

CITY OF LUDINGTON

Mason County, Michigan

FINANCIAL STATEMENTS

December 31, 2018

CITY OF LUDINGTON

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ludington as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle and Emphasis of Matter

During the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 through 10), schedules of changes in the City's General (MERS) and the City's Police net pension liability and related ratios (pages 61 and 62), schedules of City and City Police pension contributions (pages 63 and 64), schedule of changes in the City's net OPEB liability and related ratios (page 65), schedule of City OPEB contributions (page 66), and budgetary comparison information (pages 67 and 68) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ludington's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019 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* in considering the City of Ludington's internal control over financial reporting and compliance.

Berthiaume & Co.

Saginaw, Michigan
April 16, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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, 2018. 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 City's combined total net position is reported as \$31,139,347 for the year ended December 31, 2018, compared to \$29,595,529 for the year ended December 31, 2017.
- In the City's governmental activities, revenues generated were \$7,983,635 while expenses totaled \$7,343,119.
- In the City's business-type activities, revenues generated were \$6,362,119 while expenses totaled \$5,172,039.
- Total net position increased by \$2,344,473.

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 supplementary information and other supplementary 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, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets, liabilities, and deferred outflows and inflows, with the difference between these reported as net position. The *statement of activities* presents all of the City's revenues and expenses and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the City of Ludington are divided into two categories:

Governmental Activities – Most of the City's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

Business-type Activities – The City charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include water treatment and distribution, wastewater collection and treatment, marina and Cartier park campground.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate entity of the *Downtown Development Authority* for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. 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 has three types of funds:

Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The City maintains thirteen (13) individual governmental funds. Separate information is presented for the General Fund, which is considered a "major" fund. Data from the other twelve (12) governmental funds, considered to be "nonmajor" 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. Budgetary comparison statements have been provided for major governmental funds to demonstrate compliance with those budgets.

Proprietary Funds – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The City's enterprise funds are the Sewer Fund, Water Fund, Marina Fund, and Cartier Park Campground Fund.
- Internal service funds are used to report activities that provide supplies and services to the City's other programs. The City's internal service funds are the Motor Pool Fund and Technology Fund.

Fiduciary Funds – Fiduciary funds are used to account for the resources held in a fiduciary capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the 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 supplementary information concerning the City. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information.

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

CITY OF LUDINGTON AS A WHOLE:

The City's total combined net position for the year ended December 31, 2018 is \$31,139,347, consisting of \$11,567,627 in governmental activities and \$19,571,720 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is a deficit \$2,972,092. Governmental activities unrestricted total is a deficit \$3,745,142, while business-type activities is a positive \$773,050.

The following table shows comparisons of total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources, and total net position in a condensed format for the government-wide net position at December 31, 2018 and 2017:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current assets	\$ 9,881,297	\$ 8,984,692	\$ 4,248,558	\$ 4,788,247	\$ 14,129,855	\$ 13,772,939
Noncurrent assets:						
Restricted assets	-	-	1,493,187	1,296,578	1,493,187	1,296,578
Capital assets, net	<u>14,591,101</u>	<u>13,586,382</u>	<u>34,268,183</u>	<u>28,608,294</u>	<u>48,859,284</u>	<u>42,194,676</u>
Total assets	<u>24,472,398</u>	<u>22,571,074</u>	<u>40,009,928</u>	<u>34,693,119</u>	<u>64,482,326</u>	<u>57,264,193</u>
Deferred outflows of resources	<u>1,078,163</u>	<u>311,044</u>	<u>491,411</u>	<u>113,605</u>	<u>1,569,574</u>	<u>424,649</u>
Liabilities:						
Other liabilities	798,769	410,190	534,714	1,482,253	1,333,483	1,892,443
Long-term liabilities	<u>8,689,555</u>	<u>6,594,492</u>	<u>20,359,218</u>	<u>14,698,955</u>	<u>29,048,773</u>	<u>21,293,447</u>
Total liabilities	<u>9,488,324</u>	<u>7,004,682</u>	<u>20,893,932</u>	<u>16,181,208</u>	<u>30,382,256</u>	<u>23,185,890</u>
Deferred inflows of resources	<u>4,494,610</u>	<u>4,878,488</u>	<u>35,687</u>	<u>28,935</u>	<u>4,530,297</u>	<u>4,907,423</u>
Net position:						
Net investment in capital assets	13,726,417	13,035,267	17,305,483	16,525,013	31,031,900	29,560,280
Restricted	1,586,352	1,087,389	1,493,187	1,296,578	3,079,539	2,383,967
Unrestricted (deficit)	<u>(3,745,142)</u>	<u>(3,123,708)</u>	<u>773,050</u>	<u>774,990</u>	<u>(2,972,092)</u>	<u>(2,348,718)</u>
Total net position	<u>\$ 11,567,627</u>	<u>\$ 10,998,948</u>	<u>\$ 19,571,720</u>	<u>\$ 18,596,581</u>	<u>\$ 31,139,347</u>	<u>\$ 29,595,529</u>

During the current year, the City's combined total net position increased by \$2,344,473 from the prior year balance as restated. Governmental activities increased by \$1,154,393 while business-type activities increased by \$1,190,080.

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

The following table shows comparison of the change in net position in a condensed format for the years ended December 31, 2018 and 2017:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues						
Charges for services	\$ 819,475	\$ 807,737	\$ 5,646,769	\$ 5,029,112	\$ 6,466,244	\$ 5,836,849
Operating grants	1,536,891	1,217,519	2,244	585	1,539,135	1,218,104
Capital grants	-	74,590	515,484	1,081,046	515,484	1,155,636
General revenues						
Property taxes	3,762,033	3,847,372	-	-	3,762,033	3,847,372
Franchise fees	85,271	85,674	-	-	85,271	85,674
State revenue sharing	1,581,181	1,072,870	-	-	1,581,181	1,072,870
Investment earnings	101,416	40,311	65,480	26,816	166,896	67,127
Other	97,368	130,865	132,142	5,479	229,510	136,344
Total revenues	<u>7,983,635</u>	<u>7,276,938</u>	<u>6,362,119</u>	<u>6,143,038</u>	<u>14,345,754</u>	<u>13,419,976</u>
Expenses:						
General government	1,567,234	1,070,966	-	-	1,567,234	1,070,966
Public safety	1,896,802	1,798,417	-	-	1,896,802	1,798,417
Public works	2,724,954	2,217,631	-	-	2,724,954	2,217,631
Health and welfare	204,349	170,349	-	-	204,349	170,349
Community and economic development	139,037	96,485	-	-	139,037	96,485
Recreation and culture	780,782	773,518	-	-	780,782	773,518
Interest on long-term debt	29,961	34,467	-	-	29,961	34,467
Sewer	-	-	1,755,348	1,399,447	1,755,348	1,399,447
Water	-	-	2,301,258	1,654,120	2,301,258	1,654,120
Marina	-	-	873,600	718,788	873,600	718,788
Cartier Park Campground	-	-	241,833	218,747	241,833	218,747
Total expenses	<u>7,343,119</u>	<u>6,161,833</u>	<u>5,172,039</u>	<u>3,991,102</u>	<u>12,515,158</u>	<u>10,152,935</u>
Excess of revenues over expenses before other	<u>640,516</u>	<u>1,115,105</u>	<u>1,190,080</u>	<u>2,151,936</u>	<u>1,830,596</u>	<u>3,267,041</u>
Other items:						
Sale of capital assets	<u>513,877</u>	<u>37,981</u>	<u>-</u>	<u>-</u>	<u>513,877</u>	<u>37,981</u>
Changes in net position	<u>1,154,393</u>	<u>1,153,086</u>	<u>1,190,080</u>	<u>2,151,936</u>	<u>2,344,473</u>	<u>3,305,022</u>
Net position, beginning of year, restated	<u>10,413,234</u> *	<u>9,845,862</u>	<u>18,381,640</u> *	<u>16,444,645</u>	<u>28,794,874</u>	<u>26,290,507</u>
Net position, end of year	<u>\$11,567,627</u>	<u>\$10,998,948</u>	<u>\$19,571,720</u>	<u>\$18,596,581</u>	<u>\$31,139,347</u>	<u>\$29,595,529</u>

* Restated for GASB Statement No. 75. See Note 17

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

CITY OF LUDINGTON'S FUNDS:

Presentation of the City of Ludington's major fund and nonmajor funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the City's largest governmental fund and the only governmental fund that is considered a major fund. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended December 31, 2018, General Fund financing sources exceeded its financing uses by \$488,664, increasing its ending fund balance to \$2,429,736.

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a decrease in fund balance of \$68,200. During the year, the City made budget amendments that changed the projection to a net increase in fund balance of \$273,400. The actual results for the year yielded a net increase in fund balance of \$488,664.

Significant revenue changes from the original budgeted figures are as follows:

- Local Stabilization Grant Income was \$426,400 higher than budgeted.
- Interest income was \$45,400 more than budgeted.
- Cemetery grave openings and foundation sales increased \$30,500.
- MMRMA insurance reimbursement received was \$74,100 and was not budgeted.
- State Revenue Sharing received was \$58,000 higher than budgeted.

Significant expenditure changes from the original budgeted figures are as follows:

- The City spent \$14,860 on a compensation study for the nonunion supervisory staff.
- The City spent \$20,100 more in legal services for the bowling alley block development, proposed PILT for the Depot Building and for work on the FASTLane grant.
- The City spent \$13,017 in repairs to the salt barn, rifle range, and elevator at City hall.
- Personnel changes in the Treasurer office resulted in an increase in expenditures of \$45,000.

Capital Assets and Debt Administration:

At December 31, 2018, the City of Ludington had \$48,859,284 invested in capital assets including land, buildings, equipment, land improvements, water and sewer lines and other infrastructure, net of accumulated depreciation. At December 31, 2017, this total was \$42,194,676. Additional information about the City's capital assets is presented in Note 1 and Note 6 of the Notes to the Financial Statements.

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

At December 31, 2018, the City of Ludington's total long-term indebtedness (not including liabilities for compensated absences payable, net pension liability, and net OPEB liability) was \$17,827,384, of which \$864,684 was backed by the full faith and credit of the City and the remaining \$16,962,700 is backed solely by specified revenue sources. Additional information about the City's indebtedness is presented in Note 7 of the Notes to the Financial Statements.

Economic Factors:

The City continues to maintain positive fund balances in each of its funds. Property values have begun to rise again but the need to replace old and worn out infrastructure and the rising cost of pensions and healthcare will continue to present significant budgetary challenges.

The City has approved a budget for 2019 where the City is expected to spend \$648,800 of its fund balance in the General Fund. Using these funds from the City's fund balance, the City will still maintain 26.4% fund balance (25% fund balance is the City's goal) in the General Fund for 2019. In 2020, the fund balance is budgeted to be 27.3% of the General Fund expenditures. The City has again completed a three-year financial projection through the year 2021 to monitor the effects of the economy on the revenues and expenditures of its major funds, as well as to identify trends that could impact the City's operations. The projections reflect that the General Fund's ability to contribute to infrastructure projects, such as repaving local streets, has been significantly impacted. It should be noted that the bonds to construct City Hall will be paid off in 2019, which will free up about \$296,400 in the General Fund that can be used toward other expenditures.

The City has issued USDA Rural Development bonds in 2017 and 2018 and will continue to do so in 2019 in the approximate amount of \$40.7 million to finance the cost of upgrades to the water and sewer mains along with replacing curbs and streets over these mains. There will also be upgrades to the water treatment plant and wastewater treatment plant pursuant to the requirement of the Michigan Department of Environmental Quality (MDEQ). In order to repay these bonds, the City has and will continue to increase the water and sewer rates and readiness-to-serve charges to cover operating expenses, capital expenses, debt service and depreciation expenses. A comprehensive water and sewer rate study will be undertaken in the next year to address our future utility rate structure.

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 Deborah Luskin, City Clerk, 400 S. Harrison Street, Ludington, Michigan 49431.

BASIC FINANCIAL STATEMENTS

CITY OF LUDINGTON

STATEMENT OF NET POSITION

December 31, 2018

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 1,992,496	\$ 2,862,711	\$ 4,855,207	\$ 201,266
Investments	2,692,134	-	2,692,134	-
Receivables	4,492,173	1,403,073	5,895,246	118,227
Internal balances	322,639	(322,639)	-	-
Inventory	155,183	228,466	383,649	-
Prepaid expenses	226,672	76,947	303,619	4,280
Restricted cash and cash equivalents	-	1,493,187	1,493,187	-
Capital assets not being depreciated	213,254	3,661,274	3,874,528	32,916
Capital assets being depreciated, net	<u>14,377,847</u>	<u>30,606,909</u>	<u>44,984,756</u>	<u>23,367</u>
Total assets	<u>24,472,398</u>	<u>40,009,928</u>	<u>64,482,326</u>	<u>380,056</u>
Deferred outflows of resources:				
Related to pension - General (MERS)	718,114	491,411	1,209,525	-
Related to pension - Police	<u>360,049</u>	<u>-</u>	<u>360,049</u>	<u>-</u>
	<u>1,078,163</u>	<u>491,411</u>	<u>1,569,574</u>	<u>-</u>
Liabilities:				
Accounts payable and accrued expenses	686,913	441,967	1,128,880	12,699
Unearned revenue	111,856	92,747	204,603	3,376
Long-term liabilities:				
Due within one year				
Current portion of long-term debt	325,102	390,000	715,102	-
Long-term liabilities:				
Long-term debt	539,582	16,572,700	17,112,282	-
Compensated absences payable	115,562	50,137	165,699	-
Net pension liability - General (MERS)	4,825,793	3,115,044	7,940,837	-
Net pension liability - Police	2,063,322	-	2,063,322	-
Net OPEB liability	<u>820,194</u>	<u>231,337</u>	<u>1,051,531</u>	<u>-</u>
Total liabilities	<u>9,488,324</u>	<u>20,893,932</u>	<u>30,382,256</u>	<u>16,075</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,154,481	-	4,154,481	121,670
Related to pension - General (MERS)	52,356	35,687	88,043	-
Related to pension - Police	<u>287,773</u>	<u>-</u>	<u>287,773</u>	<u>-</u>
Total deferred inflow of resources	<u>4,494,610</u>	<u>35,687</u>	<u>4,530,297</u>	<u>121,670</u>

continued

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

CITY OF LUDINGTON

STATEMENT OF NET POSITION, CONTINUED

December 31, 2018

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Net position:				
Net investment in capital assets	13,726,417	17,305,483	31,031,900	56,283
Restricted for:				
Bond and RRI reserve	-	381,922	381,922	-
Capital projects	11,651	-	11,651	-
Construction code activities	6,101	-	6,101	-
Debt service	2	-	2	-
Equipment replacement and other reserves	-	1,111,265	1,111,265	-
Senior center activities	53,566	-	53,566	-
Streets	1,515,032	-	1,515,032	-
Unrestricted (deficit)	<u>(3,745,142)</u>	<u>773,050</u>	<u>(2,972,092)</u>	<u>186,028</u>
Total net position	<u>\$ 11,567,627</u>	<u>\$ 19,571,720</u>	<u>\$ 31,139,347</u>	<u>\$ 242,311</u>

