

# **CITY OF LUDINGTON**

Mason County, Michigan

## **FINANCIAL STATEMENTS**

December 31, 2019

# 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, 2019, 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, 2019, 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, 2019, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. 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 59 and 61), schedules of City and City Police pension contributions (pages 62 and 63), schedule of changes in the City's net OPEB liability and related ratios (page 64), schedule of City OPEB contributions (page 65), and budgetary comparison information (pages 66 and 67) 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 24, 2020 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 24, 2020

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

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

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, 2019. 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 \$33,864,706 for the year ended December 31, 2019, compared to \$31,139,347 for the year ended December 31, 2018.
- In the City's governmental activities, revenues generated were \$8,540,564 while expenses totaled \$7,879,734.
- In the City's business-type activities, revenues generated were \$7,719,101 while expenses totaled \$5,676,131.
- Total net position increased by \$2,725,359.

### 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, marinas 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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

### **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, Harbor View Marina, 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, 2019

### CITY OF LUDINGTON AS A WHOLE:

The City's total combined net position for the year ended December 31, 2019 is \$33,864,706, consisting of \$12,249,516 in governmental activities and \$21,615,190 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 \$2,110,617. Governmental activities unrestricted total is a deficit \$3,736,655, while business-type activities is a positive \$1,626,038.

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, 2019 and 2018:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Assets:</b>						
Current assets	\$ 9,855,947	\$ 9,881,297	\$ 7,058,703	\$ 4,248,558	\$ 16,914,650	\$ 14,129,855
Noncurrent assets:						
Restricted assets	-	-	1,857,300	1,493,187	1,857,300	1,493,187
Capital assets, net	<u>15,312,849</u>	<u>14,591,101</u>	<u>46,419,852</u>	<u>34,268,183</u>	<u>61,732,701</u>	<u>48,859,284</u>
Total assets	<u>25,168,796</u>	<u>24,472,398</u>	<u>55,335,855</u>	<u>40,009,928</u>	<u>80,504,651</u>	<u>64,482,326</u>
<b>Deferred outflows of resources</b>	<u>147,498</u>	<u>1,078,163</u>	<u>59,060</u>	<u>491,411</u>	<u>206,558</u>	<u>1,569,574</u>
<b>Liabilities:</b>						
Other liabilities	377,641	798,769	2,494,941	534,714	2,872,582	1,333,483
Long-term liabilities	<u>8,027,513</u>	<u>8,689,555</u>	<u>31,284,781</u>	<u>20,359,218</u>	<u>39,312,294</u>	<u>29,048,773</u>
Total liabilities	<u>8,405,154</u>	<u>9,488,324</u>	<u>33,779,722</u>	<u>20,893,932</u>	<u>42,184,876</u>	<u>30,382,256</u>
<b>Deferred inflows of resources</b>	<u>4,661,624</u>	<u>4,494,610</u>	<u>3</u>	<u>35,687</u>	<u>4,661,627</u>	<u>4,530,297</u>
<b>Net position:</b>						
Net investment in capital assets	14,107,559	13,726,417	18,131,852	17,305,483	32,239,411	31,031,900
Restricted	1,878,612	1,586,352	1,857,300	1,493,187	3,735,912	3,079,539
Unrestricted (deficit)	<u>(3,736,655)</u>	<u>(3,745,142)</u>	<u>1,626,038</u>	<u>773,050</u>	<u>(2,110,617)</u>	<u>(2,972,092)</u>
Total net position	<u>\$ 12,249,516</u>	<u>\$ 11,567,627</u>	<u>\$ 21,615,190</u>	<u>\$ 19,571,720</u>	<u>\$ 33,864,706</u>	<u>\$ 31,139,347</u>

During the current year, the City's combined total net position increased by \$2,725,359 from the prior year balance. Governmental activities increased by \$681,889 while business-type activities increased by \$2,043,470.

The increases in the City's governmental activities and business-type activities is attributable to capital grants/contributions received during the year that were used for capital assets constructed and acquired during the year.

# CITY OF LUDINGTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

The following table shows comparison of the change in net position in a condensed format for the years ended December 31, 2019 and 2018:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 1,032,204	\$ 819,475	\$ 5,674,077	\$ 5,646,769	\$ 6,706,281	\$ 6,466,244
Operating grants	1,275,677	1,536,891	1,100	2,244	1,276,777	1,539,135
Capital grants	619,306	-	1,948,978	515,484	2,568,284	515,484
General revenues						
Property taxes	3,863,909	3,762,033	-	-	3,863,909	3,762,033
Franchise fees	85,210	85,271	-	-	85,210	85,271
Unrestricted grants	1,530,473	1,581,181	-	-	1,530,473	1,581,181
Investment earnings	133,785	101,416	87,138	65,480	220,923	166,896
Other	-	97,368	7,808	132,142	7,808	229,510
Total revenues	<u>8,540,564</u>	<u>7,983,635</u>	<u>7,719,101</u>	<u>6,362,119</u>	<u>16,259,665</u>	<u>14,345,754</u>
<b>Expenses:</b>						
General government	1,653,395	1,567,234	-	-	1,653,395	1,567,234
Public safety	2,184,182	1,896,802	-	-	2,184,182	1,896,802
Public works	2,916,748	2,724,954	-	-	2,916,748	2,724,954
Health and welfare	219,496	204,349	-	-	219,496	204,349
Community and economic development	115,139	139,037	-	-	115,139	139,037
Recreation and culture	744,708	780,782	-	-	744,708	780,782
Interest on long-term debt	46,066	29,961	-	-	46,066	29,961
Sewer	-	-	2,123,281	1,755,348	2,123,281	1,755,348
Water	-	-	2,417,907	2,301,258	2,417,907	2,301,258
Municipal Marina	-	-	879,883	873,600	879,883	873,600
Cartier Park Campground	-	-	255,060	241,833	255,060	241,833
Total expenses	<u>7,879,734</u>	<u>7,343,119</u>	<u>5,676,131</u>	<u>5,172,039</u>	<u>13,555,865</u>	<u>12,515,158</u>
Excess of revenues over expenses before other items	<u>660,830</u>	<u>640,516</u>	<u>2,042,970</u>	<u>1,190,080</u>	<u>2,703,800</u>	<u>1,830,596</u>
<b>Other items:</b>						
Sale of capital assets	<u>21,059</u>	<u>513,877</u>	<u>500</u>	<u>-</u>	<u>21,559</u>	<u>513,877</u>
<b>Changes in net position</b>	<u>681,889</u>	<u>1,154,393</u>	<u>2,043,470</u>	<u>1,190,080</u>	<u>2,725,359</u>	<u>2,344,473</u>
Net position, beginning of year	<u>11,567,627</u>	<u>10,413,234</u>	<u>19,571,720</u>	<u>18,381,640</u>	<u>31,139,347</u>	<u>28,794,874</u>
Net position, end of year	<u>\$ 12,249,516</u>	<u>\$ 11,567,627</u>	<u>\$ 21,615,190</u>	<u>\$ 19,571,720</u>	<u>\$ 33,864,706</u>	<u>\$ 31,139,347</u>

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

### CITY OF LUDINGTON'S FUNDS:

Presentation of the City of Ludington's major fund and nonmajor funds begins on page 16, 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, 2019, General Fund financing uses exceeded its financing sources by \$230,765, decreasing its ending fund balance to \$2,198,971.

### General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a decrease in fund balance of \$648,800. During the year, the City made budget amendments that changed the projection to a net decrease in fund balance of \$339,600. The actual results for the year yielded a net decrease in fund balance of \$230,765.

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

- Local Stabilization income was \$340,500 higher than budgeted.
- Building permit revenue increased \$13,500 over what was budgeted.
- State revenue sharing was \$52,800 higher than budgeted.
- Cemetery grave openings and foundation sales increased \$25,075.
- Refuse stickers sold increased \$11,600 over budget.
- Shop with a Cop program donations were \$15,500 more than budgeted.
- City received a \$5,000 donation from a private citizen for the cemetery road.
- Interest income was \$31,300 more than budgeted.

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

- The City spent \$372,500 in the General Fund to replace the OPEB liability with contributions to the MERS HCSP per union negotiations.
- With the revenue from refuse stickers up as noted above, the cost to purchase the additional refuse stickers sold was also up by \$15,500
- Sidewalks in the parks were replaced at a cost of \$4,800
- Shop with a Cop program expenditures were \$15,500 more than budgeted and were covered by donations received.
- Additional retention fund allocation insurance costs of \$10,000 were not budgeted.
- Engineering and construction of fishing dock were budgeted at \$120,000 but were not completed in 2019.

### Capital Assets and Debt Administration:

At December 31, 2019, the City of Ludington had \$61,732,701 invested in capital assets including land, buildings, equipment, land improvements, water and sewer lines and other infrastructure, net of accumulated depreciation. At December 31, 2018, this total was \$48,859,284. Additional information about the City's capital assets is presented in Note 1 and Note 6 of the Notes to the Financial Statements. During the year, the Sewer Fund acquired approximately \$12,300,000 in new capital assets and improvements. Related sewer debt proceeds were approximately \$9,700,000. The Water Fund acquired approximately \$920,000 in capital assets. Related water debt proceeds during the year were \$717,000.

# **CITY OF LUDINGTON**

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

December 31, 2019

At December 31, 2019, the City of Ludington's total long-term indebtedness (not including liabilities for compensated absences payable, net pension liability, and net OPEB liability) was \$29,493,290, of which \$1,205,290 was backed by the full faith and credit of the City and the remaining \$28,288,000 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 2020 where the City is expected to spend \$611,100 of its fund balance in the General Fund. Using these funds from the City's fund balance, the City will continue its goal of 25% fund balance. The City has again completed a three-year financial projection through the year 2022 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, have been significantly impacted. The City will address waterfront issues in 2020 as water levels continue to rise. Areas affected include a new seawall at the Maritime Heritage Park, repairs to the Loomis Street Boat Launch, flooding at Rath and Melendy Street and a storm separation system at the Maritime Museum.

