,035
Telephone	496
Utilities	29,912
Repairs and maintenance	12,067
Equipment rental	19,910
	<u>198,290</u>

##### *Attorney:*

Contracted services	<u>57,525</u>
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# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2010

#### *General Government, continued:*

##### *Cemetery:*

Personnel	80,998
Fringe benefits	42,558
Supplies	7,578
Contracted services	4,691
Telephone	883
Dues and memberships	35
Conferences and workshops	336
Utilities	8,402
Repairs and maintenance	3,331
Equipment rental	19,892
	<u>168,704</u>
Total general government	<u>1,249,305</u>

#### *Public Safety:*

##### *Police:*

Personnel	896,261
Fringe benefits	282,668
Supplies	13,425
Contracted services	6,397
Telephone	6,969
Transportation	587
Dues and memberships	365
Conferences and workshops	9,518
Repairs and maintenance	2,784
Equipment rental	97,026
Other	1,718
	<u>1,317,718</u>

##### *Fire:*

Personnel	87,021
Fringe benefits	19,988
Supplies	6,447
Contracted services	31,058
Telephone	3,567
Transportation	187
Dues and memberships	205
Conferences and workshops	1,519
Utilities	9,134
Repairs and maintenance	7,918
Equipment rental	2,749
Other	1,897
	<u>171,690</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2010

#### ***Public Safety, continued:***

##### *Building Inspection:*

Personnel	19,525
Fringe benefits	4,533
Contracted services	14,718
	<u>38,776</u>

Total public safety 1,528,184

#### ***Public Works:***

##### *Department of Public Works:*

Personnel	128,358
Fringe benefits	79,611
Supplies	8,827
Contracted services	14,739
Telephone	953
Conferences and workshops	50
Printing and publications	388
Repairs and maintenance	1,039
Equipment rental	52,500
Other	112
	<u>286,577</u>

##### *Sidewalk Construction:*

Contracted services	<u>51,359</u>
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##### *Street Lighting:*

Utilities	<u>161,901</u>
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##### *Garbage and Rubbish:*

Personnel	58,001
Fringe benefits	32,842
Supplies	24,813
Contracted services	397,245
Printing and publications	686
Equipment rental	82,500
	<u>596,087</u>

Total public works 1,095,924

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

##### *Planning:*

Supplies	732
Contracted services	867
Dues and memberships	180
Printing and publications	1,442
	<u>3,221</u>

# CITY OF LUDINGTON

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended December 31, 2010

*Economic and Community Development:*

Personnel	43,165
Fringe benefits	23,825
Supplies	881
Contracted services	14,518
Telephone	495
Transportation	280
Dues and memberships	75
Conferences and workshops	220
Equipment rental	1,481
Other	36
	<u>84,976</u>
Total community and economic development	<u>88,197</u>

*Recreation and Culture:*

*Parks and Recreation:*

Personnel	104,047
Fringe benefits	54,863
Supplies	19,243
Contracted services	61,972
Mileage	50
Conferences and workshops	666
Utilities	41,744
Repairs and maintenance	18,080
Equipment rental	37,746
	<u>338,411</u>

*Launching Ramps:*

Personnel	21,872
Fringe benefits	11,122
Supplies	5,306
Contracted services	5,517
Telephone	320
Utilities	4,584
Repairs and maintenance	2,740
Equipment rental	8,558
	<u>60,019</u>

Total recreation and culture 398,430

*Other:*

Insurance and bonds	<u>45,430</u>
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*Capital Outlay:*

Recreation and culture	<u>534,930</u>
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Total expenditures \$ 4,940,400