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

CITY OF LUDINGTON

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 1,567,234	\$ 317,612	\$ -	\$ -	\$ (1,249,622)
Public safety	1,896,802	148,342	104,774	-	(1,643,686)
Public works	2,724,954	227,578	1,167,142	-	(1,330,234)
Health and welfare	204,349	20,427	187,543	-	3,621
Community and economic development	139,037	2,980	31,289	-	(104,768)
Recreation and culture	780,782	102,536	46,143	-	(632,103)
Interest on long-term debt	29,961	-	-	-	(29,961)
Total governmental activities	<u>7,343,119</u>	<u>819,475</u>	<u>1,536,891</u>	<u>-</u>	<u>(4,986,753)</u>
<i>Business-type activities:</i>					
Sewer	1,755,348	2,203,209	-	220,518	668,379
Water	2,301,258	2,354,271	-	294,966	347,979
Marina	873,600	817,416	-	-	(56,184)
Cartier Park Campground	241,833	271,873	2,244	-	32,284
Total business-type activities	<u>5,172,039</u>	<u>5,646,769</u>	<u>2,244</u>	<u>515,484</u>	<u>992,458</u>
Total primary government	<u>\$ 12,515,158</u>	<u>\$ 6,466,244</u>	<u>\$ 1,539,135</u>	<u>\$ 515,484</u>	<u>\$ (3,994,295)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 178,271</u>	<u>\$ 10,364</u>	<u>\$ 93,465</u>	<u>\$ -</u>	<u>\$ (74,442)</u>

continued

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

CITY OF LUDINGTON

STATEMENT OF ACTIVITIES, CONTINUED

Year Ended December 31, 2018

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (4,986,753)	\$ 992,458	\$ (3,994,295)	\$ (74,442)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,680,101	-	3,680,101	-
Property taxes, levied and captured by DDA	-	-	-	109,144
Payment in lieu of taxes	81,932	-	81,932	-
Franchise fees	85,271	-	85,271	-
Grants and contributions not restricted to specific programs	1,581,181	-	1,581,181	8,919
Unrestricted investment earnings	101,416	65,480	166,896	4,185
Other	97,368	132,142	229,510	-
Special item - Gain (loss) on sale of capital asset	513,877	-	513,877	-
Total general revenues and special item	6,141,146	197,622	6,338,768	122,248
Changes in net position	1,154,393	1,190,080	2,344,473	47,806
Net position, beginning of year, restated	10,413,234	18,381,640	28,794,874	194,505
Net position, end of year	\$ 11,567,627	\$ 19,571,720	\$ 31,139,347	\$ 242,311

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

CITY OF LUDINGTON

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2018

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 155,814	\$ 1,647,583	\$ 1,803,397
Investments	2,461,791	230,343	2,692,134
Taxes receivable	3,816,569	-	3,816,569
Accounts receivable	171,850	24,802	196,652
Special assessments receivable	4,039	-	4,039
Notes receivable	-	5,207	5,207
Accrued interest receivable	748	463	1,211
Due from other governments	141,223	324,441	465,664
Due from other funds	288	-	288
Inventory	29,724	47,854	77,578
Prepaid expenditures	92,444	6,721	99,165
Total assets	<u>\$ 6,874,490</u>	<u>\$ 2,287,414</u>	<u>\$ 9,161,904</u>
Liabilities:			
Accounts payable	\$ 187,528	\$ 192,191	\$ 379,719
Accrued expenses	83,451	12,746	96,197
Due to other governments	-	1,860	1,860
Due to other funds	-	288	288
Deposits payable	8,240	-	8,240
Unearned revenue	11,054	100,802	111,856
Total liabilities	<u>290,273</u>	<u>307,887</u>	<u>598,160</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	<u>4,154,481</u>	<u>-</u>	<u>4,154,481</u>
Fund balances:			
Nonspendable	122,168	59,782	181,950
Restricted	6,101	1,919,745	1,925,846
Unassigned	2,301,467	-	2,301,467
Total fund balances	<u>2,429,736</u>	<u>1,979,527</u>	<u>4,409,263</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,874,490</u>	<u>\$ 2,287,414</u>	<u>\$ 9,161,904</u>

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

CITY OF LUDINGTON

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

December 31, 2018

Fund balances of governmental funds	\$ 4,409,263
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	209,004
Capital assets being depreciated, net	11,651,098
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(6,462,738)
Deferred pension amounts	674,794
Interest payable in the governmental activities is not payable from current financial resources and therefore is not reported in the governmental funds.	(4,750)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Bonds and contracts payable	(864,684)
Net OPEB liability	(820,194)
Compensated absences payable	(109,559)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	
Net position of governmental activities accounted for in internal service funds	2,562,754
Net position allocated to business-type activities from governmental activities internal service funds	<u>322,639</u>
Net position of governmental activities	<u>\$ 11,567,627</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, 2018

	<i>General Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Revenues:			
Property taxes	\$ 3,762,033	\$ -	\$ 3,762,033
Special assessments	339	-	339
Licenses and permits	143,976	-	143,976
Federal grants	3,848	12,500	16,348
State grants	1,566,347	1,217,161	2,783,508
Contributions from other units	102,758	211,100	313,858
Charges for services	621,947	134,963	756,910
Fines and forfeits	35,304	-	35,304
Interest and rents	74,909	31,055	105,964
Other revenue	145,227	30,118	175,345
Total revenues	<u>6,456,688</u>	<u>1,636,897</u>	<u>8,093,585</u>
Expenditures:			
Current			
General government	1,440,821	-	1,440,821
Public safety	1,776,438	22,741	1,799,179
Public works	1,633,903	687,517	2,321,420
Health and welfare	-	201,770	201,770
Community and economic development	98,041	35,757	133,798
Recreation and culture	496,317	137,587	633,904
Other	36,617	-	36,617
Capital outlay	117,874	1,070,290	1,188,164
Debt service			
Principal	24,830	285,000	309,830
Interest and fees	-	21,745	21,745
Total expenditures	<u>5,624,841</u>	<u>2,462,407</u>	<u>8,087,248</u>
Excess (deficiency) of revenues over expenditures	<u>831,847</u>	<u>(825,510)</u>	<u>6,337</u>
Other financing sources (uses):			
Proceeds from bond issue	-	493,000	493,000
Sale of capital assets	501,550	-	501,550
Interfund transfers in	4,012	1,056,045	1,060,057
Interfund transfers out	(848,745)	(211,312)	(1,060,057)
Net other financing sources (uses)	<u>(343,183)</u>	<u>1,337,733</u>	<u>994,550</u>
Changes in fund balances	488,664	512,223	1,000,887
Fund balances, beginning of year	<u>1,941,072</u>	<u>1,467,304</u>	<u>3,408,376</u>
Fund balances, end of year	<u>\$ 2,429,736</u>	<u>\$ 1,979,527</u>	<u>\$ 4,409,263</u>

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

CITY OF LUDINGTON

RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

Year Ended December 31, 2018

Changes in fund balances of governmental funds	\$ 1,000,887
Change in net position 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 assets purchased/constructed	1,313,675
Depreciation expense	(486,629)
Loss on book value of land disposal	-
Bond issuance costs are recorded as expenditures in the governmental funds but are deferred in the statement of net position and amortized over the life of the bond.	(7,634)
Proceeds from bond issuances are reported as financing sources in governmental funds; however, the proceeds increase long-term liabilities and do not affect the statement of activities.	(618,511)
Payments of principal on long-term obligations are expenditures in the governmental but the payments reduce long-term liabilities in the statement of net position.	304,942
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in accrued interest on bonds	4,306
Change in compensated absences payable	(1,202)
Change in net pension liability and related deferred amounts	(326,131)
Change in net OPEB liability	(5,782)
Internal service funds are used by management to charge certain costs to individual funds. The change in net position of the internal service funds is reported with governmental activities.	
Change in net position of governmental activities accounted for in internal service funds	(31,892)
Change in net position of governmental activities accounted for in internal service funds charged to business-type activities.	8,364
Change in net position of governmental activities	<u>\$ 1,154,393</u>

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
 December 31, 2018

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Cartier Park Campground Fund</i>	<i>Total</i>	
Assets:						
<i>Current assets:</i>						
Cash and cash equivalents	\$ 1,664,937	\$ 359,020	\$ 581,584	\$ 257,170	\$ 2,862,711	\$ 189,099
Accounts receivable	565,934	516,102	-	-	1,082,036	-
Accrued interest receivable	673	250	161	71	1,155	48
Due from other governments	103,593	216,289	-	-	319,882	2,783
Inventory	48,765	156,625	23,076	-	228,466	77,605
Prepaid expenses	28,017	37,371	8,739	2,820	76,947	127,507
Total current assets	<u>2,411,919</u>	<u>1,285,657</u>	<u>613,560</u>	<u>260,061</u>	<u>4,571,197</u>	<u>397,042</u>
<i>Noncurrent assets:</i>						
Restricted cash and cash equivalents						
USDA bond reserve	42,600	131,820	-	-	174,420	-
USDA RRI reserve	164,200	43,302	-	-	207,502	-
Equipment replacement and other reserves	607,386	503,879	-	-	1,111,265	-
Capital assets						
Not being depreciated	2,852,863	17,018	791,393	-	3,661,274	4,250
Being depreciated, net	<u>9,896,008</u>	<u>19,268,986</u>	<u>1,235,294</u>	<u>206,621</u>	<u>30,606,909</u>	<u>2,726,749</u>
Total noncurrent assets	<u>13,563,057</u>	<u>19,965,005</u>	<u>2,026,687</u>	<u>206,621</u>	<u>35,761,370</u>	<u>2,730,999</u>
Total assets	<u>15,974,976</u>	<u>21,250,662</u>	<u>2,640,247</u>	<u>466,682</u>	<u>40,332,567</u>	<u>3,128,041</u>
Deferred outflows of resources:						
Related to pension	<u>189,164</u>	<u>291,103</u>	<u>10,863</u>	<u>281</u>	<u>491,411</u>	<u>67,878</u>
Liabilities:						
<i>Current liabilities:</i>						
Accounts payable	184,326	115,772	5,659	5,114	310,871	187,436
Accrued expenses	15,348	27,391	1,974	2,104	46,817	8,711
Deposits payable	-	10,750	-	-	10,750	-
Accrued interest payable	26,774	46,755	-	-	73,529	-
Unearned revenue	-	-	92,747	-	92,747	-
Current long-term debt	<u>137,000</u>	<u>253,000</u>	<u>-</u>	<u>-</u>	<u>390,000</u>	<u>-</u>
Total current liabilities	<u>363,448</u>	<u>453,668</u>	<u>100,380</u>	<u>7,218</u>	<u>924,714</u>	<u>196,147</u>

continued

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF NET POSITION, CONTINUED
 December 31, 2018

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Cartier Park Campground Fund</i>	<i>Total</i>	
Noncurrent liabilities:						
Long-term debt	4,481,000	12,091,700	-	-	16,572,700	-
Compensated absences payable	20,217	22,942	5,758	1,220	50,137	6,003
Net pension liability	1,197,062	1,848,549	67,721	1,712	3,115,044	426,377
Net OPEB liability	73,607	126,184	21,031	10,515	231,337	-
Total noncurrent liabilities	<u>5,771,886</u>	<u>14,089,375</u>	<u>94,510</u>	<u>13,447</u>	<u>19,969,218</u>	<u>432,380</u>
Total liabilities	<u>6,135,334</u>	<u>14,543,043</u>	<u>194,890</u>	<u>20,665</u>	<u>20,893,932</u>	<u>628,527</u>
Deferred inflows of resources:						
Related to pension	14,032	20,835	760	60	35,687	4,638
Net position:						
Net investment in capital assets	8,130,871	6,941,304	2,026,687	206,621	17,305,483	2,730,999
Restricted for:						
Bond and RRI reserve	206,800	175,122	-	-	381,922	-
Equipment replacement and other reserves	607,386	503,879	-	-	1,111,265	-
Unrestricted (deficit)	1,069,717	(642,418)	428,773	239,617	1,095,689	(168,245)
Total net position	<u>\$ 10,014,774</u>	<u>\$ 6,977,887</u>	<u>\$ 2,455,460</u>	<u>\$ 446,238</u>	19,894,359	<u>\$ 2,562,754</u>
Adjustment to reflect the allocation of internal service fund activities related to business-type activities					(322,639)	
					<u>\$ 19,571,720</u>	

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION**
 Year Ended December 31, 2018

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor</i>	<i>Total</i>	
				<i>Cartier Park Campground Fund</i>		
Operating revenues:						
Charges for services	\$ 2,193,286	\$ 2,226,707	\$ 817,316	\$ 251,441	\$ 5,488,750	\$ -
Penalties	-	-	-	-	-	-
Equipment rental	3,174	-	-	-	3,174	1,032,771
Other	6,749	10,239	100	20,432	37,520	22,730
Total operating revenues	<u>2,203,209</u>	<u>2,236,946</u>	<u>817,416</u>	<u>271,873</u>	<u>5,529,444</u>	<u>1,055,501</u>
Operating expenses:						
Personal services	633,129	1,037,398	165,716	113,960	1,950,203	369,889
Contracted services	62,338	126,256	54,210	18,742	261,546	58,489
Administrative expense	83,800	83,800	48,800	41,900	258,300	62,800
Insurance	27,275	27,275	7,576	-	62,126	53,035
Utilities	301,031	213,157	30,981	20,771	565,940	31,763
Repairs and maintenance	20,263	38,355	8,997	3,595	71,210	98,810
Other services and expenses	213,748	209,825	464,592	35,551	923,716	154,896
Depreciation	326,104	410,119	92,300	6,861	835,384	273,588
Total operating expenses	<u>1,667,688</u>	<u>2,146,185</u>	<u>873,172</u>	<u>241,380</u>	<u>4,928,425</u>	<u>1,103,270</u>
Operating income (loss)	<u>535,521</u>	<u>90,761</u>	<u>(55,756)</u>	<u>30,493</u>	<u>601,019</u>	<u>(47,769)</u>
Non-operating revenues (expenses):						
Interest income	32,066	18,783	10,092	4,539	65,480	3,550
Rental income	-	117,325	-	-	117,325	-
Sale of capital assets	-	-	-	-	-	12,327
Contributions	-	-	-	2,244	2,244	-
Other income	80,214	51,928	-	-	132,142	-
Interest expense	(84,791)	(150,459)	-	-	(235,250)	-
Net non-operating revenues (expenses)	<u>27,489</u>	<u>37,577</u>	<u>10,092</u>	<u>6,783</u>	<u>81,941</u>	<u>15,877</u>

continued

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION, CONTINUED**
 Year Ended December 31, 2018

	<i>Enterprise Funds</i>				<i>Total</i>	<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Cartier Park Campground Fund</i>		
Changes in net position before capital contributions	563,010	128,338	(45,664)	37,276	682,960	(31,892)
Capital contributions - state grants	220,518	294,966	-	-	515,484	-
Changes in net position	783,528	423,304	(45,664)	37,276	1,198,444	(31,892)
Net position, beginning of year, restated	9,231,246	6,554,583	2,501,124	408,962		2,594,646
Net position, end of year	\$ 10,014,774	\$ 6,977,887	\$ 2,455,460	\$ 446,238		\$ 2,562,754
Adjustment to reflect the allocation of internal service fund activities to business-type activities.					(8,364)	
Changes in net position of business-type activities					\$ 1,190,080	

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
 Year Ended December 31, 2018