The City should finish several years of bond improvement work in 2020 with the completion of the improvements to the wastewater treatment plant improvement project. One area that will have financial impact and will need to be addressed is the capping/closure of the sludge ponds. The City is waiting for further direction from the Michigan Department of Environment, Great Lakes and Energy (EGLE). In order to repay the bonds on the improvements, 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 has been undertaken and a plan of action will be taken 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, 2019

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,312,831	\$ 1,007,284	\$ 4,320,115	\$ 295,070
Investments	5,220,934	2,000,000	7,220,934	60,216
Receivables	714,678	4,082,984	4,797,662	7,214
Internal balances	335,242	(335,242)	-	-
Inventory	145,474	228,288	373,762	-
Prepaid expenses	126,788	75,389	202,177	3,561
Restricted cash and cash equivalents	-	1,857,300	1,857,300	-
Capital assets not being depreciated	455,462	12,988,668	13,444,130	32,916
Capital assets being depreciated, net	14,857,387	33,431,184	48,288,571	21,873
<b>Total assets</b>	<b>25,168,796</b>	<b>55,335,855</b>	<b>80,504,651</b>	<b>420,850</b>
<b>Deferred outflows of resources:</b>				
Related to pension - General (MERS)	64,609	59,060	123,669	-
Related to pension - Police	82,889	-	82,889	-
	<u>147,498</u>	<u>59,060</u>	<u>206,558</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	357,171	2,379,936	2,737,107	15,531
Unearned revenue	20,470	115,005	135,475	3,598
Long-term liabilities:				
Due within one year				
Compensated absences payable	7,456	-	7,456	-
Current portion of long-term debt	41,102	756,000	797,102	-
Due in more than one year				
Compensated absences payable	101,746	49,334	151,080	-
Long-term debt	1,164,188	27,532,000	28,696,188	-
Net pension liability - General (MERS)	4,168,839	2,896,212	7,065,051	-
Net pension liability - Police	1,957,717	-	1,957,717	-
Net OPEB liability	586,465	51,235	637,700	-
<b>Total liabilities</b>	<b>8,405,154</b>	<b>33,779,722</b>	<b>42,184,876</b>	<b>19,129</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	4,265,898	-	4,265,898	122,229
Related to pension - Police	395,691	-	395,691	-
Related to OPEB	35	3	38	-
<b>Total deferred inflow of resources</b>	<b>4,661,624</b>	<b>3</b>	<b>4,661,627</b>	<b>122,229</b>

continued

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

# CITY OF LUDINGTON

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## STATEMENT OF NET POSITION, CONTINUED

December 31, 2019

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Net position:</b>				
Net investment in capital assets	14,107,559	18,131,852	32,239,411	54,789
Restricted for:				
Bond and RRI reserve	-	727,066	727,066	-
Capital projects	65,814	-	65,814	-
Equipment replacement and other reserves	-	1,130,234	1,130,234	-
Senior center activities	54,882	-	54,882	-
Streets	1,757,916	-	1,757,916	-
Unrestricted (deficit)	<u>(3,736,655)</u>	<u>1,626,038</u>	<u>(2,110,617)</u>	<u>224,703</u>
Total net position	<u>\$ 12,249,516</u>	<u>\$ 21,615,190</u>	<u>\$ 33,864,706</u>	<u>\$ 279,492</u>

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

# CITY OF LUDINGTON

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 1,653,395	\$ 360,145	\$ -	\$ -	\$ (1,293,250)
Public safety	2,184,182	226,167	42,230	-	(1,915,785)
Public works	2,916,748	286,455	995,874	434,842	(1,199,577)
Health and welfare	219,496	19,282	194,427	-	(5,787)
Community and economic development	115,139	2,880	12,534	-	(99,725)
Recreation and culture	744,708	137,275	30,612	184,464	(392,357)
Interest on long-term debt	46,066	-	-	-	(46,066)
Total governmental activities	<u>7,879,734</u>	<u>1,032,204</u>	<u>1,275,677</u>	<u>619,306</u>	<u>(4,952,547)</u>
<i>Business-type activities:</i>					
Sewer	2,123,281	2,199,227	-	1,765,481	1,841,427
Water	2,417,907	2,350,287	-	174,034	106,414
Municipal Marina	879,883	838,298	-	9,463	(32,122)
Cartier Park Campground	255,060	286,265	1,100	-	32,305
Total business-type activities	<u>5,676,131</u>	<u>5,674,077</u>	<u>1,100</u>	<u>1,948,978</u>	<u>1,948,024</u>
Total primary government	<u>\$ 13,555,865</u>	<u>\$ 6,706,281</u>	<u>\$ 1,276,777</u>	<u>\$ 2,568,284</u>	<u>\$ (3,004,523)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	<u>\$ 189,006</u>	<u>\$ 2,626</u>	<u>\$ 90,526</u>	<u>\$ -</u>	<u>\$ (95,854)</u>

continued

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

# CITY OF LUDINGTON

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended December 31, 2019

	<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	\$ (4,952,547)	\$ 1,948,024	\$ (3,004,523)	\$ (95,854)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,782,071	-	3,782,071	-
Property taxes, levied and captured by DDA	-	-	-	112,293
Payment in lieu of taxes	81,838	-	81,838	-
Franchise fees	85,210	-	85,210	-
Grants and contributions not restricted to specific programs	1,530,473	-	1,530,473	9,853
Unrestricted investment earnings	133,785	87,138	220,923	5,172
Other	-	7,808	7,808	5,717
Special item - Gain (loss) on sale of capital asset	21,059	500	21,559	-
Total general revenues and special item	5,634,436	95,446	5,729,882	133,035
Changes in net position	681,889	2,043,470	2,725,359	37,181
Net position, beginning of year	11,567,627	19,571,720	31,139,347	242,311
Net position, end of year	\$ 12,249,516	\$ 21,615,190	\$ 33,864,706	\$ 279,492

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

# CITY OF LUDINGTON

## GOVERNMENTAL FUNDS

### BALANCE SHEET

December 31, 2019

	<i>General Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 923,495	\$ 2,132,585	\$ 3,056,080
Investments	5,220,934	-	5,220,934
Taxes receivable	259,398	-	259,398
Accounts receivable	133,500	1,348	134,848
Notes receivable	-	5,207	5,207
Accrued interest receivable	1,077	813	1,890
Due from other governments	147,607	164,415	312,022
Due from other funds	3,515	-	3,515
Inventory	29,353	55,540	84,893
Prepaid expenditures	53,424	7,322	60,746
Total assets	<u>\$ 6,772,303</u>	<u>\$ 2,367,230</u>	<u>\$ 9,139,533</u>
<b>Liabilities:</b>			
Accounts payable	\$ 151,740	\$ 22,227	\$ 173,967
Accrued expenses	-	496	496
Due to other funds	-	100	100
Due to other governments	-	1,860	1,860
Deposits payable	18,058	-	18,058
Accrued wages payable	117,166	14,021	131,187
Unearned revenue	20,470	-	20,470
Total liabilities	<u>307,434</u>	<u>38,704</u>	<u>346,138</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property taxes	4,265,898	-	4,265,898
<b>Fund balances:</b>			
Nonspendable	82,777	68,069	150,846
Restricted	-	2,261,649	2,261,649
Unassigned	2,116,194	(1,192)	2,115,002
Total fund balances	<u>2,198,971</u>	<u>2,328,526</u>	<u>4,527,497</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,772,303</u>	<u>\$ 2,367,230</u>	<u>\$ 9,139,533</u>

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

# CITY OF LUDINGTON

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

December 31, 2019

<b>Fund balances of governmental funds</b>	\$ 4,527,497
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	451,212
Capital assets being depreciated, net	12,318,303
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	(5,733,846)
Deferred pension amounts	(254,844)
Certain OPEB-related amounts, such as the net OPEB 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 OPEB liability	(586,465)
Deferred OPEB amounts	(35)
Interest payable in the governmental activities is not payable from current financial resources and therefore is not reported in the governmental funds.	(9,147)
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	(1,205,290)
Compensated absences payable	(106,288)
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	2,513,177
Net position allocated to business-type activities from governmental activities internal service funds	<u>335,242</u>
<b>Net position of governmental activities</b>	<b><u>\$ 12,249,516</u></b>

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

# CITY OF LUDINGTON

*GOVERNMENTAL FUNDS*  
**STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES**  
 Year Ended December 31, 2019

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Property taxes	\$ 3,863,909	\$ -	\$ 3,863,909
Licenses and permits	123,762	-	123,762
Federal grants	2,690	14,077	16,767
State grants	1,545,052	1,304,606	2,849,658
Contributions from other units	45,446	192,350	237,796
Charges for services	666,836	176,226	843,062
Fines and forfeits	35,260	-	35,260
Interest and rents	93,928	43,666	137,594
Other revenue	201,190	160,501	361,691
	<u>6,578,073</u>	<u>1,891,426</u>	<u>8,469,499</u>
Total revenues			
<b>Expenditures:</b>			
Current			
General government	1,541,522	-	1,541,522
Public safety	2,284,469	25,496	2,309,965
Public works	1,786,614	776,968	2,563,582
Health and welfare	-	213,542	213,542
Community and economic development	102,396	12,527	114,923
Recreation and culture	478,581	121,276	599,857
Other	42,397	-	42,397
Capital outlay	42,821	1,220,811	1,263,632
Debt service			
Principal	29,476	300,000	329,476
Interest and fees	-	41,669	41,669
	<u>6,308,276</u>	<u>2,712,289</u>	<u>9,020,565</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>269,797</u>	<u>(820,863)</u>	<u>(551,066)</u>
<b>Other financing sources (uses):</b>			
Proceeds from bond issue	-	667,800	667,800
Sale of capital assets	1,500	-	1,500
Interfund transfers in	5,105	699,967	705,072
Interfund transfers out	(507,167)	(197,905)	(705,072)
	<u>(500,562)</u>	<u>1,169,862</u>	<u>669,300</u>
Net other financing sources (uses)			
Changes in fund balances	(230,765)	348,999	118,234
Fund balances, beginning of year	2,429,736	1,979,527	4,409,263
Fund balances, end of year	<u>\$ 2,198,971</u>	<u>\$ 2,328,526</u>	<u>\$ 4,527,497</u>