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

December 31, 2010

	<i>Special Revenue Funds</i>				
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>	<i>Waterfront Playground Fund</i>
<b>Assets:</b>					
Cash and investments	\$ 391,768	\$ 337,074	\$ 70,969	\$ 44,347	\$ 12,140
Accounts receivable	67	-	-	-	3,679
Notes receivable	-	-	-	-	-
Accrued interest receivable	758	654	137	89	23
Due from other governmental units	65,754	23,559	6,000	-	-
Inventory	51,323	-	-	-	-
Prepaid expenditures	3,049	4,173	-	3,310	-
Total assets	<u>\$ 512,719</u>	<u>\$ 365,460</u>	<u>\$ 77,106</u>	<u>\$ 47,746</u>	<u>\$ 15,842</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 7,146	\$ 360	\$ 182	\$ 823	\$ 3,679
Accrued expenses	4,123	5,082	877	2,262	-
Deferred revenue	-	-	-	10,615	-
Total liabilities	<u>11,269</u>	<u>5,442</u>	<u>1,059</u>	<u>13,700</u>	<u>3,679</u>
<b>Fund balances:</b>					
Reserved for:					
Inventory	51,323	-	-	-	-
Prepaid expenditures	3,049	4,173	-	3,310	-
Long-term receivables	-	-	-	-	-
Nonexpendable cemetery principal	-	-	-	-	-
Unreserved:					
Special revenue funds	447,078	355,845	76,047	30,736	12,163
Debt service fund	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total fund balances	<u>501,450</u>	<u>360,018</u>	<u>76,047</u>	<u>34,046</u>	<u>12,163</u>
Total liabilities and fund balances	<u>\$ 512,719</u>	<u>\$ 365,460</u>	<u>\$ 77,106</u>	<u>\$ 47,746</u>	<u>\$ 15,842</u>

<u>Special Revenue Funds</u>		<i>Debt Service Fund</i>	<u>Capital Projects Funds</u>					
<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>	<i>Subtotal</i>	
\$ 446	\$ -	\$ 2	\$ (73,948)	\$ 52,939	\$ -	\$ 93,912	\$ 929,649	
-	-	-	-	-	-	-	3,746	
-	-	-	-	5,207	-	-	5,207	
1	-	-	-	-	-	-	1,662	
-	-	-	74,423	36,705	-	-	206,441	
-	-	-	-	-	-	-	51,323	
-	-	-	-	-	-	-	10,532	
<u>\$ 447</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 475</u>	<u>\$ 94,851</u>	<u>\$ -</u>	<u>\$ 93,912</u>	<u>\$ 1,208,560</u>	
\$ -	\$ -	\$ -	\$ 475	\$ -	\$ -	\$ 313	\$ 12,978	
-	-	-	-	-	-	-	12,344	
-	-	-	-	-	-	-	10,615	
-	-	-	475	-	-	313	35,937	
-	-	-	-	-	-	-	51,323	
-	-	-	-	-	-	-	10,532	
-	-	-	-	5,207	-	-	5,207	
-	-	-	-	-	-	-	-	
447	-	-	-	-	-	-	922,316	
-	-	2	-	-	-	-	2	
-	-	-	-	89,644	-	93,599	183,243	
<u>447</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>94,851</u>	<u>-</u>	<u>93,599</u>	<u>1,172,623</u>	
<u>\$ 447</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 475</u>	<u>\$ 94,851</u>	<u>\$ -</u>	<u>\$ 93,912</u>	<u>\$ 1,208,560</u>	

continued

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET, CONTINUED

December 31, 2010

	<u>Permanent Fund</u>		<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Assets:</b>				
Cash and investments	\$ 254,339	\$		1,183,988
Accounts receivable	-			3,746
Notes receivable	-			5,207
Accrued interest receivable	490			2,152
Due from other governmental units	-			206,441
Inventory	-			51,323
Prepaid expenditures	-			10,532
	<u>254,829</u>			<u>1,463,389</u>
Total assets	<u>\$ 254,829</u>	\$		<u>\$ 1,463,389</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$		12,978
Accrued expenses	-			12,344
Deferred revenue	-			10,615
	<u>-</u>			<u>35,937</u>
Total liabilities	<u>-</u>			<u>35,937</u>
<b>Fund balances:</b>				
Reserved for:				
Inventory	-			51,323
Prepaid expenditures	-			10,532
Long-term receivables	-			5,207
Nonexpendable cemetery principal	254,829			254,829
Unreserved:				
Special revenue funds	-			922,316
Debt service fund	-			2
Capital projects funds	-			183,243
	<u>254,829</u>			<u>1,427,452</u>
Total fund balances	<u>254,829</u>			<u>1,427,452</u>
Total liabilities and fund balances	<u>\$ 254,829</u>	\$		<u>\$ 1,463,389</u>