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Cartier Park Campground Fund</i>	<i>Total</i>	
Cash flows from operating activities:						
Cash received from customers	\$ 2,133,664	\$ 2,223,129	\$ 805,479	\$ 271,873	\$ 5,434,145	\$ 22,195
Cash received (paid) for interfund services	(61,526)	(97,020)	(12,629)	(11,620)	(182,795)	1,032,771
Cash payments to and on behalf of employees	(552,936)	(928,050)	(160,841)	(113,527)	(1,755,354)	(339,999)
Cash payments to suppliers for goods and services	(635,786)	(599,785)	(613,977)	(112,522)	(1,962,070)	(577,770)
Net cash provided (used) by operating activities	<u>883,416</u>	<u>598,274</u>	<u>18,032</u>	<u>34,204</u>	<u>1,533,926</u>	<u>137,197</u>
Cash flows from non-capital financing activities:						
Contributions	-	-	-	2,244	2,244	-
Other income	80,214	51,928	-	-	132,142	-
Net cash provided (used) by non-capital financing activities	<u>80,214</u>	<u>51,928</u>	<u>-</u>	<u>2,244</u>	<u>134,386</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Capital contributions - state grants	923,784	128,377	-	-	1,052,161	-
Sale of capital assets	-	-	-	-	-	15,000
Acquisition and construction of capital assets	(2,966,806)	(4,471,955)	-	(5,350)	(7,444,111)	(273,583)
Proceeds from bonds	1,950,000	3,793,000	-	-	5,743,000	-
Principal payments	(145,000)	(254,000)	-	-	(399,000)	-
Interest paid	(74,483)	(147,525)	-	-	(222,008)	-
Net cash provided (used) by capital and related financing activities	<u>(312,505)</u>	<u>(952,103)</u>	<u>-</u>	<u>(5,350)</u>	<u>(1,269,958)</u>	<u>(258,583)</u>
Cash flows from investing activities:						
Interest received	32,088	18,981	10,149	4,555	65,773	3,611
Rent received	-	117,325	-	-	117,325	-
Net cash provided by investing activities	<u>32,088</u>	<u>136,306</u>	<u>10,149</u>	<u>4,555</u>	<u>183,098</u>	<u>3,611</u>

continued

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS, CONTINUED
 Year Ended December 31, 2018

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Nonmajor Cartier Park Campground Fund</i>	<i>Total</i>	
Change in cash and cash equivalents	683,213	(165,595)	28,181	35,653	581,452	(117,775)
Cash and cash equivalents, beginning of year	<u>1,795,910</u>	<u>1,203,616</u>	<u>553,403</u>	<u>221,517</u>	<u>3,774,446</u>	<u>306,874</u>
Cash and cash equivalents, end of year	<u>\$ 2,479,123</u>	<u>\$ 1,038,021</u>	<u>\$ 581,584</u>	<u>\$ 257,170</u>	<u>\$ 4,355,898</u>	<u>\$ 189,099</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 535,521	\$ 90,761	\$ (55,756)	\$ 30,493	\$ 601,019	\$ (47,769)
Adjustments:						
Depreciation	326,104	410,119	92,300	6,861	835,384	273,588
Change in assets and liabilities:						
Accounts receivable	(69,545)	(13,817)	-	-	(83,362)	60
Special assessments receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	(595)
Inventory	(622)	1,999	(6,521)	-	(5,144)	(25,145)
Prepaid expenses	285	3,615	(469)	(308)	3,123	(84,240)
Accounts payable	11,308	(11,724)	(4,852)	(4,314)	(9,582)	(8,592)
Accrued expenses	172	3,473	392	1,039	5,076	904
Deposits payable	-	4,500	-	-	4,500	-
Unearned revenue	-	-	(11,937)	-	(11,937)	-
Compensated absences payable	7,466	(2,261)	(88)	359	5,476	103
Net pension liability and related deferred amounts	72,208	110,719	4,814	-	187,741	28,883
Net OPEB liability	<u>519</u>	<u>890</u>	<u>149</u>	<u>74</u>	<u>1,632</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 883,416</u>	<u>\$ 598,274</u>	<u>\$ 18,032</u>	<u>\$ 34,204</u>	<u>\$ 1,533,926</u>	<u>\$ 137,197</u>

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

CITY OF LUDINGTON

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2018

	<i>Police Pension Trust Fund</i>	<i>Police Greenwood Fund</i>	<i>Agency Funds</i>
Assets:			
Cash and cash equivalents	\$ 119,223	\$ 46,697	\$ 1,061,235
Investments	5,316,393	-	3,517,930
Taxes receivable	355,596	-	-
Accrued interest receivable	37	-	-
Due from other governmental units	-	-	1,351,778
	<u>5,791,249</u>	<u>46,697</u>	<u>\$ 5,930,943</u>
Liabilities:			
Accounts payable	4,487	-	\$ 1,394,559
Undistributed tax collections	-	-	4,536,384
	<u>4,487</u>	<u>-</u>	<u>\$ 5,930,943</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	<u>355,596</u>	<u>-</u>	
Net position:			
Restricted	-	46,697	
Held in trust for pension benefits	<u>5,431,166</u>	<u>-</u>	
	<u>\$ 5,431,166</u>	<u>\$ 46,697</u>	

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

CITY OF LUDINGTON

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2018

	<i>Police Pension Trust Fund</i>	<i>Police Greenwood Fund</i>
Additions:		
Property taxes	\$ 297,407	\$ -
Employee contributions	58,091	-
State grants	22,811	-
Investment income	(149,751)	528
Total additions	<u>228,558</u>	<u>528</u>
Deductions:		
Benefit payments	388,306	5,950
Fees and other	7,500	-
Total deductions	<u>395,806</u>	<u>5,950</u>
Net increase (decrease)	(167,248)	(5,422)
Net position, beginning of year	<u>5,598,414</u>	<u>52,119</u>
Net position, end of year	<u>\$ 5,431,166</u>	<u>\$ 46,697</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by the City of Ludington, (the “City”).

Reporting Entity:

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 accompanying financial statements present the City and its component unit, an entity for which the City is considered financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description). Although blended component units are legal separate entities, in substance, they are part of the City’s operations.

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 Venture:

Western Mason County Fire District Authority – The Western Mason County Fire District Authority, was formed by Pere Marquette Charter Township, Hamlin Township and the City of Ludington, on May 20, 1996 to aid in providing fire vehicles and equipment for each municipality’s fire departments. The Authority is governed by a 6 member Board composed of the Supervisor or City Manager and the Fire Chief of each participating municipality. Complete financial statements for the Authority can be obtained from Pere Marquette Township at 1699 South Pere Marquette Highway, Ludington, Michigan. There is no stated equity interest in the Fire District Authority agreement and therefore, in accordance with generally accepted accounting principles, no equity interest is recorded in these financial statements.

Accounting and Reporting Principles:

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Report Presentation:

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Accounting:

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting:

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the City to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds.

The City reports the following major governmental funds:

General Fund is the City's primary operating fund. It accounts for all financial resources, except for those required to be accounted for in another fund.

Proprietary funds provide goods or services to users in exchange for charges or fees.

The City reports the following major proprietary funds:

Enterprise Fund – Sewer Fund accounts for the operation and maintenance of the City's sewage disposal system.

Enterprise Fund – Water Fund accounts for the operation and maintenance of the City's water supply system.

Enterprise Fund – Marina Fund accounts for the operation and maintenance of the City's marina.

Fiduciary funds are used to account for the resources held in a fiduciary capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

Additionally, the City reports the following fund types:

Special Revenue Funds – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds – Debt service funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Project Funds – Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments of the City, on a cost-reimbursement basis. The City reports on two internal service funds: 1) the motor pool fund and 2) the technology fund.

Fiduciary Funds – Agency Funds account for assets held for other governments in an agency capacity. The City's Agency Funds are the Tax Collection Fund, Cultural Economic Development Fund, and Carferry Grant Fund.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Specific Balances and Transactions:

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.

Inventories – 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.

Prepaid Items – 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.

Restricted Assets – Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are defined by the City as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate long-term debt of the governmental debt.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Unearned Revenue – Governmental and proprietary funds report unearned revenue in connection with resources that have been received but not yet earned.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

Net Position Flow Assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Other classifications of fund balance include: nonspendable fund balance, which are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact; restricted fund balance, which are amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates); and unassigned fund balance, which are amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, unassigned balances also include negative balances in other governmental funds.

Property Taxes – Property taxes attach as enforceable liens on properties as of the prior December 31. The related summer property taxes are levied on September 1 and are payable from the date of levy through October 9. The winter property taxes are levied on December 1 and are payable from the date of levy through February 14. The City bills and collects its own property taxes and also taxes for taxing authorities. Collections of all the taxes and remittances of them to the other taxing authorities are accounted for in an agency fund.

Revenues for 2018 include property taxes levied in 2017 but appropriated by a City ordinance to finance 2018 operations. Property taxes levied in 2018 for the operations of 2019 are a lien against properties and are an asset of the City. They are recorded as taxes receivable and a deferred inflow of resources at December 31, 2018. In 2017, the City levied property taxes on an assessed property tax value of \$264,809,828 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 14.3236 mills per the City's charter, with 11.5513 mills allocated for operating purposes and 2.7723 mills allocated for refuse services. There were also 1.1501 mills levied for police pension. The DDA levied property taxes on an assessed property tax value of \$27,442,002 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 1.6057 mills.

Pension Costs – The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the City of Ludington Employee OPEB Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City of Ludington. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences (Vacation and Sick Leave) – 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.

Proprietary Funds Operating Classification – 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. The proprietary funds recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

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.

Interfund Activity:

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds. Per City Charter, the City Manager submits the proposed operating budget to City Council by the second council meeting of November for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. During the month of November, the City Council holds open meetings to review the budget in detail and to obtain taxpayer comments. At the second Council meeting in December, the budget is legally enacted by adoption of the City Council.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

Any revision that alters the total expenditures of any fund must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for all funds. 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 budgeted amounts for the General Fund as well as any other major funds is included in the required supplementary information. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures in excess of the amounts budgeted.

State Construction Code Act:

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

Cumulative surplus at January 1, 2018		\$	-
Current year building permit revenue			58,705
Related expenses:			
Direct costs	22,027		
Indirect costs	30,577		52,604
Cumulative surplus at December 31, 2018		\$	<u>6,101</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Police Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity contracts, real estate leased to public entities, mortgages, real estate (if the trust funds assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

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.

Summary of Deposit and Investment Balances:

The following is a reconciliation of deposit and investment balances as of December 31, 2018:

Statement of Net Position:

Cash and cash equivalents (including restricted):

Primary Government	\$ 6,348,394
Component Unit	201,266

Investments:

Primary Government	2,692,134
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Statement of Fiduciary Net Position:

Cash and cash equivalents	1,227,155
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Investments	<u>8,834,323</u>
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Total	<u>\$ 19,303,272</u>
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Deposits and Investments:

Bank deposits	\$ 7,775,015
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Investments:

Michigan CLASS	5,979,721
Treasury notes	99,074
Bank deposits	851,016
Mutual funds - equity index	3,963,654
Mutual funds - money market	33,660
Corporate bonds	277,726
Mortgage-backed securities	223,997
Other	97,609

Cash on hand	<u>1,800</u>
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Total	<u>\$ 19,303,272</u>
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Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk. At year end, the City had \$7,835,548 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,250,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Investments: Interest rate risk is the risk that the value of fixed income investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City's investment policy does not have specific limits in excess of State law on investment maturities as a means on managing its exposure to fair value losses arising from increasing interest rates.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

At year end, the average maturities of fixed income security investments are as follows:

<i>Investment Type</i>	<i>Market Value</i>	<i>Less than 1 Year</i>	<i>1 to 2 Years</i>	<i>2 to 3 Years</i>	<i>7 to 8 Years</i>
Michigan CLASS	\$ 5,979,721	\$ 5,979,721	\$ -	\$ -	\$ -
Treasury notes	99,074	-	99,074	-	-
Bank deposits	851,016	851,016	-	-	-
Mutual funds - equity index	3,963,654	3,963,654	-	-	-
Mutual funds - money market	33,660	33,660	-	-	-
Corporate bonds	277,726	-	-	277,726	-
Mortgage-backed securities	223,997	-	-	-	223,997
Other	97,609	97,609	-	-	-
Total	<u>\$ 11,526,457</u>	<u>\$ 10,925,660</u>	<u>\$ 99,074</u>	<u>\$ 277,726</u>	<u>\$ 223,997</u>

Credit Risk – Investments: State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City's investment policy does not have specific limits in excess of state law on investment credit risk. At year end, the credit quality ratings of fixed income securities are as follow:

<i>Investment Type</i>	<i>Market Value</i>	<i>Rating</i>	<i>Rating Organization</i>
Michigan CLASS	\$ 5,979,721	AAAm	S&P
Treasury notes	99,074	Aaa	Moody's
Bank deposits	851,016	Not rated	
Mutual funds - equity index	3,963,654	Not rated	
Mutual funds - money market	33,660	Not rated	
Corporate bonds	277,726	Aaa to Baa	Moody's
Mortgage-backed securities	223,997	Aaa	Moody's
Other	97,609	Not rated	
Total	<u>\$ 11,526,457</u>		

Custodial Credit Risk – Investments – For an investment, 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. State law does not require and the City does not have a policy for investment custodial credit risk. At year end, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City's name

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 4: FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City has the following recurring fair value measurement as of December 31, 2018:

<i>Investment Type</i>	<i>Market Value</i>	<i>Level 1 Inputs</i>	<i>Level 2 Inputs</i>	<i>Level 3 Inputs</i>
Michigan CLASS	\$ 5,979,721	\$ -	\$ 5,979,721	\$ -
Treasury notes	99,074	-	99,074	-
Bank deposits	851,016	-	851,016	-
Mutual funds - equity index	3,963,654	3,963,654	-	-
Mutual funds - money market	33,660	33,660	-	-
Corporate bonds	277,726	277,726	-	-
Mortgage-backed securities	223,997	223,997	-	-
Other	97,609	97,609	-	-
Total	<u>\$ 11,526,457</u>	<u>\$ 4,596,646</u>	<u>\$ 6,929,811</u>	<u>\$ -</u>

NOTE 5: RESTRICTED ASSETS AND BOND RESERVES

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

At December 31, 2018 the City had these accounts established and had restricted cash and cash equivalents as follows:

Sewer Fund:

USDA Bond reserve	\$ 42,600
USDA RRI reserve	164,200
Construction improvements	381
Equipment replacement	307,005
Other bond reserve	300,000

Water Fund:

USDA Bond reserve	131,820
USDA RRI reserve	43,302
Construction improvements	806
Equipment replacement	503,073
	<u>\$ 1,493,187</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<i>January 1, 2018</i>	<i>Additions</i>	<i>Retirements</i>	<i>December 31, 2018</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 213,254	\$ -	\$ -	\$ 213,254
Capital assets being depreciated:				
Buildings and improvements	7,839,766	1,070,858	-	8,910,624
Furniture and equipment	107,117	-	-	107,117
Infrastructure	6,811,182	-	-	6,811,182
Land and site improvements	1,281,369	77,741	-	1,359,110
Machinery and equipment	2,723,306	619,010	(505,880)	2,836,436
Total capital assets being depreciated	18,762,740	1,767,609	(505,880)	20,024,469
Less accumulated depreciation for:				
Buildings and improvements	(1,682,580)	(115,847)	-	(1,798,427)
Furniture and equipment	(81,012)	(13,684)	-	(94,696)
Infrastructure	(1,617,739)	(315,715)	-	(1,933,454)
Land and site improvements	(303,262)	(33,983)	-	(337,245)
Machinery and equipment	(1,705,019)	(280,988)	503,207	(1,482,800)
Total accumulated depreciation	(5,389,612)	(760,217)	503,207	(5,646,622)
Capital assets being depreciated, net	13,373,128	1,007,392	(2,673)	14,377,847
Governmental activities, capital assets, net	<u>\$ 13,586,382</u>	<u>\$ 1,007,392</u>	<u>\$ (2,673)</u>	<u>\$ 14,591,101</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 880,826	\$ -	\$ -	\$ 880,826
Construction in progress	12,228,729	1,997,023	(11,445,304)	2,780,448
Total capital assets not being depreciated	13,109,555	1,997,023	(11,445,304)	3,661,274
Capital assets being depreciated:				
Buildings and improvements	4,255,934	5,350	-	4,261,284
Furniture and equipment	47,860	-	(23,100)	24,760
Infrastructure	148,601	-	-	148,601
Land improvements	1,535,061	-	(57,405)	1,477,656
Machinery and equipment	761,718	-	(39,072)	722,646
Sewer systems and plants	12,613,436	2,148,004	(2,400)	14,759,040
Water systems and plants	7,791,656	13,790,200	(80,960)	21,500,896
Total capital assets being depreciated	27,154,266	15,943,554	(202,937)	42,894,883

continued

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 6: CAPITAL ASSETS, CONTINUED