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

# CITY OF LUDINGTON

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

Year Ended December 31, 2019

<b>Changes in fund balances of governmental funds</b>	\$ 118,234
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	1,448,096
Depreciation expense	(538,683)
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.	(667,800)
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.	327,194
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	(4,397)
Change in compensated absences payable	3,271
Change in net pension liability and related deferred amounts	(200,746)
Change in net OPEB liability and related deferred amounts	233,694
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	(49,577)
Change in net position of governmental activities accounted for in internal service funds charged to business-type activities.	<u>12,603</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 681,889</u></b>

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

# CITY OF LUDINGTON

## PROPRIETARY FUNDS STATEMENT OF NET POSITION December 31, 2019

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 51,411	\$ 30,280	\$ 624,104	\$ 301,489	\$ 1,007,284	\$ 256,751
Investments	1,400,000	600,000	-	-	2,000,000	-
Utility bills receivable	529,558	463,126	-	-	992,684	-
Accounts receivable	-	3,320	-	-	3,320	-
Notes receivable	340,000	-	-	-	340,000	-
Accrued interest receivable	9,634	507	268	124	10,533	108
Due from other governments	2,046,984	-	9,463	-	2,056,447	1,205
Due from other funds	-	-	7,633	-	7,633	-
Inventory	42,454	165,015	20,819	-	228,288	60,581
Prepaid expenses	24,152	27,292	6,941	17,004	75,389	66,042
Total current assets	<u>4,444,193</u>	<u>1,289,540</u>	<u>669,228</u>	<u>318,617</u>	<u>6,721,578</u>	<u>384,687</u>
<b>Noncurrent assets:</b>						
Notes receivable	680,000	-	-	-	680,000	-
Restricted cash and cash equivalents						
USDA bond reserve	241,000	177,480	-	-	418,480	-
USDA RRI reserve	250,850	57,736	-	-	308,586	-
Equipment replacement and other reserves	627,161	503,073	-	-	1,130,234	-
Capital assets						
Not being depreciated	12,155,725	17,018	815,925	-	12,988,668	4,250
Being depreciated, net	<u>12,406,104</u>	<u>19,678,072</u>	<u>1,148,318</u>	<u>198,690</u>	<u>33,431,184</u>	<u>2,539,084</u>
Total noncurrent assets	<u>26,360,840</u>	<u>20,433,379</u>	<u>1,964,243</u>	<u>198,690</u>	<u>48,957,152</u>	<u>2,543,334</u>
Total assets	<u>30,805,033</u>	<u>21,722,919</u>	<u>2,633,471</u>	<u>517,307</u>	<u>55,678,730</u>	<u>2,928,021</u>
<b>Deferred outflows of resources:</b>						
Related to pension	21,264	37,796	-	-	59,060	6,651
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable	2,080,130	86,789	21,791	7,748	2,196,458	13,213
Due to other funds	-	-	-	7,633	7,633	3,415
Deposits payable	-	10,500	-	-	10,500	-
Accrued interest payable	75,113	49,006	-	-	124,119	-
Accrued wages payable	16,725	27,116	2,764	2,254	48,859	9,243
Unearned revenue	-	-	104,842	10,163	115,005	-
Current long-term debt	501,000	255,000	-	-	756,000	-
Total current liabilities	<u>2,672,968</u>	<u>428,411</u>	<u>129,397</u>	<u>27,798</u>	<u>3,258,574</u>	<u>25,871</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, 2019

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Noncurrent liabilities:</b>						
Long-term debt	15,114,000	12,418,000	-	-	27,532,000	-
Compensated absences payable	21,259	21,840	4,415	1,820	49,334	2,914
Net pension liability	1,112,896	1,719,494	62,110	1,712	2,896,212	392,710
Net OPEB liability	-	51,235	-	-	51,235	-
Total noncurrent liabilities	<u>16,248,155</u>	<u>14,210,569</u>	<u>66,525</u>	<u>3,532</u>	<u>30,528,781</u>	<u>395,624</u>
Total liabilities	<u>18,921,123</u>	<u>14,638,980</u>	<u>195,922</u>	<u>31,330</u>	<u>33,787,355</u>	<u>421,495</u>
<b>Deferred inflows of resources:</b>						
Related to OPEB	-	3	-	-	3	-
<b>Net position:</b>						
Net investment in capital assets	8,946,829	7,022,090	1,964,243	198,690	18,131,852	2,543,334
Restricted for:						
Bond and RRI reserve	491,850	235,216	-	-	727,066	-
Equipment replacement and other reserves	627,161	503,073	-	-	1,130,234	-
Unrestricted (deficit)	<u>1,839,334</u>	<u>(638,647)</u>	<u>473,306</u>	<u>287,287</u>	<u>1,961,280</u>	<u>(30,157)</u>
Total net position	<u>\$ 11,905,174</u>	<u>\$ 7,121,732</u>	<u>\$ 2,437,549</u>	<u>\$ 485,977</u>	<u>\$ 21,950,432</u>	<u>\$ 2,513,177</u>
Adjustment to reflect the allocation of internal service fund activities related to business-type activities					<u>(335,242)</u>	
					<u>\$ 21,615,190</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, 2019

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Operating revenues:</b>						
Charges for services	\$ 2,196,648	\$ 2,215,445	\$ 822,725	\$ 268,595	\$ 5,503,413	\$ -
Penalties	-	-	-	-	-	-
Equipment rental	119	-	-	-	119	1,173,418
Other	-	7,645	400	17,670	25,715	24,494
Total operating revenues	<u>2,196,767</u>	<u>2,223,090</u>	<u>823,125</u>	<u>286,265</u>	<u>5,529,247</u>	<u>1,197,912</u>
<b>Operating expenses:</b>						
Personal services	568,352	998,524	157,993	112,421	1,837,290	390,606
Contracted services	218,153	143,384	67,141	17,793	446,471	86,532
Administrative expense	85,500	85,500	49,800	42,800	263,600	64,100
Insurance	55,965	28,119	7,811	-	91,895	54,675
Utilities	306,229	188,633	32,987	24,691	552,540	32,651
Repairs and maintenance	32,953	33,772	28,799	1,136	96,660	101,327
Other services and expenses	276,615	230,645	441,380	46,935	995,575	223,256
Depreciation	395,840	508,742	93,092	7,931	1,005,605	316,402
Total operating expenses	<u>1,939,607</u>	<u>2,217,319</u>	<u>879,003</u>	<u>253,707</u>	<u>5,289,636</u>	<u>1,269,549</u>
Operating income (loss)	<u>257,160</u>	<u>5,771</u>	<u>(55,878)</u>	<u>32,558</u>	<u>239,611</u>	<u>(71,637)</u>
<b>Non-operating revenues (expenses):</b>						
Interest income	44,645	23,581	12,831	6,081	87,138	2,501
Rental income	-	123,791	-	-	123,791	-
Sale of capital assets	-	-	500	-	500	19,559
Other income	291	7,517	-	-	7,808	-
Contributions	-	-	-	1,100	1,100	-
Reimbursements	2,460	3,406	15,173	-	21,039	-
Interest expense	(179,637)	(194,255)	-	-	(373,892)	-
Net non-operating revenues (expenses)	<u>(132,241)</u>	<u>(35,960)</u>	<u>28,504</u>	<u>7,181</u>	<u>(132,516)</u>	<u>22,060</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, 2019

	<i>Enterprise Funds</i>				<i>Total</i>	<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>	<i>Nonmajor Funds</i>		
Changes in net position before capital contributions	124,919	(30,189)	(27,374)	39,739	107,095	(49,577)
<b>Capital contributions:</b>						
State grants	31,410	174,034	9,463	-	214,907	-
Reimbursements	1,734,071	-	-	-	1,734,071	-
Total capital contributions	1,765,481	174,034	9,463	-	1,948,978	-
Changes in net position	1,890,400	143,845	(17,911)	39,739	2,056,073	(49,577)
Net position, beginning of year	10,014,774	6,977,887	2,455,460	446,238		2,562,754
Net position, end of year	<u>\$ 11,905,174</u>	<u>\$ 7,121,732</u>	<u>\$ 2,437,549</u>	<u>\$ 485,977</u>		<u>\$ 2,513,177</u>
Adjustment to reflect the allocation of internal service fund activities to business-type activities.					(12,603)	
Changes in net position of business-type activities					<u>\$ 2,043,470</u>	

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

# CITY OF LUDINGTON

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS Year Ended December 31, 2019

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 2,233,024	\$ 2,272,746	\$ 835,220	\$ 296,428	\$ 5,637,418	\$ 26,072
Cash received (paid) for interfund services	(65,981)	(103,688)	(14,413)	(22,156)	(206,238)	1,176,833
Cash payments to and on behalf of employees	(569,838)	(971,430)	(175,085)	(121,965)	(1,838,318)	(370,241)
Cash payments to suppliers for goods and services	(886,254)	(576,669)	(614,661)	(115,116)	(2,192,700)	(477,924)
Net cash provided by operating activities	<u>710,951</u>	<u>620,959</u>	<u>31,061</u>	<u>37,191</u>	<u>1,400,162</u>	<u>354,740</u>
<b>Cash flows from non-capital financing activities:</b>						
Contributions	-	-	-	1,100	1,100	-
Reimbursements	2,460	3,406	15,173	-	21,039	-
Other income	291	7,517	-	-	7,808	-
Net cash provided by non-capital financing activities	<u>2,751</u>	<u>10,923</u>	<u>15,173</u>	<u>1,100</u>	<u>29,947</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>						
Capital contributions	727,090	340,623	-	-	1,067,713	-
Sale of capital assets	-	-	500	-	500	34,777
Acquisition and construction of capital assets	(10,325,879)	(975,068)	(16,938)	-	(11,317,885)	(324,306)
Proceeds from bonds	9,733,000	717,000	-	-	10,450,000	-
Principal payments	(661,000)	(339,000)	-	-	(1,000,000)	-
Interest paid	(131,298)	(192,004)	-	-	(323,302)	-
Net cash used by capital and related financing activities	<u>(658,087)</u>	<u>(448,449)</u>	<u>(16,438)</u>	<u>-</u>	<u>(1,122,974)</u>	<u>(289,529)</u>
<b>Cash flows from investing activities:</b>						
Interest received	35,684	23,324	12,724	6,028	77,760	2,441
Rent received	-	123,791	-	-	123,791	-
Net cash provided by investing activities	<u>35,684</u>	<u>147,115</u>	<u>12,724</u>	<u>6,028</u>	<u>201,551</u>	<u>2,441</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, 2019