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Year Ended December 31, 2010

	<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>
<b>Revenues:</b>						
Federal grants	\$ 171,252	\$ -	\$ -	\$ 11,756	\$ -	\$ -
State grants	415,612	201,827	-	917	-	-
Contributions from other units	-	-	42,113	86,594	-	1,300
Charges for services	-	-	53,735	3,728	-	-
Interest and rents	3,561	3,420	755	564	141	11
Other revenue	692	-	12,229	12,550	-	100
Total revenues	<u>591,117</u>	<u>205,247</u>	<u>108,832</u>	<u>116,109</u>	<u>141</u>	<u>1,411</u>
<b>Expenditures:</b>						
Current						
Public works	246,726	266,060	-	-	-	-
Health and welfare	-	-	-	146,663	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	150,026	-	11,818	1,924
Capital outlay	245,236	105,653	2,500	600	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-
Total expenditures	<u>491,962</u>	<u>371,713</u>	<u>152,526</u>	<u>147,263</u>	<u>11,818</u>	<u>1,924</u>
Excess (deficiency) of revenues over expenditures	<u>99,155</u>	<u>(166,466)</u>	<u>(43,694)</u>	<u>(31,154)</u>	<u>(11,677)</u>	<u>(513)</u>
<b>Other financing sources (uses):</b>						
Transfers from other funds	-	224,449	42,000	42,300	-	-
Transfers to other funds	-	-	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>224,449</u>	<u>42,000</u>	<u>42,300</u>	<u>-</u>	<u>-</u>
Net change in fund balances	99,155	57,983	(1,694)	11,146	(11,677)	(513)
Fund balances, beginning of year, restated	<u>402,295</u>	<u>302,035</u>	<u>77,741</u>	<u>22,900</u>	<u>23,840</u>	<u>960</u>
Fund balances, end of year	<u>\$ 501,450</u>	<u>\$ 360,018</u>	<u>\$ 76,047</u>	<u>\$ 34,046</u>	<u>\$ 12,163</u>	<u>\$ 447</u>

<i>Special Revenue Fund</i>	<i>Debt Service Fund</i>	<i>Capital Projects Funds</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>Subtotal</i>
\$ -	\$ -	\$ -	\$ 308,592	\$ -	\$ 491,600
-	-	138,710	-	-	757,066
-	-	-	-	-	130,007
-	-	-	-	-	57,463
1	-	-	-	(49)	8,404
-	-	-	-	-	25,571
<u>1</u>	<u>-</u>	<u>138,710</u>	<u>308,592</u>	<u>(49)</u>	<u>1,470,111</u>
-	-	-	-	-	512,786
-	-	-	-	-	146,663
13,189	-	-	327,787	-	340,976
-	-	-	-	-	163,768
-	-	186,159	-	-	540,148
-	165,000	-	-	-	165,000
-	86,950	-	-	-	86,950
<u>13,189</u>	<u>251,950</u>	<u>186,159</u>	<u>327,787</u>	<u>-</u>	<u>1,956,291</u>
<u>(13,188)</u>	<u>(251,950)</u>	<u>(47,449)</u>	<u>(19,195)</u>	<u>(49)</u>	<u>(486,180)</u>
-	251,950	44,030	-	-	604,729
<u>(1,712)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,049)</u>	<u>(14,761)</u>
<u>(1,712)</u>	<u>251,950</u>	<u>44,030</u>	<u>-</u>	<u>(13,049)</u>	<u>589,968</u>
<u>(14,900)</u>	<u>-</u>	<u>(3,419)</u>	<u>(19,195)</u>	<u>(13,098)</u>	<u>103,788</u>
<u>14,900</u>	<u>2</u>	<u>3,419</u>	<u>114,046</u>	<u>13,098</u>	<u>975,236</u>
<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 94,851</u>	<u>\$ -</u>	<u>\$ 1,079,024</u>