	<i>January 1, 2018</i>	<i>Additions</i>	<i>Retirements</i>	<i>December 31, 2018</i>
Less accumulated depreciation for:				
Buildings and improvements	(2,437,625)	(84,598)	-	(2,522,223)
Furniture and equipment	(38,781)	(2,476)	23,100	(18,157)
Infrastructure	(12,390)	(3,821)	-	(16,211)
Land improvements	(736,631)	(58,025)	57,405	(737,251)
Machinery and equipment	(188,130)	(96,345)	39,072	(245,403)
Sewer systems and plants	(5,055,251)	(253,889)	2,400	(5,306,740)
Water systems and plants	(3,186,719)	(336,230)	80,960	(3,441,989)
Total accumulated depreciation	<u>(11,655,527)</u>	<u>(835,384)</u>	<u>202,937</u>	<u>(12,287,974)</u>
Capital assets being depreciated, net	<u>15,498,739</u>	<u>15,108,170</u>	<u>-</u>	<u>30,606,909</u>
Business-type activities, capital assets, net	<u>\$ 28,608,294</u>	<u>\$ 17,105,193</u>	<u>\$ (11,445,304)</u>	<u>\$ 34,268,183</u>
Component unit:				
Nondepreciable capital assets				
Land	\$ -	\$ 32,916	\$ -	\$ 32,916
Capital assets being depreciated:				
Buildings and improvements	7,666	-	-	7,666
Land improvements	10,672	-	-	10,672
Machinery and equipment	4,700	7,385	-	12,085
Total capital assets being depreciated	<u>23,038</u>	<u>7,385</u>	<u>-</u>	<u>30,423</u>
Less accumulated depreciation for:				
Buildings and improvements	(818)	(307)	-	(1,125)
Land improvements	(1,191)	(213)	-	(1,404)
Machinery and equipment	(3,995)	(532)	-	(4,527)
Total accumulated depreciation	<u>(6,004)</u>	<u>(1,052)</u>	<u>-</u>	<u>(7,056)</u>
Capital assets being depreciated, net	<u>17,034</u>	<u>6,333</u>	<u>-</u>	<u>23,367</u>
Component unit, capital assets, net	<u>\$ 17,034</u>	<u>\$ 39,249</u>	<u>\$ -</u>	<u>\$ 56,283</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 6: CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to various functions as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Unit</i>
General government	\$ 81,559	\$ -	\$ -
Public safety	20,499	-	-
Public works	255,233	-	-
Health and welfare	2,421	-	-
Community and economic development	-	-	1,052
Recreation and culture	126,917	-	-
Internal service funds	273,588	-	-
Sewer	-	326,104	-
Water	-	410,119	-
Marina	-	92,300	-
Cartier Park Campground	-	6,861	-
	<u>\$ 760,217</u>	<u>\$ 835,384</u>	<u>\$ 1,052</u>

NOTE 7: 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 and contract financing 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. Long-term obligation activity for the year ended December 31, 2018 is summarized as follows:

	<i>January 1, 2018</i>	<i>Additions</i>	<i>Reductions</i>	<i>December 31, 2018</i>	<i>Due Within One Year</i>
Governmental Activities:					
<i>General Obligation Bonds and Notes:</i>					
2005 Building Authority Refunding Bonds for \$2,135,000, with annual payments of \$285,000 at 4.00% interest; Maturing August 1, 2019	\$ 550,000	\$ -	\$ (265,000)	\$ 285,000	\$ 285,000
2013 Copier/Printer Contract Payable for \$89,160, with monthly payments of \$1,115 at 0.00% interest; Maturing June 2018	1,115	-	(1,115)	-	-
2018 General Obligation Limited Tax Capital Improvement Bonds for \$1,200,000, with annual payments ranging from \$15,000-52,000 at 3.25% interest; Maturing October 1, 2056	-	493,000	(20,000)	473,000	15,000

continued

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: LONG-TERM LIABILITIES, CONTINUED

	<u>January 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2018</u>	<u>Due Within One Year</u>
2018 Copier/Printer Contract Payable for \$125,511, with monthly payments of \$2,092 at 0.00% interest; Maturing March 2023	-	125,511	(18,827)	106,684	25,102
<i>Other liabilities:</i>					
Compensated absences	114,257	7,045	(5,740)	115,562	-
Total governmental activities	<u>\$ 665,372</u>	<u>\$ 625,556</u>	<u>\$ (310,682)</u>	<u>\$ 980,246</u>	<u>\$ 325,102</u>
Business-type activities:					
<i>Revenue Bonds:</i>					
2007 Sewage Disposal System Junior Lien Revenue Bonds for \$1,500,000, with annual payments ranging from \$75,000-85,000 at 1.625% interest; Maturing October 1, 2027	\$ 810,000	\$ -	\$ (75,000)	\$ 735,000	\$ 75,000
2016 Water Supply System Junior Lien Revenue Bonds for \$9,817,000, with annual payments ranging from \$191,000-316,000 at 1.375% interest; Maturing October 1, 2056	7,237,000	1,924,700	(188,000)	8,973,700	191,000
2017 Sewage Disposal System Junior Lien Revenue Bonds for \$2,146,000, with annual payments ranging from \$33,000-83,000 at 2.500% interest; Maturing October 1, 2056	1,924,498	183,502	(32,000)	2,076,000	33,000
2017 Water Supply System Junior Lien Revenue Bonds for \$2,330,000, with annual payments ranging from \$40,000-80,000 at 1.875% interest; Maturing October 1, 2056	2,111,783	178,217	(40,000)	2,250,000	40,000
2018 Sewage Disposal System Revenue Bonds for \$2,020,000, with annual payments ranging from \$29,000-81,000 at 2.750% interest; Maturing October 1, 2057	-	1,845,000	(38,000)	1,807,000	29,000

continued

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: LONG-TERM LIABILITIES, CONTINUED

	<i>January 1, 2018</i>	<i>Additions</i>	<i>Reductions</i>	<i>December 31, 2018</i>	<i>Due Within One Year</i>
2018 Water Supply System Revenue Bonds for \$1,351,000, with annual payments ranging from \$22,000- 50,000 at 2.250% interest; Maturing October 1, 2057	-	1,147,000	(26,000)	1,121,000	22,000
<i>Other liabilities:</i>					
Compensated absences	44,661	7,825	(2,349)	50,137	-
Total business-type activities	<u>\$12,127,942</u>	<u>\$ 5,286,244</u>	<u>\$ (401,349)</u>	<u>\$ 17,012,837</u>	<u>\$ 390,000</u>

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

<i>Year Ended 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>
2019	\$ 325,102	\$ 49,750	\$ 374,852	\$ 390,000	\$ 320,108	\$ 710,108
2020	41,102	37,862	78,964	399,000	313,398	712,398
2021	42,102	37,342	79,444	410,000	306,520	716,520
2022	42,102	36,790	78,892	414,000	299,440	713,440
2023	24,276	36,238	60,514	419,000	292,288	711,288
2024-2028	97,000	172,184	269,184	2,126,000	1,349,718	3,475,718
2029-2033	113,000	155,384	268,384	1,946,000	1,172,240	3,118,240
2034-2038	134,000	135,688	269,688	2,131,000	992,596	3,123,596
2039-2043	155,000	112,614	267,614	2,326,000	794,464	3,120,464
2044-2048	184,000	85,606	269,606	2,542,000	576,488	3,118,488
2049-2053	215,000	53,756	268,756	2,777,000	336,384	3,113,384
2054-2057	199,000	16,446	215,446	1,925,000	79,852	1,870,500
	<u>\$ 1,571,684</u>	<u>\$ 929,660</u>	<u>\$ 2,501,344</u>	<u>\$ 17,805,000</u>	<u>\$ 6,833,496</u>	<u>\$ 24,504,144</u>
Less: Amount not drawn yet	<u>(707,000)</u>			<u>(842,300)</u>		
	<u>\$ 864,684</u>			<u>\$ 16,962,700</u>		

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivable and payable balances for the year ended December 31, 2018 were as follows:

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Receivables:				
Property taxes	\$ 3,816,569	\$ -	\$ 3,816,569	\$ 111,816
Accounts	196,652	1,082,036	1,278,688	6,356
Special assessments	4,087	-	4,087	-
Notes	5,207	-	5,207	-
Accrued interest	3,994	1,155	5,149	55
Intergovernmental	465,664	319,882	785,546	-
Total receivables	<u>\$ 4,492,173</u>	<u>\$ 1,403,073</u>	<u>\$ 5,895,246</u>	<u>\$ 118,227</u>
Accounts payable and accrued expenses:				
Accounts	\$ 567,155	\$ 310,871	\$ 878,026	\$ 10,444
Payroll liabilities	104,908	46,817	151,725	2,255
Deposits payable	8,240	10,750	18,990	-
Accrued interest	4,750	73,529	78,279	-
Intergovernmental	1,860	-	1,860	-
Total accounts payable and accrued expenses	<u>\$ 686,913</u>	<u>\$ 441,967</u>	<u>\$ 1,128,880</u>	<u>\$ 12,699</u>

NOTE 9: INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers at December 31, 2018 is as follows reported in the fund financial statements:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Recreation Fund	\$ 42,000
General Fund	Building Authority Bond Fund	286,735
General Fund	Fire Station Debt Fund	20,010
General Fund	Fire Station Improvement Fund	500,000
Major Street Fund	Local Street Fund	207,300
Cemetery Capital Improvement Fund	General Fund	4,012
		<u>\$ 1,060,057</u>

The above transfers were either to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, or (2) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

At December 31, 2018, the Site Assessment Fund owed the General Fund \$288. This is expected to be repaid within one year.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees. The City manages its liability, property, and worker's compensation risk by participating in Michigan Municipal Risk Management Authority, a public entity risk pool providing property, liability, and worker compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal Risk Management Authority for its insurance coverage.

The Michigan Municipal Risk Management Authority is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – GENERAL

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, if any, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description – The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – GENERAL, CONTINUED

Benefits Provided – The following are the benefits provided from the December 31, 2017 valuation.

	<u>Division 01 - General: Closed, linked to Division 02</u>	<u>Division 02 - General after 6/11: Open, linked to Division 01</u>
Benefit Multiplier:	Bridged Benefit: 2.50% Multiplier (80% max) Frozen FAC; to 2.25% Multiplier (80% max)	1.70% Multiplier (no max)
Bridged Benefit Date	12/31/2016	
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/15	55/15
Early Retirement (Reduced):	50/25	50/25
Final Average Compensation:	3 years	5 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	0.00%	5.00%
Act 88:	No	No

Employees covered by benefit terms – At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	68
Inactive employees entitled to but not yet receiving benefits:	4
Active employees:	<u>50</u>
Total	<u><u>122</u></u>

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

City required contributions, for the current year, were \$47,852 monthly based on valuation payroll for Division 01 and 5.34% as a percentage of payroll for Division 02. Amounts are based on the valuation payroll from the December 31, 2016 actuarial valuation.

Net Pension Liability – The City’s net pension liability reported at December 31, 2018 was measured as of December 31, 2018. The total pension liability as of December 31, 2018 was calculated by the roll-forward method based on the December 31, 2017 actuarial valuation.

Actuarial assumptions – The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.5%; Salary Increases: 3.75% in the long-term; Investment rate of return: 7.75%, net of investment and administrative expenses including inflation.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – GENERAL, CONTINUED

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate – The discount rate used to measure the total pension liability is 8%. The projection of cash flows used to determine the discount rate assumes that City and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for the City. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability during the measurement year were as follows:

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – GENERAL, CONTINUED

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at 12/31/17	\$ 19,698,844	\$ 13,505,495	\$ 6,193,349
Service cost	249,175	-	249,175
Interest on total pension liability	1,531,270	-	1,531,270
Difference between expected and actual experience	(76,748)	-	(76,748)
Employer contributions	-	746,335	(746,335)
Employee contributions	-	42,356	(42,356)
Net investment income	-	(514,626)	514,626
Benefit payments, including employee refunds	(1,364,316)	(1,364,316)	-
Administrative expenses	-	(25,860)	25,860
Other changes	(22,681)	-	(22,681)
Net changes	316,700	(1,116,111)	1,432,811
Balances at 12/31/18	<u>\$ 20,015,544</u>	<u>\$ 12,389,384</u>	<u>\$ 7,626,160</u>

The General (MERS) net pension liability is recorded as follows:

Governmental activities	\$ 4,511,116
Business-type activities	<u>3,115,044</u>
	<u>\$ 7,626,160</u>

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 8%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	<i>1% Decrease Rate 7%</i>	<i>Current Rate 8%</i>	<i>1% Increase Rate 9%</i>
Net pension liability	\$ -	\$ 7,626,160	\$ -
Change in net pension liability as of 12/31/18	<u>2,070,270</u>	<u>-</u>	<u>(1,766,534)</u>
	<u>\$ 9,696,430</u>	<u>\$ 7,626,160</u>	<u>\$ 5,859,626</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2018, the City recognized a negative pension expense of \$1,227,723.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – GENERAL, CONTINUED

The City reported deferred outflows and inflows of resources related to pensions are from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences in experiences	\$ -	\$ 88,043
Changes in assumptions	254,325	-
Net difference between projected and actual earnings on pension plan investments	955,200	-
	<u>\$ 1,209,525</u>	<u>\$ 88,043</u>

The deferred outflows of resources and deferred inflows of resources are recorded as follows:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Governmental activities	\$ 718,114	\$ 52,356
Business-type activities	491,411	35,687
	<u>\$ 1,209,525</u>	<u>\$ 88,043</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows.

<i>Year Ended</i>	<i>Amount</i>
2019	\$ 542,835
2020	99,792
2021	164,654
2022	314,201

Pension Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

NOTE 12: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – POLICE

Defined Benefit Pension Plan (City of Ludington Police Retirement System):

Summary of Significant Accounting Policies:

Method used to value instruments – Investments are reported at fair value.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 12: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – POLICE, CONTINUED

Plan Description:

Plan administration – The City operates the City of Ludington Police Retirement System; a single-employer defined benefit pension plan that provides pensions for all full-time police employees of the City. The plan was established under Act 345, PA of 1937 of the State of Michigan. Management of the retirement system is vested in the Police Retirement Board, which consists of five members—the treasurer of the City, two members elected by plan members and two members appointed by the City Council.

Plan membership – At December 31, 2018, pension plan membership consisted of the following:

Retirees and beneficiaries	13
Vested plan members	2
Active plan members	14
Total	<u>29</u>

Benefits provided – The City of Ludington Police Retirement System provides retirement, disability, and death benefits. All benefits vest after 10 years of credited service. Retirement benefits for members who retire after 25 years or more of service are calculated as 2.7 percent (2.5 percent if hired on or after January 1, 2015) of the member’s 3-year average final compensation (AFC) times the first 25 years of service plus 1% of AFC times years of service in excess of 25 years. Members of any age with 25 or more years of service are eligible to retire. All plan members are eligible for non-duty disability benefits after 5 or more years of service and for duty-related disability benefits upon hire. Duty disability benefits to age 55 are 50% of FAC and non-duty disability retirement benefits to age 55 are 1.5% of FAC. For both, at age 55 they are determined the same as retirement benefits. Duty death benefits are the same amount that was paid by workers’ compensation and non-duty death benefits are accrued straight life pension actuarially reduced

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 6% of eligible payroll. The City is required to contribute based on a property tax levy of 1.1501 mills. For the year ended December 31, 2018, the City made contributions of \$297,408 and the police employees contributed \$58,091. The City also received \$22,811 from the Local Community Stabilization Authority for reimbursement of personal property tax loss that was contributed to the plan. The total City contributions for the year were \$320,219.