	<i>Enterprise Funds</i>					<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
Change in cash, cash equivalents, and investments	91,299	330,548	42,520	44,319	508,686	67,652
Cash and cash equivalents, beginning 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>
Cash, cash equivalents, and investments, end of year	<u>\$ 2,570,422</u>	<u>\$ 1,368,569</u>	<u>\$ 624,104</u>	<u>\$ 301,489</u>	<u>\$ 4,864,584</u>	<u>\$ 256,751</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 257,160	\$ 5,771	\$ (55,878)	\$ 32,558	\$ 239,611	\$ (71,637)
Adjustments:						
Depreciation	395,840	508,742	93,092	7,931	1,005,605	316,402
Change in assets and liabilities:						
Utility bills receivable	36,376	52,976	-	-	89,352	-
Accounts receivable	-	(3,320)	-	-	(3,320)	-
Due from other governments	-	-	-	-	-	1,578
Due from other funds	-	-	(7,633)	-	(7,633)	-
Inventory	6,311	(8,390)	2,257	-	178	17,024
Prepaid expenses	3,865	10,079	1,798	(14,184)	1,558	61,465
Accounts payable	12,885	28,257	2,422	2,634	46,198	6,128
Due to other funds	-	-	-	7,633	7,633	3,415
Deposits payable	-	(250)	-	-	(250)	-
Accrued wages payable	1,377	(275)	790	150	2,042	532
Unearned revenue	-	-	12,095	10,163	22,258	-
Compensated absences payable	1,042	(1,102)	(1,343)	600	(803)	(3,089)
Net pension liability and related deferred amounts	69,702	103,417	4,492	221	177,832	22,922
Net OPEB liability	<u>(73,607)</u>	<u>(74,946)</u>	<u>(21,031)</u>	<u>(10,515)</u>	<u>(180,099)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 710,951</u>	<u>\$ 620,959</u>	<u>\$ 31,061</u>	<u>\$ 37,191</u>	<u>\$ 1,400,162</u>	<u>\$ 354,740</u>

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

# CITY OF LUDINGTON

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*FIDUCIARY FUNDS*  
**STATEMENT OF FIDUCIARY NET POSITION**  
December 31, 2019

	<i><b>Pension (and Other Employee Benefit) Trust Funds</b></i>	<i><b>Custodial Funds</b></i>
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 182,260	\$ 529,307
Investments at fair value		
Mutual funds	6,630,103	-
Other	1,835	-
Taxes receivable	28,066	187
Accrued interest receivable	37	-
	<u>6,842,301</u>	<u>529,494</u>
Total assets		
	<u>6,842,301</u>	<u>529,494</u>
<b>Liabilities:</b>		
Due to local governments	-	463,210
	<u>-</u>	<u>463,210</u>
Total liabilities		
	<u>-</u>	<u>463,210</u>
<b>Deferred inflows of resources:</b>		
Unavailable revenue - property taxes	398,622	-
	<u>398,622</u>	<u>-</u>
<b>Net position:</b>		
Restricted for:		
Pension benefits	6,441,844	-
Retiree healthcare benefits	1,835	-
Individuals, organizations and other governments	-	66,284
	<u>-</u>	<u>66,284</u>
Total net position	<u>\$ 6,443,679</u>	<u>\$ 66,284</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, 2019

	<i>Pension (and Other Employee Benefit) Trust Funds</i>	<i>Custodial Funds</i>
<b>Additions:</b>		
Contributions:		
Employer	\$ 360,429	\$ -
Employee	60,155	-
Federal grants	-	3,350,977
Gifts and bequests	-	211,949
Total contributions	<u>420,584</u>	<u>3,562,926</u>
Investment earnings:		
Interest	153,798	-
Net increase in fair value of investments	<u>826,469</u>	<u>-</u>
Net investment earnings	<u>980,267</u>	<u>-</u>
Property tax collections for other governments	<u>-</u>	<u>9,074,332</u>
Total additions	<u>1,400,851</u>	<u>12,637,258</u>
<b>Deductions:</b>		
Benefits - pension	427,424	-
Fees and other	7,611	-
Payments on behalf of organizations	-	3,539,047
Property tax collections to other governments	<u>-</u>	<u>9,074,332</u>
Total deductions	<u>435,035</u>	<u>12,613,379</u>
Net increase (decrease)	965,816	23,879
Net position, beginning of year	<u>5,477,863</u>	<u>42,405</u>
Net position, end of year	<u>\$ 6,443,679</u>	<u>\$ 66,284</u>

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

***NOTES TO FINANCIAL STATEMENTS***

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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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

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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#### **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

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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#### **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 and nonmajor governmental funds:

#### **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.

#### **Nonmajor Governmental Funds:**

**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).

**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 Sewer Fund, Water Fund, Municipal Marina Fund, Cartier Park Fund, Harbor View Fund, and the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds focus on limitations on the use of net position, rather than on the source of those assets.

The City reports the following proprietary funds:

**Enterprise funds** are used to account for City operations which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The City reports the following major enterprise funds:

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

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

**Municipal Marina Fund** accounts for the operation and maintenance of the City's marina.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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*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.

**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.

*Pension and Other Postemployment Benefits Trust Funds* are used to account for assets held by the City in a trustee capacity for the benefit of retirees and their beneficiaries. These include the Police Pension Fund, Police Greenwood Fund, and OPEB Fund. These funds are accounted for in essentially the same manner as proprietary funds, since capital maintenance is critical. They accumulate resources for benefits to qualified employees and volunteers during retirement.

*Custodial Funds* report fiduciary activities that are not required to be reported in trust funds. These include the Tax Collection Fund, Cultural Development Fund, Carferry Grant Fund, and Splash Pad Fund.

#### **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 and for all other departments, inventories are recorded as expenditures when purchased rather than when consumed.

**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

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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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.

**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).

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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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 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 2019 include property taxes levied in 2018 but appropriated by a City ordinance to finance 2019 operations. Property taxes levied in 2019 for the operations of 2020 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, 2019. In 2018, the City levied property taxes on an assessed property tax value of \$270,183,269 (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 1.3500 mills levied for police pension. The DDA levied property taxes on an assessed property tax value of \$27,772,166 (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.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**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. Investment are reported at fair value.

**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.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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#### **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.

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, 2019		\$	6,101
Current year building permit revenue			38,552
Related expenses:			
Direct costs	28,508		
Indirect costs	<u>33,598</u>		<u>62,106</u>
Cumulative surplus at December 31, 2019		\$	<u><u>-</u></u>

### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Police Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity contracts, real estate leased to public entities, mortgages, real estate (if the trust funds assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The 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, 2019:

#### Statement of Net Position:

Cash and cash equivalents (including restricted):

Primary Government	\$ 6,177,415
Component Unit	295,070

Investments:

Primary Government	7,220,934
Component Unit	60,216

#### Statement of Fiduciary Net Position:

Cash and cash equivalents	711,567
Investments	<u>6,631,938</u>
Total	<u>\$ 21,097,140</u>

#### Deposits and Investments:

Bank deposits	\$ 7,182,652
Investments:	
Mutual funds	
Equity funds	3,522,835
Fixed-income funds	2,527,980
Money market	220,025
Pooled investments	7,415,255
Treasury bonds	225,158
Other	1,835
Cash on hand	<u>1,400</u>
Total	<u>\$ 21,097,140</u>

**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 \$8,064,096 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,00,000 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.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

**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. 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>3 to 4 Years</i>
Mutual funds					
Equity funds	\$ 3,522,835	\$ 3,522,835	\$ -	\$ -	\$ -
Fixed-income funds	2,527,980	-	-	933,775	321,820
Money market	220,025	220,025	-	-	-
Pooled investments	7,415,255	7,415,255	-	-	-
Treasury bonds	225,158	100,324	124,834	-	-
Other	1,835	1,835	-	-	-
Total	<u>\$ 13,913,088</u>	<u>\$ 11,260,274</u>	<u>\$ 124,834</u>	<u>\$ 933,775</u>	<u>\$ 321,820</u>

<i>Investment Type</i>	<i>4 to 5 Years</i>	<i>7 to 8 Years</i>	<i>9 to 10 Years</i>
Mutual funds			
Equity funds	\$ -	\$ -	\$ -
Fixed-income funds	253,560	923,467	95,358
Money market	-	-	-
Pooled investments	-	-	-
Treasury bonds	-	-	-
Other	-	-	-
Total	<u>\$ 253,560</u>	<u>\$ 923,467</u>	<u>\$ 95,358</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>
Mutual funds			
Equity funds	\$ 3,522,835	Not rated	N/A
Fixed-income funds	870,842	AAA	Moody's
Fixed-income funds	1,335,318	A	Moody's
Fixed-income funds	321,820	B	Moody's
Money market	220,025	Not rated	N/A
Pooled investments	7,415,255	AAA	S&P
Treasury bonds	225,158	Aaa	Moody's
Other	1,835	Not rated	N/A
Total	<u>\$ 13,913,088</u>		

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

**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

### 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, 2019:

<i>Investment Type</i>	<i>Market Value</i>	<i>Level 1 Inputs</i>	<i>Level 2 Inputs</i>	<i>Level 3 Inputs</i>
Mutual funds				
Equity funds	\$ 3,522,835	\$ 3,522,835	\$ -	\$ -
Fixed-income funds	2,527,980	2,527,980	-	-
Money market	220,025	220,025	-	-
Pooled investments	7,415,255	-	7,415,255	-
Treasury bonds	225,158	-	225,158	-
Other	1,835	-	1,835	-
Total	<u>\$ 13,913,088</u>	<u>\$ 6,270,840</u>	<u>\$ 7,642,248</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, 2019 the City had these accounts established and had restricted cash and cash equivalents as follows:

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 5: RESTRICTED ASSETS AND BOND RESERVES, CONTINUED

#### Sewer Fund:

USDA Bond reserve	\$ 241,000
USDA RRI reserve	250,850
Construction improvements	156
Equipment replacement	307,005
Other bond reserve	320,000

#### Water Fund:

USDA Bond reserve	177,480
USDA RRI reserve	57,736
Equipment replacement	503,073
	<u>\$ 1,857,300</u>

### NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>January 1,</u> <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31,</u> <u>2019</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 213,254	\$ -	\$ -	\$ 213,254
Construction in progress	-	242,208	-	242,208
Total capital assets not being depreciated	<u>213,254</u>	<u>242,208</u>	<u>-</u>	<u>455,462</u>
Capital assets being depreciated:				
Buildings and improvements	8,910,624	685,378	-	9,596,002
Furniture and equipment	107,117	-	-	107,117
Infrastructure	6,811,182	494,902	-	7,306,084
Land and site improvements	1,359,110	25,608	-	1,384,718
Machinery and equipment	2,836,436	143,955	(240,915)	2,739,476
Total capital assets being depreciated	<u>20,024,469</u>	<u>1,349,843</u>	<u>(240,915)</u>	<u>21,133,397</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,798,427)	(154,482)	-	(1,952,909)
Furniture and equipment	(94,696)	(26,898)	-	(121,594)
Infrastructure	(1,933,454)	(321,659)	-	(2,255,113)
Land and site improvements	(337,245)	(33,113)	-	(370,358)
Machinery and equipment	(1,482,800)	(318,933)	225,697	(1,576,036)
Total accumulated depreciation	<u>(5,646,622)</u>	<u>(855,085)</u>	<u>225,697</u>	<u>(6,276,010)</u>
Capital assets being depreciated, net	<u>14,377,847</u>	<u>494,758</u>	<u>(15,218)</u>	<u>14,857,387</u>
Governmental activities, capital assets, net	<u>\$ 14,591,101</u>	<u>\$ 736,966</u>	<u>\$ (15,218)</u>	<u>\$ 15,312,849</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 6: CAPITAL ASSETS, CONTINUED

	<i>January 1, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>December 31, 2019</i>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 880,826	\$ -	\$ -	\$ 880,826
Construction in progress	2,780,448	12,107,842	(2,780,448)	12,107,842
Total capital assets not being depreciated	3,661,274	12,107,842	(2,780,448)	12,988,668
Capital assets being depreciated:				
Buildings and improvements	4,261,284	-	-	4,261,284
Furniture and equipment	24,760	-	-	24,760
Infrastructure	148,601	-	-	148,601
Land improvements	1,477,656	-	-	1,477,656
Machinery and equipment	722,646	14,638	-	737,284
Sewer systems and plants	14,759,040	2,905,935	-	17,664,975
Water systems and plants	21,500,896	909,307	-	22,410,203
Total capital assets being depreciated	42,894,883	3,829,880	-	46,724,763
Less accumulated depreciation for:				
Buildings and improvements	(2,522,223)	(85,667)	-	(2,607,890)
Furniture and equipment	(18,157)	(2,476)	-	(20,633)
Infrastructure	(16,211)	(3,822)	-	(20,033)
Land improvements	(737,251)	(58,025)	-	(795,276)
Machinery and equipment	(245,403)	(81,572)	-	(326,975)
Sewer systems and plants	(5,306,740)	(324,758)	-	(5,631,498)
Water systems and plants	(3,441,989)	(449,285)	-	(3,891,274)
Total accumulated depreciation	(12,287,974)	(1,005,605)	-	(13,293,579)
Capital assets being depreciated, net	30,606,909	2,824,275	-	33,431,184
Business-type activities, capital assets, net	\$ 34,268,183	\$ 14,932,117	\$ (2,780,448)	\$ 46,419,852
<b>Component unit:</b>				
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	12,085	-	-	12,085
Total capital assets being depreciated	30,423	-	-	30,423
Less accumulated depreciation for:				
Buildings and improvements	(1,125)	(307)	-	(1,432)
Land improvements	(1,404)	(213)	-	(1,617)
Machinery and equipment	(4,527)	(974)	-	(5,501)
Total accumulated depreciation	(7,056)	(1,494)	-	(8,550)
Capital assets being depreciated, net	23,367	(1,494)	-	21,873
Component unit, capital assets, net	\$ 56,283	\$ (1,494)	\$ -	\$ 54,789

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### 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	\$ 95,324	\$ -	\$ -
Public safety	59,218	-	-
Public works	258,084	-	-
Health and welfare	2,421	-	-
Community and economic development	-	-	1,494
Recreation and culture	123,636	-	-
Internal service funds	316,402	-	-
Sewer	-	395,840	-
Water	-	508,742	-
Municipal Marina	-	93,092	-
Cartier Park Campground	-	7,931	-
	<u>\$ 855,085</u>	<u>\$ 1,005,605</u>	<u>\$ 1,494</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, 2019 is summarized as follows:

	<i>January 1, 2019</i>	<i>Additions</i>	<i>Reductions</i>	<i>December 31, 2019</i>	<i>Due Within One Year</i>
<b>Governmental Activities:</b>					
<i>General Obligations:</i>					
2005 Building Authority Refunding Bonds for \$2,135,000. Matured August 1, 2019	\$ 285,000	\$ -	\$ (285,000)	\$ -	\$ -
2018 General Obligation Limited Tax Capital Improvement Bonds for \$1,200,000, with annual payments ranging from \$16,000-52,000 at 3.25% interest; Maturing October 1, 2056	473,000	667,800	(15,000)	1,125,800	16,000
2018 Copier/Printer Contract for \$125,511, with monthly payments of \$2,092 at 0% interest; Maturing March 2023	106,684	-	(27,194)	79,490	25,102
<i>Other liabilities:</i>					
Compensated absences	<u>115,562</u>	<u>7,208</u>	<u>(13,568)</u>	<u>109,202</u>	<u>7,456</u>
Total governmental activities	<u>\$ 980,246</u>	<u>\$ 675,008</u>	<u>\$ (340,762)</u>	<u>\$ 1,314,492</u>	<u>\$ 48,558</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 7: LONG-TERM LIABILITIES, CONTINUED

	<u>January 1,</u> <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Business-type activities:</b>					
<i>Revenue Bonds:</i>					
2007 Sewage Disposal System Junior Lien Revenue Bonds for \$1,500,000, with annual payments ranging from \$80,000-85,000 at 1.625% interest; Maturing October 1, 2027	\$ 735,000	\$ -	\$ (75,000)	\$ 660,000	\$ 80,000
2016 Water Supply System Junior Lien Revenue Bonds for \$9,817,000, with annual payments ranging from \$193,000-316,000 at 1.375% interest; Maturing October 1, 2056	8,973,700	463,300	(199,000)	9,238,000	193,000
2017 Sewage Disposal System Junior Lien Revenue Bonds for \$2,146,000, with annual payments ranging from \$34,000-83,000 at 2.500% interest; Maturing October 1, 2056	2,076,000	-	(33,000)	2,043,000	34,000
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	2,250,000	-	(40,000)	2,210,000	40,000
2018 Sewage Disposal System Revenue Bonds for \$2,020,000, with annual payments ranging from \$30,000-81,000 at 2.750% interest; Maturing October 1, 2057	1,807,000	175,000	(153,000)	1,829,000	30,000
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	1,121,000	204,000	(100,000)	1,225,000	22,000
2019 Sewage Disposal System Revenue Bonds (Junior Lien) for \$9,000,000 with annual payments ranging from \$140,000-342,000 at 2.375% interest; Maturing Maturing October 1, 2058	-	9,000,000	(156,000)	8,844,000	140,000

continued

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 7: LONG-TERM LIABILITIES, CONTINUED

	<u>January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2019</u>	<u>Due Within One Year</u>
2019 Sewage Disposal System Revenue Bonds (Junior Lien) for \$8,079,000 with annual payments ranging from \$126,000-307,000 at 2.375% interest; Maturing October 1, 2058	-	2,182,000	(140,000)	2,042,000	126,000
2019 Sewage Disposal System Revenue Bonds (Junior Lien) for \$6,014,000 with annual payments ranging from \$91,000-233,000 at 2.500% interest; Maturing October 1, 2058	-	301,000	(104,000)	197,000	91,000
<i>Other liabilities:</i>					
Compensated absences	50,137	1,643	(2,446)	49,334	-
Total business-type activities	<u>\$ 17,012,837</u>	<u>\$ 12,326,943</u>	<u>\$ (1,002,446)</u>	<u>\$ 28,337,334</u>	<u>\$ 756,000</u>

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

<i>Year Ended</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>
<i>December 31,</i>						
2020	\$ 41,102	\$ 37,862	\$ 78,964	\$ 756,000	\$ 854,470	\$ 1,610,470
2021	42,102	37,342	79,444	777,000	839,002	1,616,002
2022	42,102	36,790	78,892	789,000	823,084	1,612,084
2023	22,184	36,238	58,422	803,000	806,906	1,609,906
2024	18,000	35,652	53,652	822,000	790,412	1,612,412
2025-2029	100,000	169,032	269,032	4,184,000	3,693,064	7,877,064
2030-2034	117,000	151,712	268,712	4,360,000	3,251,488	7,611,488
2035-2039	138,000	131,332	269,332	4,848,000	2,767,810	7,615,810
2040-2044	160,000	107,578	267,578	5,383,000	2,227,526	7,610,526
2045-2049	190,000	79,626	269,626	5,984,000	1,624,294	7,608,294
2050-2054	222,000	46,768	268,768	6,659,000	950,260	7,609,260
2055-2058	152,000	9,978	161,978	4,533,000	237,060	3,866,822
	<u>\$ 1,244,490</u>	<u>\$ 879,910</u>	<u>\$ 2,124,400</u>	<u>\$ 39,898,000</u>	<u>\$ 18,865,376</u>	<u>\$ 57,860,138</u>
Less: Amount not drawn yet	(39,200)			(11,610,000)		
	<u>\$ 1,205,290</u>			<u>\$ 28,288,000</u>		