continued

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended December 31, 2010

	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
	<u>Watchcase Contamination Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Federal grants	\$ -	\$ -	\$ 491,600
State grants	-	-	757,066
Contributions from other units	-	-	130,007
Charges for services	-	-	57,463
Interest and rents	1	2,235	10,640
Other revenue	-	2,480	28,051
Total revenues	<u>1</u>	<u>4,715</u>	<u>1,474,827</u>
<b>Expenditures:</b>			
Current			
Public works	-	-	512,786
Health and welfare	-	-	146,663
Community and economic development	41,604	-	382,580
Recreation and culture	-	-	163,768
Capital outlay	-	-	540,148
Debt service			
Principal	-	-	165,000
Interest and fees	-	-	86,950
Total expenditures	<u>41,604</u>	<u>-</u>	<u>1,997,895</u>
Excess (deficiency) of revenues over expenditures	<u>(41,603)</u>	<u>4,715</u>	<u>(523,068)</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	-	-	604,729
Transfers to other funds	-	(2,235)	(16,996)
Total other financing sources (uses)	<u>-</u>	<u>(2,235)</u>	<u>587,733</u>
Net change in fund balances	(41,603)	2,480	64,665
Fund balances, beginning of year, restated	<u>135,202</u>	<u>252,349</u>	<u>1,362,787</u>
Fund balances, end of year	<u>\$ 93,599</u>	<u>\$ 254,829</u>	<u>\$ 1,427,452</u>

# CITY OF LUDINGTON

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## INTERNAL SERVICE FUNDS

### COMBINING STATEMENT OF NET ASSETS

December 31, 2010

	<u>Motor Pool</u> <u>Fund</u>	<u>Technology</u> <u>Fund</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and investments	\$ 450,195	\$ -	\$ 450,195
Accounts receivable	8,897	-	8,897
Accrued interest receivable	876	-	876
Due from other governmental units	989	-	989
Inventory	68,109	-	68,109
Prepaid expenses	45,312	2,609	47,921
Total current assets	<u>574,378</u>	<u>2,609</u>	<u>576,987</u>
<b>Noncurrent assets:</b>			
Capital assets:			
Nondepreciable capital assets	4,250	-	4,250
Depreciable capital assets, net	<u>3,128,435</u>	<u>22,030</u>	<u>3,150,465</u>
Total noncurrent assets	<u>3,132,685</u>	<u>22,030</u>	<u>3,154,715</u>
Total assets	<u>3,707,063</u>	<u>24,639</u>	<u>3,731,702</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	11,678	2,287	13,965
Accrued expenses	<u>4,682</u>	<u>-</u>	<u>4,682</u>
Total current liabilities	<u>16,360</u>	<u>2,287</u>	<u>18,647</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable	<u>7,078</u>	<u>-</u>	<u>7,078</u>
Total liabilities	<u>23,438</u>	<u>2,287</u>	<u>25,725</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,132,685	22,030	3,154,715
Unrestricted	<u>550,940</u>	<u>322</u>	<u>551,262</u>
Total net assets	<u>\$ 3,683,625</u>	<u>\$ 22,352</u>	<u>\$ 3,705,977</u>