Investments:

Investment policy – The pension plan’s policy in regard to allocation of invested assets is established and may be amended by the Ludington Police Pension Fund Board. It is the policy of the Police Retirement System Board to pursue an investment strategy that reduces the risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s overall long-term investment objective is to earn an average, annual return of 7%. Asset classes are selected based on their expected long-term returns, individual reward/risk characteristics, correlation with other asset classes and fulfillment of the pension’s long-term financial needs. The Board establishes general allocation ranges for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 12: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – POLICE, CONTINUED

The manager selects the specific allocation for each asset class based on market valuation opportunities and the risk/reward of each class. The following was the Board's adopted asset allocation policy as of December 31, 2018:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Range Allocation</i>
Common stock	50%	40-60%
Fixed income	47%	37-57%
Short term (money market)	3%	0-13%

Rate of Return – For the year ended December 31, 2018, the recognized rate of investment return based on the smoothed market value was 3.74% (less than the assumed 7.00%).

Net Pension Liability:

The components of the net pension liability at December 31, 2018, were as follows:

Total pension liability	\$ 7,809,165
Plan fiduciary net position	<u>(5,431,166)</u>
Net pension liability	<u>\$ 2,377,999</u>
Plan fiduciary net position as a percentage percentage of the total pension liability	69.55%
Covered payroll	\$ 906,667
Net pension liability as a percentage of of covered payroll	262.3%

Actuarial assumptions – The total pension liability was determined based on the annual actuarial valuation as of December 31, 2018. The following actuarial assumptions were applied to compute the total pension liability:

Actuarial cost method	Entry age
Inflation	4.0%
Salary increases	7.0%-4.0% (includes inflation)
Cost of living adjustments	None

Mortality rates were based on the RP 2000 Combined Healthy Annuitant Mortality Table, projected to 2014.

Discount rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 7.00% discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformity with GASB Statement 68.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 12: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS – POLICE, CONTINUED

Sensitivity of the net pension liability to changes in the discount rate – The following presents the City’s net pension liability, calculated using the discount rate of 7.00%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	<u>1% Decrease Rate 6.00%</u>	<u>Current Rate 7.00%</u>	<u>1% Increase Rate 8.00%</u>
Net pension liability	\$ 3,310,790	\$ 2,377,999	\$ 1,595,423

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2018, the City recognized pension expense of \$331,857. The City reported deferred outflows and inflows of resources related to pensions are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 179,783
Changes in assumptions	-	107,990
Net difference between projected and actual earnings on pension plan investments	<u>360,049</u>	<u>-</u>
	<u>\$ 360,049</u>	<u>\$ 287,773</u>

The deferred outflows and inflows of resources are recorded as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental activities	<u>\$ 360,049</u>	<u>\$ 287,773</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows.

<u>Year Ended</u>	<u>Amount</u>
2019	\$ 115,229
2020	49,220
2021	(176,732)
2022	84,559
2023	-

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Plan Description – City of Ludington OPEB Plan is a single employer plan established and administered by the City in accordance with labor contracts and other City personnel policies. A summary of eligibility criteria and benefits provided are as follows:

General Non-Union and SEIU Union – If hired before June 1, 2014 retirement eligibility is the earlier of attainment of age 55 with 15 or more years of service or attainment of age 60 with 10 or more years of service. If employee has 20-25 years of service at retirement, the benefit amount is \$100 per month payable until the employee attains Medicare eligibility age. If employee has 26-30 years of service at retirement, the benefit amount is \$150 per month payable until the employee attains Medicare eligibility age. If employee has more than 30 years of service at retirement, the benefit amount is \$200 per month payable until the employee attains Medicare eligibility age. There are no benefits for surviving spouses.

General City Clerk and Retired Treasurer – If hired before June 1, 2014, retirement eligibility is attainment of age 55 with 15 or more years of service or attainment of age 60 with 10 or more years of service. If retiree has 25 or more years of service at retirement, the benefit amount is \$250 per month for life. The retired City Manager receives \$200 per month for life. There are no benefits for surviving spouses.

Police Union – If hired before January 1, 2015, then attainment of 25 or more years of service. If hired on or after January 1, 2015, then attainment of age 50 with 25 or more years of service. If an employee retired between January 1, 1989 and December 31, 1993, the benefit is 50% of the premium capped at \$100 per month and is paid out for life; else if an employee retired after December 31, 1993, then the benefit is 50% of the premium capped at \$200 per month and is paid out for life.

Summary of Plan Participants – As of December 31, 2018, Plan membership consisted of the following:

Retirees and survivors	21
Covered Spouse/Dependents	24
Active plan members	49
Total	<u>94</u>

Contributions – The City of Ludington OPEB was established and is being funded under the authority of the City and under agreements with the unions representing various classes of employees. The plan’s funding policy is that the City will fund the plan on a pay-as-you-go basis. Currently, benefit payments (including refunds of employee contributions) will be made from general operating funds. There are no long term contracts for contributions to the plan. The plan has no legally required reserves.

Assumptions and Methods

The City’s OPEB liability was measured as of December 31, 2018.

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 and the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.75%
20-year Aa Municipal bond rate	3.00%
Mortality	RP-2014 adjusted to 2006 Total Data Set, Headcount-weighted, MP-2018 no pre-retirement mortality

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying Strategies	12.5%	5.00%

The sum of each target allocation times its long-term expected real rate is 5.25%

The long-term expected rate of return after including inflation is 7.75%

Discount rate – The discount rate used to measure the total OPEB liability was 3.00%. The assets are not projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. Because this is the first year the City has stated liabilities under GASB Statement No. 75, there is no discount rate change to disclose.

Changes in the Net OPEB Liability

	<i>Increase (Decrease)</i>		
	<i>Total OPEB Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Liability</i>
Balance at 12/31/17	\$ 1,044,118	\$ -	\$ 1,044,118
Service cost	20,883	-	20,883
Interest	31,288	-	31,288
Contributions to OPEB trust	-	600	(600)
Contributions/benefit paid from general operating funds	-	44,158	(44,158)
Benefit payments, including employee refunds	(44,158)	(44,158)	-
Net changes	8,013	600	7,413
Balance at 12/31/18	<u>\$ 1,052,131</u>	<u>\$ 600</u>	<u>\$ 1,051,531</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

The net OPEB liability is recorded as follows:

Governmental activities	\$ 820,194
Business-type activities	<u>231,337</u>
	<u>\$ 1,051,531</u>

Discount and Trend Rate Sensitivities – The following presents the net OPEB liability (NOL) of the City, calculated using trend and discount rates 1% higher and 1% lower than base assumptions:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Discount			
Total OPEB liability	\$ 1,196,643	\$ 1,052,131	\$ 934,990
Plan fiduciary net position	<u>600</u>	<u>600</u>	<u>600</u>
Net OPEB liability	<u>\$ 1,196,043</u>	<u>\$ 1,051,531</u>	<u>\$ 934,390</u>
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Trend			
Total OPEB liability	N/A*	\$ 1,052,131	N/A*
Plan fiduciary net position	<u>600</u>	<u>600</u>	<u>600</u>
Net OPEB liability	<u>N/A</u>	<u>\$ 1,051,531</u>	<u>N/A</u>

* The benefits are not subject to medical trend increases. The benefit payments will remain fixed over time.

OPEB Expense

Components of the City's OPEB expense for the fiscal year ended December 31, 2018 – Below are the components of the total OPEB expense:

	<u>2018</u>
Service cost	\$ 20,883
Interest	<u>31,288</u>
Total OPEB expense	<u>\$ 52,171</u>

Net OPEB Liability

OPEB plan fiduciary net position – The OPEB plan fiduciary net position as of December 31, 2018 is \$600.

Deferred inflows and outflows of resources related to OPEB plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (gains)/losses	\$ -	\$ -
Changes in assumptions	-	-
Investment earnings (gains)/losses	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ended</i>	<i>Amount</i>
2019	\$ -
2020	-
2021	-
2022	-
2023	-

Reconciliation of the net OPEB liability

Net OPEB liability 12/31/17	\$ 1,044,118
Total OPEB expense	52,171
Contributions	(44,758)
Change in deferred outflows of resources	-
Change in deferred inflows of resources	-
Net OPEB liability 12/31/18	<u>\$ 1,051,531</u>

Total OPEB liability by participant status

Active participants	\$ 459,896
Inactive participants receiving benefits	<u>592,235</u>
Total OPEB liability	<u>\$ 1,052,131</u>

NOTE 14: TAX ABATEMENTS

City Abatements – Industrial Facilities Exemption:

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. PA 198 of 1974, as amended is designed to maintain existing jobs and create new job opportunities for residents by providing substantial property tax incentives to industry to renovate and expand aging manufacturing plants or to build new plants. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the City. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

The City Council evaluates all PA 198 applications to determine that a good public purpose for the City would be served, that is, an economic growth, expanded tax base, and job creation. The City has the right to revoke the exemption and the recipient would be responsible to pay to the affecting taxing units an amount equal to those taxes it would have paid had the abatement not been in effect if the recipient is determined to be in violation of the provisions of the written agreement, such as insufficient job creation and/or investment.

For the year ended December 31, 2018, the City abated property tax revenues totaling approximately \$13,000 under this program.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 14: TAX ABATEMENTS, CONTINUED

Mason County Brownfield Redevelopment Authority Abatements:

PA 381 of 1996, as amended authorized municipalities to create a brownfield redevelopment authority to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property. Individual brownfield plans must be approved by the Mason County Brownfield Redevelopment Authority, the Mason County Board of Commissioners, and the City Council.

For the year ended December 31, 2018 there was approximately \$69,000 of property tax revenue abated under this program.

NOTE 15: FUND BALANCES

Fund balances are classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. The classifications are described in Note 1. The following illustrates the segregation of fund balances of the governmental funds shown on page 15.

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund balances:			
Nonspendable:			
Inventory	\$ 29,724	\$ 47,854	\$ 77,578
Prepaid expenditures	92,444	6,721	99,165
Long-term receivables	-	5,207	5,207
Restricted for:			
Streets	-	1,462,535	1,462,535
Senior center activities	-	52,435	52,435
Construction code activities	6,101	-	6,101
Debt service	-	2	2
Recreation activities	-	59,106	59,106
Rental inspection	-	10,418	10,418
Downtown building rehab	-	88,057	88,057
Cemetery capital improvements	-	235,541	235,541
Capital projects	-	11,651	11,651
Unassigned	<u>2,301,467</u>	<u>-</u>	<u>2,301,467</u>
Total fund balances	<u>\$ 2,429,736</u>	<u>\$ 1,979,527</u>	<u>\$ 4,409,263</u>

NOTE 16: SUBSEQUENT EVENTS

On March 11, 2019, the City issued \$23,093,000 Sewage Disposal System Junior Lien Revenue Bonds. Series 2019A is a 40-year bond for \$9,000,000 bearing interest at 2.375%. Series 2019B is a 40-year bond for \$8,079,000 bearing interest at 2.375%. Series 2019C is a 40-year bond for \$6,014,000 bearing interest at 2.500%.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 17: RESTATEMENT OF NET POSITION

Change in Accounting Principle – As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in the current year, the City has restated the beginning net position in the government-wide and proprietary fund Statement of Net Position, effectively decreasing net position on January 1, 2018. The effect on beginning net position is as follows:

	<i>Enterprise Funds Statements</i>			
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Marina Fund</i>	<i>Cartier Park Fund</i>
Beginning, January 1, 2018, net position as previously stated	\$ 9,299,429	\$ 6,671,109	\$ 2,520,915	\$ 419,403
Adjust previous net OPEB obligation	4,905	8,768	1,091	-
Adjust current net OPEB liability	<u>(73,088)</u>	<u>(125,294)</u>	<u>(20,882)</u>	<u>(10,441)</u>
Beginning, January 1, 2018, net position as restated	<u>\$ 9,231,246</u>	<u>\$ 6,554,583</u>	<u>\$ 2,501,124</u>	<u>\$ 408,962</u>
	<i>Government-wide Statements</i>			
	<i>Governmental Activities</i>	<i>Business-type Activities</i>		
Beginning, January 1, 2018, net position as previously stated	\$ 10,998,948	\$ 18,596,581		
Adjust previous net OPEB obligation	228,698	14,764		
Adjust current net OPEB liability	<u>(814,412)</u>	<u>(229,705)</u>		
Beginning, January 1, 2018, net position as restated	<u>\$ 10,413,234</u>	<u>\$ 18,381,640</u>		

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LUDINGTON

SCHEDULE OF CHANGES IN THE CITY'S GENERAL (MERS) NET PENSION LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost	\$ 249,175	\$ 272,153	\$ 268,117	\$ 274,630
Interest on total pension liability	1,531,270	1,594,693	1,534,351	1,488,915
Changes in benefit terms	-	(1,351,475)	-	-
Difference between expected and actual experience	(76,748)	39,069	(200,065)	-
Changes in assumptions	-	-	1,017,300	-
Benefit payments, including employee refunds	(1,364,316)	(1,327,415)	(1,224,817)	(1,170,478)
Other changes	(22,681)	10,529	(10,137)	(11,900)
Net change in total pension liability	316,700	(762,446)	1,384,749	581,167
Total pension liability - beginning	<u>19,698,844</u>	<u>20,461,290</u>	<u>19,076,541</u>	<u>18,495,374</u>
Total pension liability - ending	<u>\$ 20,015,544</u>	<u>\$ 19,698,844</u>	<u>\$ 20,461,290</u>	<u>\$ 19,076,541</u>
Plan fiduciary net position				
Contributions - employer	\$ 746,335	\$ 671,574	\$ 666,237	\$ 595,505
Contributions - employee	42,356	31,979	23,690	18,451
Net investment income (loss)	(514,626)	1,627,991	1,320,810	(183,641)
Benefit payments, including employee refunds	(1,364,316)	(1,327,415)	(1,224,817)	(1,170,478)
Administrative expenses	(25,860)	(25,820)	(26,086)	(27,072)
Net change in plan fiduciary net position	(1,116,111)	978,309	759,834	(767,235)
Total plan fiduciary net position - beginning	<u>13,505,495</u>	<u>12,527,186</u>	<u>11,767,352</u>	<u>12,534,587</u>
Total plan fiduciary net position - ending	<u>\$ 12,389,384</u>	<u>\$ 13,505,495</u>	<u>\$ 12,527,186</u>	<u>\$ 11,767,352</u>
City's net pension liability	\$ 7,626,160	\$ 6,193,349	\$ 7,934,104	\$ 7,309,189
Plan fiduciary net position as a percentage of the total pension liability	61.90%	68.56%	61.22%	61.68%
Covered employee payroll	\$ 2,172,067	\$ 2,153,157	\$ 2,120,040	\$ 2,156,320
City's net pension liability as a percentage of covered employee payroll	351.10%	287.64%	374.24%	338.97%

Note: GASB Statement No. 68 was implemented for year ended December 31, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is displayed. Information presented in this schedule is as of the measurement date of December 31 of each year.