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivable and payable balances for the year ended December 31, 2019 were as follows:

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Receivables:</b>				
Property taxes	\$ 259,398	\$ -	\$ 259,398	\$ 3,074
Utility bills	-	992,684	992,684	-
Accounts	134,848	3,320	138,168	4,040
Notes				
Current	-	340,000	340,000	-
Long-term	5,207	680,000	685,207	-
Accrued interest	1,998	10,533	12,531	100
Intergovernmental	313,227	2,056,447	2,369,674	-
Total receivables	<u>\$ 714,678</u>	<u>\$ 4,082,984</u>	<u>\$ 4,797,662</u>	<u>\$ 7,214</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts	\$ 187,180	\$ 2,196,458	\$ 2,383,638	\$ 12,290
Payroll liabilities	140,926	48,859	189,785	3,241
Deposits payable	18,058	10,500	28,558	-
Accrued interest	9,147	124,119	133,266	-
Intergovernmental	1,860	-	1,860	-
Total accounts payable and accrued expenses	<u>\$ 357,171</u>	<u>\$ 2,379,936</u>	<u>\$ 2,737,107</u>	<u>\$ 15,531</u>

### NOTE 9: INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The composition of interfund balances at December 31, 2019 are as follows:

<i>Interfund Receivables</i>	<i>Interfund Payables</i>	<i>Amount</i>
General Fund	Nonmajor Governmental Funds	\$ 100
General Fund	Internal Service Funds	3,415
		<u>\$ 3,515</u>

Interfund 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.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 9: INTERFUND BALANCES AND TRANSFERS, CONTINUED

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Interfund transfers during the year were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Nonmajor Governmental Funds	\$ 507,167
Nonmajor Governmental Funds	Nonmajor Governmental Funds	192,800
Nonmajor Governmental Funds	General Fund	<u>5,105</u>
		<u>\$ 705,072</u>

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### NOTE 10: RISK MANAGEMENT

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

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

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### NOTE 11: DEFINED BENEFIT PENSION PLANS – GENERAL

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#### **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](http://www.mersofmich.com).

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 11: DEFINED BENEFIT PENSION PLANS – GENERAL, CONTINUED

**Benefits Provided** – The following are the benefits provided from the December 31, 2018 valuation.

	<i>Division 01 - General: Closed, linked to Division 02</i>	<i>Division 02 - General after 6/11: Open, linked to Division 01</i>
Benefit Multiplier:	Bridged Benefit: 2.50% Multiplier (80% max) Frozen FAC; 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, 2018 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:	5
Active employees:	<u>51</u>
Total	<u><u>124</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 minimum required contributions, for the current year, were \$49,907 monthly based on valuation payroll for Division 01 and 5.49% as a percentage of payroll for Division 02. Amounts are based on the valuation payroll from the December 31, 2017 actuarial valuation.

**Net Pension Liability** – The City's net pension liability reported at December 31, 2019 was measured as of December 31, 2019. The total pension liability as of December 31, 2019 was calculated by the roll-forward method based on the December 31, 2018 actuarial valuation.

**Actuarial assumptions** – The total pension liability in the December 31, 2018 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.

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.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 11: DEFINED BENEFIT PENSION PLANS – GENERAL, CONTINUED

The actuarial assumptions used in the December 31, 2018 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:*

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at 12/31/18	\$ 20,015,544	\$ 12,389,384	\$ 7,626,160
Service cost	264,449	-	264,449
Interest on total pension liability	1,556,892	-	1,556,892
Difference between expected and actual experience	132,966	-	132,966
Employer contributions	-	779,955	(779,955)
Employee contributions	-	49,399	(49,399)
Net investment income	-	1,661,628	(1,661,628)
Benefit payments, including employee refunds	(1,373,240)	(1,373,240)	-
Administrative expenses	-	(28,612)	28,612
Other changes	(53,046)	-	(53,046)
Net changes	528,021	1,089,130	(561,109)
Balances at 12/31/19	<u>\$ 20,543,565</u>	<u>\$ 13,478,514</u>	<u>\$ 7,065,051</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 11: DEFINED BENEFIT PENSION PLANS – GENERAL, CONTINUED

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

Governmental activities	\$ 4,168,839
Business-type activities	<u>2,896,212</u>
	<u>\$ 7,065,051</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.

	<u>1% Decrease Rate 7%</u>	<u>Current Rate 8%</u>	<u>1% Increase Rate 9%</u>
Net pension liability	\$ -	\$ 7,065,051	\$ -
Change in net pension liability as of 12/31/19	<u>2,099,360</u>	<u>-</u>	<u>(1,794,590)</u>
	<u>\$ 9,164,411</u>	<u>\$ 7,065,051</u>	<u>\$ 5,270,461</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, 2019, the City recognized a negative pension expense of \$1,216,659. 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 in experiences	\$ 71,117	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>52,552</u>	<u>-</u>
	<u>\$ 123,669</u>	<u>\$ -</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental activities	\$ 64,609	\$ -
Business-type activities	<u>59,060</u>	<u>-</u>
	<u>\$ 123,669</u>	<u>\$ -</u>

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

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE 11: DEFINED BENEFIT PENSION PLANS – GENERAL, CONTINUED

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<i>Year Ended</i>	<i>Amount</i>
2020	\$ (5,642)
2021	59,220
2022	208,767
2023	(138,676)

**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](http://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.

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### NOTE 12: DEFINED BENEFIT PENSION PLANS – POLICE

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#### 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.

##### *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, 2019, pension plan membership consisted of the following:

Retirees and beneficiaries	16
Vested plan members	2
Active plan members	15
Total	<u>33</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. *Regular Retirement – Eligibility:* Age 50 with 25 or more years of service or age 60 regardless of service. Any age with 25 or more years of service effective December 31, 1993. Hired on or after January 1, 2015: Age 50 with 25 years or more years of service. *Annual Benefit:* Straight life pension equals 2.7% (2.5% if hired on or after January 1, 2015) of top 3 years average out of past 10 years times first 25 years of service plus 1% of average final compensation (AFC) times years of service in excess of 25 years. 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 AFC and non-duty disability retirement benefits to age 55 are 1.5% of AFC. For both, at age 55 they are determined the same as retirement benefits.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 12: DEFINED BENEFIT PENSION PLANS – POLICE

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 in accordance with an Option I election.

*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 1.3500 mills. For the year ended December 31, 2019, the City made contributions of \$358,729 and the police employees contributed \$60,155.

#### *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.

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, 2019:

<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, 2019, the recognized rate of investment return based on the smoothed market value was 7.70% (more than the assumed 7.00%).

#### *Net Pension Liability:*

The components of the net pension liability at December 31, 2019, were as follows:

Total pension liability	\$ 8,357,758
Plan fiduciary net position	<u>(6,400,041)</u>
Net pension liability	<u>\$ 1,957,717</u>
Plan fiduciary net position as a percentage percentage of the total pension liability	76.58%
Covered payroll	\$ 992,362
Net pension liability as a percentage of of covered payroll	197.3%

*Actuarial assumptions* – The total pension liability was determined based on the annual actuarial valuation as of December 31, 2019. The following actuarial assumptions were applied to compute the total pension liability:

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 12: DEFINED BENEFIT PENSION PLANS – POLICE

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 67, paragraph 44.

*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</u> <u>Rate 6.00%</u>	<u>Current</u> <u>Rate 7.00%</u>	<u>1% Increase</u> <u>Rate 8.00%</u>
Net pension liability	\$ 2,936,483	\$ 1,957,717	\$ 1,138,086

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – For the year ended December 31, 2019, the City recognized pension expense of \$323,525. The City reported deferred outflows and inflows of resources related to pensions are from the following sources and recorded in the governmental activities:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 82,889	\$ -
Changes in assumptions	-	148,760
Net difference between projected and actual earnings on pension plan investments	-	246,931
	<u>\$ 82,889</u>	<u>\$ 395,691</u>

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

<u>Year</u> <u>Ended</u>	<u>Amount</u>
2020	\$ (25,082)
2021	(251,034)
2022	10,257
2023	(74,302)
2024	27,359

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 13: RETIREE HEALTHCARE TRUST (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 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** – Retiree healthcare benefits no longer apply to any current General Non-Union or SEIU Union Employees. This change was effective June 1, 2019. If a retiree had 20-25 years of service at retirement, the benefit amount is \$100 per month payable until the employee attains Medicare eligibility age. If retiree had 26-30 years of service at retirement, the benefit amount is \$150 per month payable until the employee attains Medicare eligibility age. If retiree had 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** – Retiree healthcare benefits no longer apply to any If retiree had 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 (deceased during the year). There are no benefits for surviving spouses.

**Police Union** – Retiree healthcare benefits no longer apply to any current Police Union Employees who are currently employed or retired after December 31, 2019. 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, 2019, Plan membership consisted of the following:

Inactive plan members receiving benefits	22
Covered spouse	13
Active plan members	-
Total	<u>35</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. During the current year, the City did contribute \$1,700 to establish an OPEB Trust Fund. The value at December 31, 2019 is \$1,835.

#### Assumptions and Methods

The City’s OPEB liability was measured as of December 31, 2019.

**Actuarial Assumptions** – The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 and the following actuarial assumptions, applied to all periods included in the measurement:

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 13: RETIREE HEALTHCARE TRUST (OPEB), CONTINUED

Inflation	Included in investment rate of return
Salary increases	N/A
Investment rate of return	7.35%
20-year Aa Municipal bond rate	3.26%
Mortality	Public General Headcount-weighted 2010 Employee and Healthy Retiree with MP-2018 Mortality Improvement Scale

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%	8.65%
Global Fixed Income	18.5%	3.76%
Real Assets	26.0%	8.65%

The sum of each target allocation times its long-term expected real rate is 7.35%, including inflation.