# CITY OF LUDINGTON

## INTERNAL SERVICE FUNDS

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

Year Ended December 31, 2010

	<i>Motor Pool</i>	<i>Technology</i>	<i>Total</i>
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Equipment rental - interfund charges	\$ 509,550	\$ 82,407	\$ 591,957
Other	120,265	-	120,265
Total operating revenues	<u>629,815</u>	<u>82,407</u>	<u>712,222</u>
<b>Operating expenses:</b>			
Personnel	165,862	-	165,862
Fringe benefits	90,875	-	90,875
Supplies	228,374	9,245	237,619
Contracted services	9,616	55,042	64,658
Administrative expense	53,500	-	53,500
Telephone	2,341	-	2,341
Insurance	66,252	-	66,252
Utilities	37,297	-	37,297
Repairs and maintenance	121,775	-	121,775
Equipment rental	6,451	-	6,451
Other services and supplies	1,781	7,119	8,900
Depreciation	223,021	8,016	231,037
Total operating expenses	<u>1,007,145</u>	<u>79,422</u>	<u>1,086,567</u>
Operating income (loss)	<u>(377,330)</u>	<u>2,985</u>	<u>(374,345)</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	3,612	-	3,612
Gain (loss) on sale of capital assets	775	-	775
Net non-operating revenues	<u>4,387</u>	<u>-</u>	<u>4,387</u>
Net income (loss) before capital contribution	(372,943)	2,985	(369,958)
<b>Contribution to other government</b>	(185,000)	-	(185,000)
<b>Capital contribution - federal grant</b>	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Net income (loss)	(372,943)	2,985	(369,958)
Net assets, beginning of year	<u>4,056,568</u>	<u>19,367</u>	<u>4,075,935</u>
Net assets, end of year	<u>\$ 3,683,625</u>	<u>\$ 22,352</u>	<u>\$ 3,705,977</u>

# CITY OF LUDINGTON

## INTERNAL SERVICE FUNDS

### COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

	<u>Motor Pool</u> <u>Fund</u>	<u>Technology</u> <u>Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 120,172	\$ -	\$ 120,172
Cash received from interfund services	509,550	82,407	591,957
Cash payments to employees	(165,720)	-	(165,720)
Cash payments to suppliers for goods and services	(620,197)	(82,514)	(702,711)
Net cash used by operating activities	<u>(156,195)</u>	<u>(107)</u>	<u>(156,302)</u>
<b>Cash flows from capital and related financing activities:</b>			
Contribution to other government	(185,000)	-	(185,000)
Capital contribution - federal grant	185,000	-	185,000
Proceeds from disposal of capital assets	6,000	-	6,000
Net cash provided by capital and related financing activities	<u>6,000</u>	<u>-</u>	<u>6,000</u>
<b>Cash flows from investing activities:</b>			
Interest received	5,699	-	5,699
Net decrease in cash and investments	(144,496)	(107)	(144,603)
Cash and investments, beginning of year	594,691	107	594,798
Cash and investments, end of year	<u>\$ 450,195</u>	<u>\$ -</u>	<u>\$ 450,195</u>
<b>Reconciliation of operating income (loss) to net cash used</b>			
<b>by operating activities:</b>			
Operating income (loss)	\$ (377,330)	\$ 2,985	\$ (374,345)
Adjustments:			
Depreciation	223,021	8,016	231,037
Change in assets and liabilities:			
Accounts receivable	(160)	-	(160)
Due from other governmental units	67	-	67
Inventory	26,652	-	26,652
Prepaid expenses	(5,190)	(2,404)	(7,594)
Accounts payable	(23,397)	(8,704)	(32,101)
Accrued expenses	(401)	-	(401)
Compensated absences payable	543	-	543
Net cash used by operating activities	<u>\$ (156,195)</u>	<u>\$ (107)</u>	<u>\$ (156,302)</u>

# CITY OF LUDINGTON

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## COMPONENT UNIT

### BALANCE SHEET

December 31, 2010

	<i><u>Downtown Development Authority</u></i>
<b>Assets:</b>	
Cash and investments	\$ 87,508
Taxes receivable	105,743
Accounts receivable	9,012
Accrued interest receivable	168
Prepaid expenditures	<u>243</u>
Total assets	<u>\$ 202,674</u>
<b>Liabilities and Fund Balance:</b>	
<i>Liabilities:</i>	
Accounts payable	\$ 10,668
Deferred revenue	<u>105,743</u>
Total liabilities	<u>116,411</u>
<i>Fund balance:</i>	
Unreserved	<u>86,263</u>
Total liabilities and fund balance	<u>\$ 202,674</u>

### RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS

<b>Fund balance for component unit</b>	<b>\$ 86,263</b>
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>(6,278)</u> <u>22,537</u>
<b>Net assets of component unit reported in the government-wide statements</b>	<b><u>\$ 108,800</u></b>

# CITY OF LUDINGTON

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## COMPONENT UNIT

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

Year Ended December 31, 2010

	<i><u>Downtown Development Authority</u></i>
<b>Revenues:</b>	
Property taxes	\$ 108,359
Interest and rents	1,243
Other revenue	<u>32,915</u>
Total revenues	<u>142,517</u>
<b>Expenditures:</b>	
Current	
Community and economic development	82,326
Capital outlay	<u>34,057</u>
Total expenditures	<u>116,383</u>
Net change in fund balance	26,134
Fund balance, beginning of year	<u>60,129</u>
Fund balance, end of year	<u><u>\$ 86,263</u></u>

#### RECONCILIATION OF CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

**Net change in fund balance - fund statement** \$ 26,134

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	-	
Less depreciation expense	<u>(5,293)</u>	<u>(5,293)</u>
<b>Change in net assets of component unit reported in the government-wide</b>		<u><u>\$ 20,841</u></u>

# CITY OF LUDINGTON

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## FIDUCIARY FUNDS – AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended December 31, 2010

	<u>January 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2010</u>
<b><u>Tax Collection Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,899,893	\$ 11,943,953	\$ 12,041,167	\$ 3,802,679
<b>Liabilities:</b>				
Undistributed tax collections	\$ 3,899,893	\$ 11,943,953	\$ 12,041,167	\$ 3,802,679
<b><u>Transportation Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,000	\$ -	\$ -	\$ 2,000
<b>Liabilities:</b>				
Accounts payable	\$ 2,000	\$ -	\$ -	\$ 2,000
<b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,901,893	\$ 11,943,953	\$ 12,041,167	\$ 3,804,679
<b>Liabilities:</b>				
Accounts payable	\$ 2,000	\$ -	\$ -	\$ 2,000
Undistributed tax collections	3,899,893	11,943,953	12,041,167	3,802,679
	<u>\$ 3,901,893</u>	<u>\$ 11,943,953</u>	<u>\$ 12,041,167</u>	<u>\$ 3,804,679</u>

# CITY OF LUDINGTON

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

December 31, 2010

#### BUILDING AUTHORITY BONDS, SERIES 2000

Issue in the amount of	\$	2,700,000
Less:		
Principal paid in prior years		(2,555,000)
Principal paid in current year		<u>(145,000)</u>
Balance payable at December 31, 2010	\$	<u><u>-</u></u>

#### 2005 BUILDING AUTHORITY REFUNDING BONDS

Issue in the amount of	\$	2,135,000
Less:		
Principal paid in prior years		(80,000)
Principal paid in current year		<u>(20,000)</u>
Balance payable at December 31, 2010	\$	<u><u>2,035,000</u></u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Interest due</u></i> <i><u>February 1</u></i>	<i><u>Interest due</u></i> <i><u>August 1</u></i>	<i><u>Principal due</u></i> <i><u>August 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
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><u>213,717</u></u>	\$ <u><u>213,718</u></u>	\$ <u><u>2,035,000</u></u>	\$ <u><u>2,462,435</u></u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

December 31, 2010

#### 2007 SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS

Issue in the amount of	\$ 1,500,000
Less: Principal paid in prior years	(130,000)
Principal paid in current year	<u>(65,000)</u>
Balance payable at December 31, 2010	<u>\$ 1,305,000</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Interest due</i> <i>April 1</i>	<i>Interest due</i> <i>October 1</i>	<i>Principal due</i> <i>October 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
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>\$ 99,491</u>	<u>\$ 99,491</u>	<u>\$ 1,305,000</u>	<u>\$ 1,503,982</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, 2010, and have issued our report thereon dated March 31, 2011. 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*.

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

This report is intended solely for the information and use of management, the City Council, federal awarding agencies and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Berthiaume & Co.*

Saginaw, Michigan  
March 31, 2011