CITY OF LUDINGTON

SCHEDULE OF CHANGES IN THE CITY'S POLICE NET PENSION LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 179,221	\$ 190,509	\$ 242,869	\$ 191,449	\$ 176,256
Interest	529,004	500,403	472,965	442,143	403,626
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(172,490)	119,371	(225,074)	(15,652)	343,823
Changes of assumptions	-	-	(1,137,187)	1,381,809	-
Benefit payments, including refunds of member contributions	(388,306)	(403,808)	(404,702)	(373,903)	(340,646)
Net change in total pension liability	147,429	406,475	(1,051,129)	1,625,846	583,059
Total pension liability - beginning	<u>7,661,736</u>	<u>7,255,261</u>	<u>8,306,390</u>	<u>6,680,544</u>	<u>6,097,485</u>
Total pension liability - ending	<u>\$ 7,809,165</u>	<u>\$ 7,661,736</u>	<u>\$ 7,255,261</u>	<u>\$ 8,306,390</u>	<u>\$ 6,680,544</u>
Plan fiduciary net position					
Contributions - employer	\$ 320,219	\$ 318,015	\$ 311,720	\$ 306,876	\$ 297,187
Contributions - member	58,091	54,288	53,618	53,042	55,438
Net investment income (loss)	(149,752)	578,242	284,547	(3,610)	353,818
Benefit payments, including refunds of member contributions	(388,306)	(403,808)	(404,702)	(373,903)	(334,946)
Administrative expense	(7,500)	(6,453)	(7,796)	(66,783)	(60,213)
Other	-	-	(130)	-	-
Net change in plan fiduciary net position	(167,248)	540,284	237,257	(84,378)	311,284
Plan fiduciary net position - beginning	<u>5,598,414</u>	<u>5,058,130</u>	<u>4,820,873</u>	<u>4,905,251</u>	<u>4,593,967</u>
Plan fiduciary net position - ending	<u>\$ 5,431,166</u>	<u>\$ 5,598,414</u>	<u>\$ 5,058,130</u>	<u>\$ 4,820,873</u>	<u>\$ 4,905,251</u>
City's police net pension liability	<u>\$ 2,377,999</u>	<u>\$ 2,063,322</u>	<u>\$ 2,197,131</u>	<u>\$ 3,485,517</u>	<u>\$ 1,775,293</u>
Plan fiduciary net position as a percentage of total pension liability	69.55%	73.07%	69.72%	58.04%	73.43%
Covered-employee payroll	\$ 906,667	\$ 933,791	\$ 885,272	\$ 852,255	\$ 888,155
City's police net pension liability as a percentage of covered-employee payroll	262.28%	220.96%	248.19%	408.98%	199.89%

Note: GASB Statement No. 67 was implemented for year ended December 31, 2014 and GASB Statement No. 68 was implemented for year ended December 31, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is displayed. Information presented in this schedule is as of the measurement date of December 31 of each year.

CITY OF LUDINGTON

SCHEDULE OF CITY GENERAL (MERS) DEFINED BENEFIT PENSION CONTRIBUTIONS Last Ten Calendar Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 619,459	\$ 574,990	\$ 630,237	\$ 559,505	\$ 521,831
Contributions in relation to the actuarially determined contribution	<u>746,335</u>	<u>671,574</u>	<u>666,237</u>	<u>595,505</u>	<u>557,831</u>
Contribution (excess) deficiency	<u>\$ (126,876)</u>	<u>\$ (96,584)</u>	<u>\$ (36,000)</u>	<u>\$ (36,000)</u>	<u>\$ (36,000)</u>
Covered-employee payroll	\$ 2,172,067	\$ 2,153,157	\$ 2,120,040	\$ 2,156,320	\$ 1,920,675
Actuarially determined contribution as a percentage of covered-employee payroll	28.52%	26.70%	29.73%	25.95%	27.17%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 489,247	\$ 452,171	\$ 444,060	\$ 439,377	\$ 456,155
Contributions in relation to the actuarially determined contribution	<u>489,247</u>	<u>452,171</u>	<u>444,060</u>	<u>439,377</u>	<u>456,155</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,008,700	\$ 1,982,367	\$ 1,977,617	\$ 1,919,604	\$ 2,213,525
Actuarially determined contribution as a percentage of covered-employee payroll	24.36%	22.81%	22.45%	22.89%	20.61%

Notes to Schedule

Valuation date

Actuarially determined contribution rates are calculated as of December 31, 12 months prior to the beginning of the fiscal year in which contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open and closed
Remaining amortization period	21 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	Experience based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables

CITY OF LUDINGTON

SCHEDULE OF CITY POLICE DEFINED BENEFIT PENSION CONTRIBUTIONS Last Ten Calendar Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 320,219	\$ 318,015	\$ 311,491	\$ 306,876	\$ 297,188
Contributions in relation to the actuarially determined contribution	<u>320,219</u>	<u>318,015</u>	<u>311,491</u>	<u>306,876</u>	<u>297,188</u>
Contribution (excess) deficiency	<u>\$ -</u>				
Covered-employee payroll	\$ 906,667	\$ 933,791	\$ 885,272	\$ 852,255	\$ 888,155
Actuarially determined contributions as a percentage of covered-employee payroll	35.32%	34.06%	35.19%	36.01%	33.46%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 289,156	\$ 284,836	\$ 270,508	\$ 259,778	\$ 253,829
Contributions in relation to the actuarially determined contribution	<u>289,156</u>	<u>284,836</u>	<u>270,508</u>	<u>259,778</u>	<u>253,829</u>
Contribution (excess) deficiency	<u>\$ -</u>				
Covered-employee payroll	\$ 809,192	\$ 832,173	\$ 745,397	\$ 854,278	\$ 896,135
Actuarially determined contributions as a percentage of covered-employee payroll	35.73%	34.23%	36.29%	30.41%	28.32%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, the year prior to the end of the fiscal year in which contributions are reported. Covered employee payroll is as of December 31 of the current fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed beginning with the 12/31/16 valuation
Remaining amortization period	20 years closed beginning with the 12/31/16 valuation
Asset valuation method	5 years smoothed market
Inflation	4.00%
Salary increases	7.0%-4.0%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality table	RP 2000 projected to 2014 effective with the 12/31/16 valuation

CITY OF LUDINGTON

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 20,883
Interest	31,288
Benefit payments (including refunds of employee contributions)	<u>(44,158)</u>
Net change in total OPEB liability	8,013
Total OPEB liability - beginning	<u>1,044,118</u>
Total OPEB liability - ending	<u><u>\$ 1,052,131</u></u>
Plan fiduciary net position	
Contributions to OPEB trust	\$ 600
Contributions/benefit paid from general operating funds	44,158
Benefit payments (including refunds of employee contributions)	<u>(44,158)</u>
Net change in plan fiduciary net position	600
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending	<u><u>\$ 600</u></u>
City's net OPEB liability	<u><u>\$ 1,051,531</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.06%
Covered-employee payroll	\$ 2,239,812
City's net OPEB liability as a percentage of covered-employee payroll	46.95%

Note: GASB Statement No. 75 was implemented for year ended December 31, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is displayed. Information presented in this schedule is as of the measurement date of December 31 of each year.

CITY OF LUDINGTON

SCHEDULE OF CITY OPEB CONTRIBUTIONS

	<u>2018</u>
Actuarially determined contribution	\$ 170,250
Employer contribution	44,758
Contribution (excess) deficiency	<u>\$ 125,492</u>
Covered-employee payroll	<u>\$ 2,239,812</u>
Actuarially determined contributions as a percentage of covered-employee payroll	7.60%

Notes to Schedule

Based on 10-year, level dollar, amortization of unfunded liability; alternative funding scenarios could be considered.

Note: GASB Statement No. 75 was implemented for year ended December 31, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of data is displayed.

CITY OF LUDINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 3,759,500	\$ 3,761,000	\$ 3,762,033	\$ 1,033
Special assessments	-	-	339	339
Licenses and permits	105,900	144,700	143,976	(724)
Federal grants	6,500	-	3,848	3,848
State grants	1,079,500	1,564,000	1,566,347	2,347
Contributions from other units	102,700	102,700	102,758	58
Charges for services	583,100	613,800	621,947	8,147
Fines and forfeits	28,800	28,800	35,304	6,504
Interest and rents	29,900	29,900	74,909	45,009
Other revenue	72,400	55,700	145,227	89,527
Total revenues	5,768,300	6,300,600	6,456,688	156,088
Expenditures:				
Current				
General government				
Council and Mayor	46,000	46,000	45,063	(937)
Manager	284,200	275,000	270,953	(4,047)
Clerk	294,300	315,000	311,978	(3,022)
Board of review	3,400	2,600	2,554	(46)
Treasurer	128,300	178,300	174,177	(4,123)
Assessor and Building inspector	205,600	205,600	203,848	(1,752)
Elections	29,100	31,600	31,016	(584)
Hall and grounds, downtown and other	287,400	298,900	294,492	(4,408)
Attorney	93,000	108,000	106,740	(1,260)
Board of ethics	200	200	-	(200)
Total general government	1,371,500	1,461,200	1,440,821	(20,379)
Public safety				
Police	1,653,100	1,575,100	1,565,424	(9,676)
Fire	211,400	211,400	211,014	(386)
Total public safety	1,864,500	1,786,500	1,776,438	(10,062)
Public works				
Department of public works	414,400	507,400	505,291	(2,109)
Sidewalk construction	109,000	76,000	73,408	(2,592)
Street lighting	85,700	99,700	98,073	(1,627)
Garbage and rubbish	737,200	743,200	741,969	(1,231)
Cemetery	205,500	215,500	215,162	(338)
Total public works	1,551,800	1,641,800	1,633,903	(7,897)

continued

CITY OF LUDINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended December 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Community and economic development				
Planning	3,800	3,800	2,215	(1,585)
Economic development	99,700	97,700	95,826	(1,874)
Total community and economic development	<u>103,500</u>	<u>101,500</u>	<u>98,041</u>	<u>(3,459)</u>
Recreation and culture				
Parks	374,900	409,900	406,477	(3,423)
Beach safety	30,400	34,400	33,013	(1,387)
Launching ramps	68,400	60,400	56,827	(3,573)
Total recreation and culture	<u>473,700</u>	<u>504,700</u>	<u>496,317</u>	<u>(8,383)</u>
Other				
Insurance and bonds	37,300	37,300	36,617	(683)
Capital outlay	<u>2,108,800</u>	<u>1,720,800</u>	<u>117,874</u>	<u>(1,602,926)</u>
Debt service	<u>98,400</u>	<u>26,400</u>	<u>24,830</u>	<u>(1,570)</u>
Total expenditures	<u>7,609,500</u>	<u>7,280,200</u>	<u>5,624,841</u>	<u>(1,655,359)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,841,200)</u>	<u>(979,600)</u>	<u>831,847</u>	<u>1,811,447</u>
Other financing sources (uses):				
Issuance of bonds	1,600,000	1,600,000	-	(1,600,000)
Sale of capital assets	500,000	500,000	501,550	1,550
Interfund transfers in	1,800	1,800	4,012	2,212
Interfund transfers out	<u>(328,800)</u>	<u>(848,800)</u>	<u>(848,745)</u>	<u>55</u>
Net other financing sources (uses)	<u>1,773,000</u>	<u>1,253,000</u>	<u>(343,183)</u>	<u>(1,596,183)</u>
Change in fund balance	(68,200)	273,400	488,664	215,264
Fund balance, beginning of year	<u>1,941,072</u>	<u>1,941,072</u>	<u>1,941,072</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,872,872</u>	<u>\$ 2,214,472</u>	<u>\$ 2,429,736</u>	<u>\$ 215,264</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

December 31, 2018

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>
Assets:				
Cash and cash equivalents	\$ 547,752	\$ 541,528	\$ 42,625	\$ 62,625
Investments	230,343	-	-	-
Accounts receivable	62	-	19,200	-
Notes receivable	-	-	-	-
Accrued interest receivable	215	150	12	17
Due from other governments	87,642	87,218	-	-
Inventory	47,854	-	-	-
Prepaid expenditures	432	4,211	947	1,131
Total assets	<u>\$ 914,300</u>	<u>\$ 633,107</u>	<u>\$ 62,784</u>	<u>\$ 63,773</u>
Liabilities:				
Accounts payable	\$ 24,744	\$ 797	\$ 1,650	\$ 6,326
Accrued expenses	2,500	4,334	1,081	3,881
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>27,244</u>	<u>5,131</u>	<u>2,731</u>	<u>10,207</u>
Fund balances:				
Nonspendable	48,286	4,211	947	1,131
Restricted	838,770	623,765	59,106	52,435
Total fund balances	<u>887,056</u>	<u>627,976</u>	<u>60,053</u>	<u>53,566</u>
Total liabilities and fund balances	<u>\$ 914,300</u>	<u>\$ 633,107</u>	<u>\$ 62,784</u>	<u>\$ 63,773</u>

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, CONTINUED
 December 31, 2018

	<i>Special Revenue Funds</i>			
	<i>Building Rehab Fund</i>	<i>Rental Inspection Fund</i>	<i>Site Assessment Fund</i>	<i>Cemetery Capital Improvement Fund</i>
Assets:				
Cash and cash equivalents	\$ 89,917	\$ 13,335	\$ 9,708	\$ 235,476
Investments	-	-	-	-
Accounts receivable	-	540	-	-
Notes receivable	5,207	-	-	-
Accrued interest receivable	-	4	-	65
Due from other governments	-	-	21,581	-
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ 95,124</u>	<u>\$ 13,879</u>	<u>\$ 31,289</u>	<u>\$ 235,541</u>
Liabilities:				
Accounts payable	\$ -	\$ 51	\$ 31,001	\$ -
Accrued expenses	-	950	-	-
Due to other governments	1,860	-	-	-
Due to other funds	-	-	288	-
Unearned revenue	-	2,460	-	-
Total liabilities	<u>1,860</u>	<u>3,461</u>	<u>31,289</u>	<u>-</u>
Fund balances:				
Nonspendable	5,207	-	-	-
Restricted	88,057	10,418	-	235,541
Total fund balances	<u>93,264</u>	<u>10,418</u>	<u>-</u>	<u>235,541</u>
Total liabilities and fund balances	<u>\$ 95,124</u>	<u>\$ 13,879</u>	<u>\$ 31,289</u>	<u>\$ 235,541</u>

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, CONTINUED
 December 31, 2018

	<i>Debt Service Fund</i>	<i>Capital Projects Fund</i>		
	<i>Building Authority Bond Fund</i>	<i>W. Ludington Avenue Project Fund</i>	<i>Fire Station Improvement Fund</i>	<i>Total</i>
Assets:				
Cash and cash equivalents	\$ 2	\$ 104,542	\$ 73	\$ 1,647,583
Investments	-	-	-	230,343
Accounts receivable	-	5,000	-	24,802
Notes receivable	-	-	-	5,207
Accrued interest receivable	-	-	-	463
Due from other governments	-	-	128,000	324,441
Inventory	-	-	-	47,854
Prepaid expenditures	-	-	-	6,721
	-	-	-	6,721
Total assets	\$ 2	\$ 109,542	\$ 128,073	\$ 2,287,414
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 127,622	\$ 192,191
Accrued expenses	-	-	-	12,746
Due to other governments	-	-	-	1,860
Due to other funds	-	-	-	288
Unearned revenue	-	98,342	-	100,802
	-	98,342	-	100,802
Total liabilities	-	98,342	127,622	307,887
Fund balances:				
Nonspendable	-	-	-	59,782
Restricted	2	11,200	451	1,919,745
	2	11,200	451	1,979,527
Total fund balances	2	11,200	451	1,979,527
Total liabilities and fund balances	\$ 2	\$ 109,542	\$ 128,073	\$ 2,287,414

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES**
 Year Ended December 31, 2018

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$ 12,500
State grants	702,148	479,783	-	-
Contributions from other units	-	-	44,000	167,100
Charges for services	33,259	-	61,089	15,129
Interest and rents	11,504	7,815	929	6,546
Other revenue	169	262	10,404	8,083
Total revenues	747,080	487,860	116,422	209,358
Expenditures:				
Current				
Public safety	-	-	-	-
Public works	239,783	443,793	-	-
Health and welfare	-	-	-	201,770
Community and economic development	-	-	-	-
Recreation and culture	-	-	137,587	-
Capital outlay	77,741	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	317,524	443,793	137,587	201,770
Excess (deficiency) of revenues over expenditures	429,556	44,067	(21,165)	7,588
Other financing sources (uses):				
Proceeds from bond issue	-	-	-	-
Interfund transfers in	-	207,300	42,000	-
Interfund transfers out	(207,300)	-	-	-
Net other financing sources (uses)	(207,300)	207,300	42,000	-
Changes in fund balances	222,256	251,367	20,835	7,588
Fund balances, beginning of year	664,800	376,609	39,218	45,978
Fund balances, end of year	\$ 887,056	\$ 627,976	\$ 60,053	\$ 53,566