**Discount rate** – The discount rate used to measure the total OPEB liability was 3.26%. 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. The discount rate used to determine the liability as of December 31, 2018 was 3.00%.

#### 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 12/31/18	\$ 1,052,131	\$ 600	\$ 1,051,531
Service cost	21,509	-	21,509
Interest	31,537	-	31,537
Change in plan terms	(369,454)	-	(369,454)
Experience (gains)/losses	(37,409)	-	(37,409)
Change in actuarial assumptions	(13,971)	-	(13,971)
Contributions to OPEB trust	-	1,100	(1,100)
Contributions/benefit paid from general operating funds	-	44,808	(44,808)
Net investment income	-	137	(137)
Benefit payments, including employee refunds	(44,808)	(44,808)	-
Administrative expenses	-	(2)	2
Net changes	(412,596)	1,235	(413,831)
Balance at 12/31/19	<u>\$ 639,535</u>	<u>\$ 1,835</u>	<u>\$ 637,700</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 13: RETIREE HEALTHCARE TRUST (OPEB), CONTINUED

The net OPEB liability is recorded as follows:

Governmental activities	\$ 586,465
Business-type activities	<u>51,235</u>
	<u>\$ 637,700</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>
<b>Discount</b>			
Total OPEB liability	\$ 721,905	\$ 639,535	\$ 572,539
Plan fiduciary net position	<u>1,835</u>	<u>1,835</u>	<u>1,835</u>
Net OPEB liability	<u>\$ 720,070</u>	<u>\$ 637,700</u>	<u>\$ 570,704</u>

\* Due to the fact that the stipend amounts for each division are fixed and are not anticipated to change in the future, no trend was applied and therefore there are no trend sensitivities to reflect.

#### OPEB Expense

**Components of the City's OPEB expense for the fiscal year ended December 31, 2019** – Below are the components of the total OPEB expense:

Service cost	\$ 21,509
Interest	31,537
Experience (gains)/losses	(37,409)
Changes in assumptions	(13,971)
Changes in plan terms	(369,454)
Projected earnings on OPEB plan investments	(90)
Investment earnings (gains)/losses	(9)
Administrative expenses	<u>2</u>
Total OPEB expense	<u>\$ (367,885)</u>

#### Net OPEB Liability

**OPEB plan fiduciary net position** – The OPEB plan fiduciary net position as of December 31, 2019 is \$1,835.

#### 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>38</u>
	<u>\$ -</u>	<u>\$ 38</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE 13: RETIREE HEALTHCARE TRUST (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</i>	
<i>Ended</i>	<i>Amount</i>
2020	\$ (9)
2021	(9)
2022	(9)
2023	(11)
2024	-
Thereafter	-

#### *Reconciliation of the net OPEB liability*

Net OPEB liability 12/31/18	\$ 1,051,531
Total OPEB expense	(367,885)
Contributions	(45,908)
Change in deferred outflows of resources	-
Change in deferred inflows of resources	(38)
Net OPEB liability 12/31/19	<u>\$ 637,700</u>

#### *Total OPEB liability by participant status*

Active participants	\$ -
Inactive participants receiving benefits	<u>639,535</u>
Total OPEB liability	<u>\$ 639,535</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, 2019, the City abated property tax revenues totaling approximately \$8,400 under this program.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### 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, 2019 there was approximately \$67,000 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 16.

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Fund balances:</b>			
Nonspendable:			
Inventory	\$ 29,353	\$ 55,540	\$ 84,893
Prepaid expenditures	53,424	7,322	60,746
Long-term receivables	-	5,207	5,207
Total nonspendable	<u>82,777</u>	<u>68,069</u>	<u>150,846</u>
Restricted for:			
Streets	-	1,697,977	1,697,977
Senior center activities	-	54,106	54,106
Recreation activities	-	72,624	72,624
Rental inspection	-	30,105	30,105
Downtown building rehab	-	88,057	88,057
Cemetery capital improvements	-	252,966	252,966
Capital projects	-	65,814	65,814
Total restricted	<u>-</u>	<u>2,261,649</u>	<u>2,261,649</u>
Unassigned	<u>2,116,194</u>	<u>(1,192)</u>	<u>2,115,002</u>
Total fund balances	<u>\$ 2,198,971</u>	<u>\$ 2,328,526</u>	<u>\$ 4,527,497</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF LUDINGTON

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost	\$ 264,449	\$ 249,175	\$ 272,153	\$ 268,117	\$ 274,630
Interest on total pension liability	1,556,892	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	132,966	(76,748)	39,069	(200,065)	-
Changes in assumptions	-	-	-	1,017,300	-
Benefit payments, including employee refunds	(1,373,240)	(1,364,316)	(1,327,415)	(1,224,817)	(1,170,478)
Other changes	(53,046)	(22,681)	10,529	(10,137)	(11,900)
<b>Net change in total pension liability</b>	<b>528,021</b>	<b>316,700</b>	<b>(762,446)</b>	<b>1,384,749</b>	<b>581,167</b>
<b>Total pension liability - beginning</b>	<b>20,015,544</b>	<b>19,698,844</b>	<b>20,461,290</b>	<b>19,076,541</b>	<b>18,495,374</b>
<b>Total pension liability - ending</b>	<b><u>\$ 20,543,565</u></b>	<b><u>\$ 20,015,544</u></b>	<b><u>\$ 19,698,844</u></b>	<b><u>\$ 20,461,290</u></b>	<b><u>\$ 19,076,541</u></b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 779,955	\$ 746,335	\$ 671,574	\$ 666,237	\$ 595,505
Contributions - employee	49,399	42,356	31,979	23,690	18,451
Net investment income (loss)	1,661,628	(514,626)	1,627,991	1,320,810	(183,641)
Benefit payments, including employee refunds	(1,373,240)	(1,364,316)	(1,327,415)	(1,224,817)	(1,170,478)
Administrative expenses	(28,612)	(25,860)	(25,820)	(26,086)	(27,072)
<b>Net change in plan fiduciary net position</b>	<b>1,089,130</b>	<b>(1,116,111)</b>	<b>978,309</b>	<b>759,834</b>	<b>(767,235)</b>
<b>Total plan fiduciary net position - beginning</b>	<b>12,389,384</b>	<b>13,505,495</b>	<b>12,527,186</b>	<b>11,767,352</b>	<b>12,534,587</b>
<b>Total plan fiduciary net position - ending</b>	<b><u>\$ 13,478,514</u></b>	<b><u>\$ 12,389,384</u></b>	<b><u>\$ 13,505,495</u></b>	<b><u>\$ 12,527,186</u></b>	<b><u>\$ 11,767,352</u></b>
<b>City's net pension liability</b>	<b>\$ 7,065,051</b>	<b>\$ 7,626,160</b>	<b>\$ 6,193,349</b>	<b>\$ 7,934,104</b>	<b>\$ 7,309,189</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>65.61%</b>	<b>61.90%</b>	<b>68.56%</b>	<b>61.22%</b>	<b>61.68%</b>
<b>Covered employee payroll</b>	<b>\$ 2,264,199</b>	<b>\$ 2,172,067</b>	<b>\$ 2,153,157</b>	<b>\$ 2,120,040</b>	<b>\$ 2,156,320</b>
<b>City's net pension liability as a percentage of covered employee payroll</b>	<b>312.03%</b>	<b>351.10%</b>	<b>287.64%</b>	<b>374.24%</b>	<b>338.97%</b>

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>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total pension liability</b>			
Service cost	\$ 176,889	\$ 179,221	\$ 190,509
Interest	538,072	529,004	500,403
Changes in benefit terms	-	-	-
Differences between expected and actual experience	255,356	(172,490)	119,371
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(421,724)	(388,306)	(403,808)
<b>Net change in total pension liability</b>	548,593	147,429	406,475
<b>Total pension liability - beginning</b>	7,809,165	7,661,736	7,255,261
<b>Total pension liability - ending</b>	<u>\$ 8,357,758</u>	<u>\$ 7,809,165</u>	<u>\$ 7,661,736</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 358,729	\$ 320,219	\$ 318,015
Contributions - member	60,155	58,091	54,288
Net investment income (loss)	979,324	(149,752)	578,242
Benefit payments, including refunds of member contributions	(421,724)	(388,306)	(403,808)
Administrative expense	(7,609)	(7,500)	(6,453)
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	968,875	(167,248)	540,284
<b>Plan fiduciary net position - beginning</b>	5,431,166	5,598,414	5,058,130
<b>Plan fiduciary net position - ending</b>	<u>\$ 6,400,041</u>	<u>\$ 5,431,166</u>	<u>\$ 5,598,414</u>
<b>City's police net pension liability</b>	<u>\$ 1,957,717</u>	<u>\$ 2,377,999</u>	<u>\$ 2,063,322</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	76.58%	69.55%	73.07%
<b>Covered-employee payroll</b>	\$ 992,362	\$ 906,667	\$ 933,791
<b>City's police net pension liability as a percentage of covered-employee payroll</b>	197.28%	262.28%	220.96%

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 CHANGES IN THE CITY'S POLICE NET PENSION LIABILITY AND RELATED RATIOS, CONTINUED

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 242,869	\$ 191,449	\$ 176,256
Interest	472,965	442,143	403,626
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(225,074)	(15,652)	343,823
Changes of assumptions	(1,137,187)	1,381,809	-
Benefit payments, including refunds of member contributions	<u>(404,702)</u>	<u>(373,903)</u>	<u>(340,646)</u>
<b>Net change in total pension liability</b>	(1,051,129)	1,625,846	583,059
<b>Total pension liability - beginning</b>	<u>8,306,390</u>	<u>6,680,544</u>	<u>6,097,485</u>
<b>Total pension liability - ending</b>	<u>\$ 7,255,261</u>	<u>\$ 8,306,390</u>	<u>\$ 6,680,544</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 311,720	\$ 306,876	\$ 297,187
Contributions - member	53,618	53,042	55,438
Net investment income (loss)	284,547	(3,610)	353,818
Benefit payments, including refunds of member contributions	(404,702)	(373,903)	(334,946)
Administrative expense	(7,796)	(66,783)	(60,213)
Other	<u>(130)</u>	<u>-</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	237,257	(84,378)	311,284
<b>Plan fiduciary net position - beginning</b>	<u>4,820,873</u>	<u>4,905,251</u>	<u>4,593,967</u>
<b>Plan fiduciary net position - ending</b>	<u>\$ 5,058,130</u>	<u>\$ 4,820,873</u>	<u>\$ 4,905,251</u>
<b>City's police net pension liability</b>	<u>\$ 2,197,131</u>	<u>\$ 3,485,517</u>	<u>\$ 1,775,293</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	69.72%	58.04%	73.43%
<b>Covered-employee payroll</b>	\$ 885,272	\$ 852,255	\$ 888,155
<b>City's police net pension liability as a percentage of covered-employee payroll</b>	248.19%	408.98%	199.89%