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended December 31, 2018

	<i>Special Revenue Funds</i>			
	<i>Building Rehab Fund</i>	<i>Rental Inspection Fund</i>	<i>Site Assessment Fund</i>	<i>Cemetery Capital Improvement Fund</i>
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants	-	-	31,289	-
Contributions from other units	-	-	-	-
Charges for services	-	17,111	-	8,375
Interest and rents	-	249	-	4,012
Other revenue	-	-	-	-
Total revenues	-	17,360	31,289	12,387
Expenditures:				
Current				
Public safety	-	22,741	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community and economic development	4,468	-	31,289	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	4,468	22,741	31,289	-
Excess (deficiency) of revenues over expenditures	(4,468)	(5,381)	-	12,387
Other financing sources (uses):				
Proceeds from bond issue	-	-	-	-
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	(4,012)
Net other financing sources (uses)	-	-	-	(4,012)
Changes in fund balances	(4,468)	(5,381)	-	8,375
Fund balances, beginning of year	97,732	15,799	-	227,166
Fund balances, end of year	\$ 93,264	\$ 10,418	\$ -	\$ 235,541

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended December 31, 2018

	<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>		<u>Total</u>
	<u>Building Authority Bond Fund</u>	<u>Fire Station Debt Fund</u>	<u>W. Ludington Avenue Project Fund</u>	<u>Fire Station Improvement Fund</u>	
Revenues:					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 12,500
State grants	-	-	3,941	-	1,217,161
Contributions from other units	-	-	-	-	211,100
Charges for services	-	-	-	-	134,963
Interest and rents	-	-	-	-	31,055
Other revenue	-	-	11,200	-	30,118
Total revenues	-	-	15,141	-	1,636,897
Expenditures:					
Current					
Public safety	-	-	-	-	22,741
Public works	-	-	3,941	-	687,517
Health and welfare	-	-	-	-	201,770
Community and economic development	-	-	-	-	35,757
Recreation and culture	-	-	-	-	137,587
Capital outlay	-	-	-	992,549	1,070,290
Debt service					
Principal	265,000	20,000	-	-	285,000
Interest and fees	21,735	10	-	-	21,745
Total expenditures	286,735	20,010	3,941	992,549	2,462,407
Excess (deficiency) of revenues over expenditures	(286,735)	(20,010)	11,200	(992,549)	(825,510)
Other financing sources (uses):					
Proceeds from bond issue	-	-	-	493,000	493,000
Interfund transfers in	286,735	20,010	-	500,000	1,056,045
Interfund transfers out	-	-	-	-	(211,312)
Net other financing sources (uses)	286,735	20,010	-	993,000	1,337,733
Changes in fund balances	-	-	11,200	451	512,223
Fund balances, beginning of year	2	-	-	-	1,467,304
Fund balances, end of year	\$ 2	\$ -	\$ 11,200	\$ 451	\$ 1,979,527

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
 December 31, 2018

	<u><i>Motor Pool</i></u> <u><i>Fund</i></u>	<u><i>Technology</i></u> <u><i>Fund</i></u>	<u><i>Total</i></u>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 173,864	\$ 15,235	\$ 189,099
Accrued interest receivable	48	-	48
Due from other governments	2,783	-	2,783
Inventory	77,605	-	77,605
Prepaid expenses	109,568	17,939	127,507
Total current assets	<u>363,868</u>	<u>33,174</u>	<u>397,042</u>
<i>Noncurrent assets:</i>			
Capital assets not being depreciated	4,250	-	4,250
Capital assets being depreciated, net	2,714,330	12,419	2,726,749
Total noncurrent assets	<u>2,718,580</u>	<u>12,419</u>	<u>2,730,999</u>
Total assets	<u>3,082,448</u>	<u>45,593</u>	<u>3,128,041</u>
Deferred outflows of resources:			
Related to pension	<u>67,878</u>	<u>-</u>	<u>67,878</u>
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	186,572	864	187,436
Accrued expenses	8,711	-	8,711
Total current liabilities	<u>195,283</u>	<u>864</u>	<u>196,147</u>
<i>Noncurrent liabilities:</i>			
Compensated absences payable	6,003	-	6,003
Net pension liability	426,377	-	426,377
Total noncurrent liabilities	<u>432,380</u>	<u>-</u>	<u>432,380</u>
Total liabilities	<u>627,663</u>	<u>864</u>	<u>628,527</u>
Deferred inflows of resources:			
Related to pension	<u>4,638</u>	<u>-</u>	<u>4,638</u>
Net position:			
Investment in capital assets	2,718,580	12,419	2,730,999
Unrestricted	<u>(200,555)</u>	<u>32,310</u>	<u>(168,245)</u>
Total net position	<u>\$ 2,518,025</u>	<u>\$ 44,729</u>	<u>\$ 2,562,754</u>

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION**
Year Ended December 31, 2018

	<i>Motor Pool Fund</i>	<i>Technology Fund</i>	<i>Total</i>
Operating revenues:			
Equipment rental - interfund charges	\$ 949,153	\$ 83,618	\$ 1,032,771
Other	22,730	-	22,730
Total operating revenues	<u>971,883</u>	<u>83,618</u>	<u>1,055,501</u>
Operating expenses:			
Personal services	369,889	-	369,889
Contracted services	17,568	40,921	58,489
Administrative expense	62,800	-	62,800
Insurance	53,035	-	53,035
Utilities	31,763	-	31,763
Repairs and maintenance	98,810	-	98,810
Other services and expenses	117,483	37,413	154,896
Depreciation	268,304	5,284	273,588
Total operating expenses	<u>1,019,652</u>	<u>83,618</u>	<u>1,103,270</u>
Operating income (loss)	<u>(47,769)</u>	<u>-</u>	<u>(47,769)</u>
Non-operating revenues (expenses):			
Interest income	3,550	-	3,550
Sales of capital assets	12,327	-	12,327
Net non-operating revenues	<u>15,877</u>	<u>-</u>	<u>15,877</u>
Changes in net position	(31,892)	-	(31,892)
Net position, beginning of year	<u>2,549,917</u>	<u>44,729</u>	<u>2,594,646</u>
Net position, end of year	<u>\$ 2,518,025</u>	<u>\$ 44,729</u>	<u>\$ 2,562,754</u>

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
 Year Ended December 31, 2018

	<i>Motor Pool Fund</i>	<i>Technology Fund</i>	<i>Total</i>
Cash flows from operating activities:			
Cash received from customers	\$ 22,195	\$ -	\$ 22,195
Cash received from interfund services	949,153	83,618	1,032,771
Cash payments to employees and on behalf of employees	(339,999)	-	(339,999)
Cash payments to suppliers for goods and services	(486,830)	(90,940)	(577,770)
	<u>144,519</u>	<u>(7,322)</u>	<u>137,197</u>
Net cash provided (used) by operating activities			
Cash flows from capital and related financing activities:			
Sale of capital assets	15,000	-	15,000
Acquisition of capital assets	(273,583)	-	(273,583)
	<u>(258,583)</u>	<u>-</u>	<u>(258,583)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Interest received	3,611	-	3,611
	<u>3,611</u>	<u>-</u>	<u>3,611</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents, beginning of year	284,317	22,557	306,874
Cash and cash equivalents, end of year	<u>\$ 173,864</u>	<u>\$ 15,235</u>	<u>\$ 189,099</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (47,769)	\$ -	\$ (47,769)
Adjustments:			
Depreciation	268,304	5,284	273,588
Change in assets and liabilities:			
Accounts receivable	60	-	60
Due from other governments	(595)	-	(595)
Inventory	(25,145)	-	(25,145)
Prepaid expenses	(71,441)	(12,799)	(84,240)
Accounts payable	(8,785)	193	(8,592)
Accrued expenses	904	-	904
Compensated absences payable	103	-	103
Net pension liability and related deferred amounts	28,883	-	28,883
	<u>28,883</u>	<u>-</u>	<u>28,883</u>
Net cash provided (used) by operating activities			
	<u>\$ 144,519</u>	<u>\$ (7,322)</u>	<u>\$ 137,197</u>

CITY OF LUDINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET

December 31, 2018

Assets:

Cash and cash equivalents	\$	201,266
Taxes receivable		111,816
Accounts receivable		6,356
Accrued interest receivable		55
Prepaid expenditures		<u>4,280</u>
Total assets	\$	<u><u>323,773</u></u>

Liabilities:

Accounts payable	\$	10,444
Accrued expenses		2,255
Unearned revenue		<u>3,376</u>
Total liabilities		<u>16,075</u>

Deferred inflows of resources:

Unavailable revenue - property taxes		<u>121,670</u>
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Fund balance:

Unassigned		<u>186,028</u>
Total liabilities, deferred inflows of resources, and fund balance	\$	<u><u>323,773</u></u>

RECONCILIATION OF FUND BALANCE TO NET POSITION:

Fund balance for component unit	\$	186,028
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Net position reported for the component unit in the statement of net position 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 being depreciated, net		<u>56,283</u>
Net position of component unit	\$	<u><u>242,311</u></u>

CITY OF LUDINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended December 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 115,000	\$ 108,900	\$ 109,144	\$ 244
State grants	-	18,500	8,919	(9,581)
Charges for services	3,900	1,000	3,107	2,107
Interest and rents	500	2,800	4,185	1,385
Other revenue	72,500	94,800	100,722	5,922
Total revenues	191,900	226,000	226,077	77
Expenditures:				
Current				
Community and economic development	172,800	150,000	177,219	27,219
Capital outlay	-	29,600	40,301	-
Total expenditures	172,800	179,600	217,520	27,219
Change in fund balance	19,100	46,400	8,557	(27,142)
Fund balance, beginning of year	177,471	177,471	177,471	-
Fund balance, end of year	\$ 196,571	\$ 223,871	\$ 186,028	\$ (27,142)

RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION:

Change in fund balance \$ 8,557

Change in net position of the component unit in the statement of activities is different because:

The 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.

Purchases of capital assets	40,301
Depreciation expense	(1,052)
Change in net position	\$ 47,806

CITY OF LUDINGTON

GOVERNMENTAL ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2018

2005 BUILDING AUTHORITY REFUNDING BONDS

Issue in the amount of	\$ 2,135,000
Less: Principal paid in prior years	(1,585,000)
Principal paid in current year	<u>(265,000)</u>
Balance payable at December 31, 2018	<u>\$ 285,000</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Interest due February 1</u>	<u>Interest due August 1</u>	<u>Principal due August 1</u>	<u>Total Annual Requirement</u>
2019	4.00%	<u>\$ 5,700</u>	<u>\$ 5,700</u>	<u>\$ 285,000</u>	<u>\$ 296,400</u>

2013 COPIER/PRINTER CONTRACT PAYABLE

Issue in the amount of	\$ 89,160
Less: Principal paid in prior years	(88,045)
Principal paid in current year	<u>(1,115)</u>
Balance payable at December 31, 2018	<u>\$ -</u>

2018 COPIER/PRINTER CAPITAL LEASE AGREEMENT

Issue in the amount of	\$ 125,511
Less: Principal paid in prior years	-
Principal paid in current year	<u>(18,827)</u>
Balance payable at December 31, 2018	<u>\$ 106,684</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Principal due</u>
2019	0.0%	\$ 25,102
2020	0.0%	25,102
2021	0.0%	25,102
2022	0.0%	25,102
2023	0.0%	<u>6,276</u>
		<u>\$ 106,684</u>

CITY OF LUDINGTON

GOVERNMENTAL ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2018

2018 GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT BONDS

Issue dated June 6, 2018 in the amount of	\$ 1,200,000
Less: Principal amount not drawn	(707,000)
Principal paid in prior years	-
Principal paid in current year	<u>(20,000)</u>
Balance payable at December 31, 2018	<u>\$ 473,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
2019	3.250%	\$ 19,175	\$ 19,175	\$ 15,000	\$ 53,350
2020	3.250%	18,931	18,931	16,000	53,862
2021	3.250%	18,671	18,671	17,000	54,342
2022	3.250%	18,395	18,395	17,000	53,790
2023	3.250%	18,119	18,119	18,000	54,238
2024	3.250%	17,826	17,826	18,000	53,652
2025	3.250%	17,534	17,534	19,000	54,068
2026	3.250%	17,225	17,225	19,000	53,450
2027	3.250%	16,916	16,916	20,000	53,832
2028	3.250%	16,591	16,591	21,000	54,182
2029	3.250%	16,250	16,250	21,000	53,500
2030	3.250%	15,909	15,909	22,000	53,818
2031	3.250%	15,551	15,551	23,000	54,102
2032	3.250%	15,178	15,178	23,000	53,356
2033	3.250%	14,804	14,804	24,000	53,608
2034	3.250%	14,414	14,414	25,000	53,828
2035	3.250%	14,008	14,008	26,000	54,016
2036	3.250%	13,585	13,585	27,000	54,170
2037	3.250%	13,146	13,146	28,000	54,292
2038	3.250%	12,691	12,691	28,000	53,382
2039	3.250%	12,236	12,236	29,000	53,472
2040	3.250%	11,765	11,765	30,000	53,530
2041	3.250%	11,278	11,278	31,000	53,556
2042	3.250%	10,774	10,774	32,000	53,548
2043	3.250%	10,254	10,254	33,000	53,508
2044	3.250%	9,718	9,718	34,000	53,436
2045	3.250%	9,165	9,165	36,000	54,330
2046	3.250%	8,580	8,580	37,000	54,160
2047	3.250%	7,979	7,979	38,000	53,958
2048	3.250%	7,361	7,361	39,000	53,722

continued

CITY OF LUDINGTON

GOVERNMENTAL ACTIVITIES
SCHEDULE OF INDEBTEDNESS, CONTINUED
 December 31, 2018

2018 GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT BONDS

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Interest due April 1</u>	<u>Interest due October 1</u>	<u>Principal due October 1</u>	<u>Total Annual Requirement</u>
2049	2.750%	6,728	6,728	40,000	53,456
2050	2.750%	6,078	6,078	42,000	54,156
2051	2.750%	5,395	5,395	43,000	53,790
2052	2.750%	4,696	4,696	44,000	53,392
2053	2.750%	3,981	3,981	46,000	53,962
2054	2.750%	3,234	3,234	47,000	53,468
2055	2.750%	2,470	2,470	49,000	53,940
2056	2.750%	1,674	1,674	51,000	54,348
2057	2.750%	845	845	52,000	53,690
		<u>\$ 459,130</u>	<u>\$ 459,130</u>	\$ 1,180,000	<u>\$ 2,098,260</u>
				Less: Amount not drawn yet	<u>(707,000)</u>
					<u>\$ 473,000</u>

Note: Schedule is based on estimated timing of future draws

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2018

2007 SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS

Issue in the amount of	\$ 1,500,000
Less: Principal paid in prior years	(690,000)
Principal paid in current year	<u>(75,000)</u>
Balance payable at December 31, 2018	<u>\$ 735,000</u>

Balance payable as follows:

<i><u>Year Ended</u></i>	<i><u>Interest Rate</u></i>	<i><u>Interest due April 1</u></i>	<i><u>Interest due October 1</u></i>	<i><u>Principal due October 1</u></i>	<i><u>Total Annual Requirement</u></i>
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%	<u>691</u>	<u>691</u>	<u>85,000</u>	<u>86,382</u>
		<u>\$ 30,429</u>	<u>\$ 30,429</u>	<u>\$ 735,000</u>	<u>\$ 795,858</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2018

2016 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated October 18, 2016 in the amount of	\$ 9,817,000
Less: Principal amount not drawn	(463,300)
Principal paid in prior years	(192,000)
Principal paid in current year	<u>(188,000)</u>
Balance payable at December 31, 2018	<u>\$ 8,973,700</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
2019	1.375%	\$ 64,879	\$ 64,879	\$ 191,000	\$ 320,758
2020	1.375%	63,566	63,566	193,000	320,132
2021	1.375%	62,239	62,239	196,000	320,478
2022	1.375%	60,892	60,892	199,000	320,784
2023	1.375%	59,524	59,524	201,000	320,048
2024	1.375%	58,142	58,142	204,000	320,284
2025	1.375%	56,739	56,739	207,000	320,478
2026	1.375%	55,316	55,316	210,000	320,632
2027	1.375%	53,873	53,873	213,000	320,746
2028	1.375%	52,408	52,408	216,000	320,816
2029	1.375%	50,923	50,923	219,000	320,846
2030	1.375%	49,417	49,417	222,000	320,834
2031	1.375%	47,891	47,891	225,000	320,782
2032	1.375%	46,344	46,344	228,000	320,688
2033	1.375%	44,777	44,777	231,000	320,554
2034	1.375%	43,189	43,189	234,000	320,378
2035	1.375%	41,580	41,580	237,000	320,160
2036	1.375%	39,951	39,951	241,000	320,902
2037	1.375%	38,294	38,294	244,000	320,588
2038	1.375%	36,616	36,616	247,000	320,232
2039	1.375%	34,918	34,918	251,000	320,836
2040	1.375%	33,193	33,193	254,000	320,386
2041	1.375%	31,446	31,446	258,000	320,892
2042	1.375%	29,672	29,672	261,000	320,344
2043	1.375%	27,878	27,878	265,000	320,756
2044	1.375%	26,056	26,056	268,000	320,112
2045	1.375%	24,214	24,214	272,000	320,428
2046	1.375%	22,344	22,344	276,000	320,688
2047	1.375%	20,446	20,446	280,000	320,892
2048	1.375%	18,521	18,521	283,000	320,042

continued

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS, CONTINUED
 December 31, 2018

2016 WATER SUPPLY SYSTEM REVENUE BONDS, CONTINUED

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Interest due April 1</u>	<u>Interest due October 1</u>	<u>Principal due October 1</u>	<u>Total Annual Requirement</u>
2049	1.375%	16,576	16,576	287,000	320,152
2050	1.375%	14,603	14,603	291,000	320,206
2051	1.375%	12,602	12,602	295,000	320,204
2052	1.375%	10,574	10,574	299,000	320,148
2053	1.375%	8,518	8,518	303,000	320,036
2054	1.375%	6,435	6,435	308,000	320,870
2055	1.375%	4,317	4,317	312,000	320,634
2056	1.375%	2,173	2,173	316,000	320,346
		<u>\$ 1,371,046</u>	<u>\$ 1,371,046</u>	<u>\$ 9,437,000</u>	<u>\$ 12,179,092</u>
				Less: Amount not drawn yet	<u>(463,300)</u>
					<u>\$ 8,973,700</u>

Note: Schedule is based on estimated timing of future draws

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2018

2017 SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS

Issue dated March 13, 2017 in the amount of	\$ 2,146,000
Less: Principal paid in prior years	(38,000)
Principal paid in current year	<u>(32,000)</u>
Balance payable at December 31, 2018	<u>\$ 2,076,000</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Interest due April 1</u>	<u>Interest due October 1</u>	<u>Principal due October 1</u>	<u>Total Annual Requirement</u>
2019	2.500%	\$ 25,950	\$ 25,950	\$ 33,000	\$ 84,900
2020	2.500%	25,538	25,538	34,000	85,076
2021	2.500%	25,113	25,113	35,000	85,226
2022	2.500%	24,675	24,675	36,000	85,350
2023	2.500%	24,225	24,225	37,000	85,450
2024	2.500%	23,763	23,763	38,000	85,526
2025	2.500%	23,288	23,288	39,000	85,576
2026	2.500%	22,800	22,800	40,000	85,600
2027	2.500%	22,300	22,300	41,000	85,600
2028	2.500%	21,788	21,788	42,000	85,576
2029	2.500%	21,263	21,263	43,000	85,526
2030	2.500%	20,725	20,725	44,000	85,450
2031	2.500%	20,175	20,175	45,000	85,350
2032	2.500%	19,613	19,613	46,000	85,226
2033	2.500%	19,038	19,038	47,000	85,076
2034	2.500%	18,450	18,450	48,000	84,900
2035	2.500%	17,850	17,850	50,000	85,700
2036	2.500%	17,225	17,225	51,000	85,450
2037	2.500%	16,588	16,588	52,000	85,176
2038	2.500%	15,938	15,938	53,000	84,876
2039	2.500%	15,275	15,275	55,000	85,550
2040	2.500%	14,588	14,588	56,000	85,176
2041	2.500%	13,888	13,888	57,000	84,776
2042	2.500%	13,175	13,175	59,000	85,350
2043	2.500%	12,438	12,438	60,000	84,876
2044	2.500%	11,688	11,688	62,000	85,376
2045	2.500%	10,913	10,913	63,000	84,826
2046	2.500%	10,125	10,125	65,000	85,250
2047	2.500%	9,313	9,313	67,000	85,626
2048	2.500%	8,475	8,475	68,000	84,950

continued

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS, CONTINUED
December 31, 2018

2017 SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS

<u><i>Year Ended</i></u>	<u><i>Interest Rate</i></u>	<u><i>Interest due April 1</i></u>	<u><i>Interest due October 1</i></u>	<u><i>Principal due October 1</i></u>	<u><i>Total Annual Requirement</i></u>
2049	2.500%	7,625	7,625	70,000	85,250
2050	2.500%	6,750	6,750	72,000	85,500
2051	2.500%	5,850	5,850	73,000	84,700
2052	2.500%	4,938	4,938	75,000	84,876
2053	2.500%	4,000	4,000	77,000	85,000
2054	2.500%	3,038	3,038	79,000	85,076
2055	2.500%	2,050	2,050	81,000	85,100
2056	2.500%	1,038	1,038	83,000	85,076
		<u>\$ 581,472</u>	<u>\$ 581,472</u>	<u>\$ 2,076,000</u>	<u>\$ 3,238,944</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2018

2017 WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS

Issue dated March 13, 2017 in the amount of	\$ 2,330,000
Less: Principal paid in prior years	(40,000)
Principal paid in current year	<u>(40,000)</u>
Balance payable at December 31, 2018	<u>\$ 2,250,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
2019	1.875%	\$ 21,094	\$ 21,094	\$ 40,000	\$ 82,188
2020	1.875%	20,719	20,719	40,000	81,438
2021	1.875%	20,344	20,344	45,000	85,688
2022	1.875%	19,922	19,922	45,000	84,844
2023	1.875%	19,500	19,500	45,000	84,000
2024	1.875%	19,078	19,078	45,000	83,156
2025	1.875%	18,656	18,656	45,000	82,312
2026	1.875%	18,234	18,234	45,000	81,468
2027	1.875%	17,813	17,813	50,000	85,626
2028	1.875%	17,344	17,344	50,000	84,688
2029	1.875%	16,875	16,875	50,000	83,750
2030	1.875%	16,406	16,406	50,000	82,812
2031	1.875%	15,938	15,938	50,000	81,876
2032	1.875%	15,469	15,469	50,000	80,938
2033	1.875%	15,000	15,000	55,000	85,000
2034	1.875%	14,484	14,484	55,000	83,968
2035	1.875%	13,969	13,969	55,000	82,938
2036	1.875%	13,453	13,453	55,000	81,906
2037	1.875%	12,938	12,938	60,000	85,876
2038	1.875%	12,375	12,375	60,000	84,750
2039	1.875%	11,813	11,813	60,000	83,626
2040	1.875%	11,250	11,250	60,000	82,500
2041	1.875%	10,688	10,688	60,000	81,376
2042	1.875%	10,125	10,125	65,000	85,250
2043	1.875%	9,516	9,516	65,000	84,032
2044	1.875%	8,906	8,906	65,000	82,812
2045	1.875%	8,297	8,297	65,000	81,594
2046	1.875%	7,688	7,688	70,000	85,376
2047	1.875%	7,031	7,031	70,000	84,062
2048	1.875%	6,375	6,375	70,000	82,750

continued

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS, CONTINUED
December 31, 2018

2017 WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS

<u><i>Year Ended</i></u>	<u><i>Interest Rate</i></u>	<u><i>Interest due April 1</i></u>	<u><i>Interest due October 1</i></u>	<u><i>Principal due October 1</i></u>	<u><i>Total Annual Requirement</i></u>
2049	1.875%	5,719	5,719	70,000	81,438
2050	1.875%	5,063	5,063	75,000	85,126
2051	1.875%	4,359	4,359	75,000	83,718
2052	1.875%	3,656	3,656	75,000	82,312
2053	1.875%	2,953	2,953	75,000	80,906
2054	1.875%	2,250	2,250	80,000	84,500
2055	1.875%	1,500	1,500	80,000	83,000
2056	1.875%	750	750	80,000	81,500
		<u>\$ 457,550</u>	<u>\$ 457,550</u>	<u>\$ 2,250,000</u>	<u>\$ 3,165,100</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2018

2018 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

Issue dated March 7, 2018 in the amount of	\$ 2,020,000
Less: Principal amount not drawn	(175,000)
Principal paid in prior years	-
Principal paid in current year	<u>(38,000)</u>
Balance payable at December 31, 2018	<u>\$ 1,807,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
2019	2.750%	\$ 27,253	\$ 27,253	\$ 29,000	\$ 83,506
2020	2.750%	26,854	26,854	30,000	83,708
2021	2.750%	26,441	26,441	31,000	83,882
2022	2.750%	26,015	26,015	31,000	83,030
2023	2.750%	25,589	25,589	32,000	83,178
2024	2.750%	25,149	25,149	33,000	83,298
2025	2.750%	24,695	24,695	34,000	83,390
2026	2.750%	24,228	24,228	35,000	83,456
2027	2.750%	23,746	23,746	36,000	83,492
2028	2.750%	23,251	23,251	37,000	83,502
2029	2.750%	22,743	22,743	38,000	83,486
2030	2.750%	22,220	22,220	39,000	83,440
2031	2.750%	21,684	21,684	40,000	83,368
2032	2.750%	21,134	21,134	41,000	83,268
2033	2.750%	20,570	20,570	42,000	83,140
2034	2.750%	19,992	19,992	44,000	83,984
2035	2.750%	19,387	19,387	45,000	83,774
2036	2.750%	18,769	18,769	46,000	83,538
2037	2.750%	18,136	18,136	47,000	83,272
2038	2.750%	17,490	17,490	49,000	83,980
2039	2.750%	16,816	16,816	50,000	83,632
2040	2.750%	16,129	16,129	51,000	83,258
2041	2.750%	15,427	15,427	53,000	83,854
2042	2.750%	14,699	14,699	54,000	83,398
2043	2.750%	13,956	13,956	56,000	83,912
2044	2.750%	13,186	13,186	57,000	83,372
2045	2.750%	12,402	12,402	59,000	83,804
2046	2.750%	11,591	11,591	60,000	83,182
2047	2.750%	10,766	10,766	62,000	83,532
2048	2.750%	9,914	9,914	64,000	83,828

continued

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS, CONTINUED
 December 31, 2018

2018 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Interest due April 1</u>	<u>Interest due October 1</u>	<u>Principal due October 1</u>	<u>Total Annual Requirement</u>
2049	2.750%	9,034	9,034	65,000	83,068
2050	2.750%	8,140	8,140	67,000	83,280
2051	2.750%	7,219	7,219	69,000	83,438
2052	2.750%	6,270	6,270	71,000	83,540
2053	2.750%	5,294	5,294	73,000	83,588
2054	2.750%	4,290	4,290	75,000	83,580
2055	2.750%	3,259	3,259	77,000	83,518
2056	2.750%	2,200	2,200	79,000	83,400
2057	2.750%	1,114	1,114	81,000	83,228
		<u>\$ 637,052</u>	<u>\$ 637,052</u>	\$ 1,982,000	<u>\$ 3,256,104</u>
				Less: Amount not drawn yet	<u>(175,000)</u>
					<u>\$ 1,807,000</u>

Note: Schedule is based on estimated timing of future draws

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2018

2018 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated March 7, 2018 in the amount of	\$ 1,351,000
Less: Principal amount not drawn	(204,000)
Principal paid in prior years	-
Principal paid in current year	<u>(26,000)</u>
Balance payable at December 31, 2018	<u>\$ 1,121,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
2019	2.250%	\$ 14,906	\$ 14,906	\$ 22,000	\$ 51,812
2020	2.250%	14,659	14,659	22,000	51,318
2021	2.250%	14,411	14,411	23,000	51,822
2022	2.250%	14,153	14,153	23,000	51,306
2023	2.250%	13,894	13,894	24,000	51,788
2024	2.250%	13,624	13,624	24,000	51,248
2025	2.250%	13,354	13,354	25,000	51,708
2026	2.250%	13,073	13,073	25,000	51,146
2027	2.250%	12,791	12,791	26,000	51,582
2028	2.250%	12,499	12,499	26,000	50,998
2029	2.250%	12,206	12,206	27,000	51,412
2030	2.250%	11,903	11,903	28,000	51,806
2031	2.250%	11,588	11,588	28,000	51,176
2032	2.250%	11,272	11,272	29,000	51,544
2033	2.250%	10,946	10,946	29,000	50,892
2034	2.250%	10,620	10,620	30,000	51,240
2035	2.250%	10,282	10,282	31,000	51,564
2036	2.250%	9,934	9,934	32,000	51,868
2037	2.250%	9,574	9,574	32,000	51,148
2038	2.250%	9,214	9,214	33,000	51,428
2039	2.250%	8,842	8,842	34,000	51,684
2040	2.250%	8,460	8,460	34,000	50,920
2041	2.250%	8,077	8,077	35,000	51,154
2042	2.250%	7,684	7,684	36,000	51,368
2043	2.250%	7,279	7,279	37,000	51,558
2044	2.250%	6,863	6,863	38,000	51,726
2045	2.250%	6,435	6,435	38,000	50,870
2046	2.250%	6,007	6,007	39,000	51,014
2047	2.250%	5,569	5,569	40,000	51,138
2048	2.250%	5,119	5,119	41,000	51,238

continued

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS, CONTINUED
 December 31, 2018

2018 WATER SUPPLY SYSTEM REVENUE BONDS

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Interest due April 1</u>	<u>Interest due October 1</u>	<u>Principal due October 1</u>	<u>Total Annual Requirement</u>
2049	2.250%	4,657	4,657	42,000	51,314
2050	2.250%	4,185	4,185	43,000	51,370
2051	2.250%	3,701	3,701	44,000	51,402
2052	2.250%	3,206	3,206	45,000	51,412
2053	2.250%	2,700	2,700	46,000	51,400
2054	2.250%	2,182	2,182	47,000	51,364
2055	2.250%	1,654	1,654	48,000	51,308
2056	2.250%	1,114	1,114	49,000	51,228
2057	2.250%	562	562	50,000	51,124
		<u>\$ 339,199</u>	<u>\$ 339,199</u>	\$ 1,325,000	<u>\$ 2,003,398</u>
				Less: Amount not drawn yet	
				<u>(204,000)</u>	
				<u>\$ 1,121,000</u>	

Note: Schedule is based on estimated timing of future draws



**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Ludington's basic financial statements, and have issued our report thereon dated April 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ludington's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ludington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ludington's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ludington's financial statements are free from 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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berthiaume & Co.

Saginaw, Michigan
April 16, 2019