# CITY OF LUDINGTON

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 653,079	\$ 619,459	\$ 574,990	\$ 630,237	\$ 559,505
Contributions in relation to the actuarially determined contribution	<u>779,955</u>	<u>746,335</u>	<u>671,574</u>	<u>666,237</u>	<u>595,505</u>
Contribution (excess) deficiency	<u>\$ (126,876)</u>	<u>\$ (126,876)</u>	<u>\$ (96,584)</u>	<u>\$ (36,000)</u>	<u>\$ (36,000)</u>
Covered-employee payroll	\$ 2,264,199	\$ 2,172,067	\$ 2,153,157	\$ 2,120,040	\$ 2,156,320
Actuarially determined contribution as a percentage of covered-employee payroll	28.84%	28.52%	26.70%	29.73%	25.95%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 521,831	\$ 489,247	\$ 452,171	\$ 444,060	\$ 439,377
Contributions in relation to the actuarially determined contribution	<u>557,831</u>	<u>489,247</u>	<u>452,171</u>	<u>444,060</u>	<u>439,377</u>
Contribution (excess) deficiency	<u>\$ (36,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,920,675	\$ 2,008,700	\$ 1,982,367	\$ 1,977,617	\$ 1,919,604
Actuarially determined contribution as a percentage of covered-employee payroll	27.17%	24.36%	22.81%	22.45%	22.89%

### 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	20 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 358,729	\$ 320,219	\$ 318,015	\$ 311,491	\$ 306,876
Contributions in relation to the actuarially determined contribution	<u>358,729</u>	<u>320,219</u>	<u>318,015</u>	<u>311,491</u>	<u>306,876</u>
Contribution (excess) deficiency	<u>\$ -</u>				
Covered-employee payroll	\$ 992,362	\$ 906,667	\$ 933,791	\$ 885,272	\$ 852,255
Actuarially determined contributions as a percentage of covered-employee payroll	36.15%	35.32%	34.06%	35.19%	36.01%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 297,188	\$ 289,156	\$ 284,836	\$ 270,508	\$ 259,778
Contributions in relation to the actuarially determined contribution	<u>297,188</u>	<u>289,156</u>	<u>284,836</u>	<u>270,508</u>	<u>259,778</u>
Contribution (excess) deficiency	<u>\$ -</u>				
Covered-employee payroll	\$ 888,155	\$ 809,192	\$ 832,173	\$ 745,397	\$ 854,278
Actuarially determined contributions as a percentage of covered-employee payroll	33.46%	35.73%	34.23%	36.29%	30.41%

### 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>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>		
Service cost	\$ 21,509	\$ 20,883
Interest	31,537	31,288
Changes in plan terms	(369,454)	-
Differences between expected and actual experience	(37,409)	-
Changes in assumptions	(13,971)	-
Benefit payments (including refunds of employee contributions)	(44,808)	(44,158)
<b>Net change in total OPEB liability</b>	(412,596)	8,013
<b>Total OPEB liability - beginning</b>	<u>1,052,131</u>	<u>1,044,118</u>
<b>Total OPEB liability - ending</b>	<u>\$ 639,535</u>	<u>\$ 1,052,131</u>
 <b>Plan fiduciary net position</b>		
Contributions to OPEB trust	\$ 1,100	\$ 600
Contributions/benefit paid from general operating funds	44,808	44,158
Net investment income	137	-
Benefit payments (including refunds of employee contributions)	(44,808)	(44,158)
Administrative expense	(2)	-
<b>Net change in plan fiduciary net position</b>	1,235	600
<b>Plan fiduciary net position - beginning</b>	<u>600</u>	<u>-</u>
<b>Plan fiduciary net position - ending</b>	<u>\$ 1,835</u>	<u>\$ 600</u>
 <b>City's net OPEB liability</b>	<u>\$ 637,700</u>	<u>\$ 1,051,531</u>
 <b>Plan fiduciary net position as a percentage of total OPEB liability</b>	0.29%	0.06%
 <b>Covered-employee payroll*</b>	\$ -	\$ 2,239,812
 <b>City's net OPEB liability as a percentage of covered-employee payroll</b>	N/A	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.

\* Because the plan is closed to all currently active members, there is no covered payroll to report for 2019.

# CITY OF LUDINGTON

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## SCHEDULE OF CITY OPEB CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 92,833	\$ 170,250
Employer contribution	<u>45,908</u>	<u>44,758</u>
Contribution (excess) deficiency	<u>\$ 46,925</u>	<u>\$ 125,492</u>
Covered-employee payroll	<u>\$ -</u>	<u>\$ 2,239,812</u>
Actuarially determined contributions as a percentage of covered-employee payroll	N/A	7.60%

### Notes to Schedule

Because the plan is closed to all currently active members, there is no covered payroll to report for 2019.

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 3,890,300	\$ 3,890,300	\$ 3,863,909	\$ (26,391)
Licenses and permits	111,300	124,800	123,762	(1,038)
Federal grants	-	-	2,690	2,690
State grants	1,151,000	1,542,700	1,545,052	2,352
Contributions from other units	38,100	38,100	45,446	7,346
Charges for services	605,600	638,700	666,836	28,136
Fines and forfeits	30,000	35,700	35,260	(440)
Interest and rents	64,500	96,100	93,928	(2,172)
Other revenue	169,900	184,300	201,190	16,890
Total revenues	<u>6,060,700</u>	<u>6,550,700</u>	<u>6,578,073</u>	<u>27,373</u>
<b>Expenditures:</b>				
Current				
General government				
Council and Mayor	60,800	47,800	45,055	2,745
Manager	337,800	337,800	334,781	3,019
Clerk	310,400	340,400	337,222	3,178
Board of review	3,400	2,400	2,296	104
Treasurer	167,600	190,600	188,669	1,931
Assessor and Building inspector	227,000	235,000	232,082	2,918
Elections	14,600	14,600	13,474	1,126
Hall and grounds, downtown and other	296,800	309,300	301,145	8,155
Attorney	86,900	89,900	86,798	3,102
Board of ethics	200	200	-	200
Total general government	<u>1,505,500</u>	<u>1,568,000</u>	<u>1,541,522</u>	<u>26,478</u>
Public safety				
Police	1,764,100	2,072,100	2,057,538	14,562
Fire	233,500	229,229	226,931	2,298
Total public safety	<u>1,997,600</u>	<u>2,301,329</u>	<u>2,284,469</u>	<u>16,860</u>
Public works				
Department of public works	607,000	557,000	548,225	8,775
Sidewalk construction	109,100	127,100	125,714	1,386
Street lighting	99,200	117,200	114,604	2,596
Garbage and rubbish	762,300	789,600	789,523	77
Cemetery	219,100	213,550	208,548	5,002
Total public works	<u>1,796,700</u>	<u>1,804,450</u>	<u>1,786,614</u>	<u>17,836</u>

continued

# CITY OF LUDINGTON

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended December 31, 2019

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances</i>
	<i>Original</i>	<i>Final</i>		<i>with Final Budget Favorable (Unfavorable)</i>
Community and economic development				
Planning	3,800	2,800	2,560	240
Economic development	129,100	104,100	99,836	4,264
Total community and economic development	132,900	106,900	102,396	4,504
Recreation and culture				
Parks	450,300	410,300	399,620	10,680
Beach safety	32,300	26,300	23,532	2,768
Launching ramps	64,000	59,000	55,429	3,571
Total recreation and culture	546,600	495,600	478,581	17,019
Other				
Insurance and bonds	37,000	44,000	42,397	1,603
Capital outlay	170,000	42,821	42,821	-
Debt service	26,800	30,800	29,476	1,324
Total expenditures	6,213,100	6,393,900	6,308,276	85,624
Excess (deficiency) of revenues over (under) expenditures	(152,400)	156,800	269,797	112,997
<b>Other financing sources (uses):</b>				
Sale of capital assets	25,000	25,000	1,500	(23,500)
Interfund transfers in	4,000	4,000	5,105	1,105
Interfund transfers out	(525,400)	(525,400)	(507,167)	18,233
Net other financing sources (uses)	(496,400)	(496,400)	(500,562)	(4,162)
Change in fund balance	(648,800)	(339,600)	(230,765)	108,835
Fund balance, beginning of year	2,429,736	2,429,736	2,429,736	-
Fund balance, end of year	\$ 1,780,936	\$ 2,090,136	\$ 2,198,971	\$ 108,835

***OTHER SUPPLEMENTARY INFORMATION***

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING BALANCE SHEET**  
 December 31, 2019

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 926,638	\$ 629,734	\$ 73,576	\$ 63,785
Accounts receivable	128	-	-	-
Notes receivable	-	-	-	-
Accrued interest receivable	344	290	31	26
Due from other governments	114,597	45,728	-	-
Inventory	55,540	-	-	-
Prepaid expenditures	267	4,132	947	776
Total assets	\$ 1,097,514	\$ 679,884	\$ 74,554	\$ 64,587
<b>Liabilities:</b>				
Accounts payable	\$ 9,594	\$ 1,714	\$ 344	\$ 4,935
Accrued expenses	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Accrued wages payable	2,894	5,280	639	4,770
Total liabilities	12,488	6,994	983	9,705
<b>Fund balances:</b>				
Nonspendable	55,807	4,132	947	776
Restricted	1,029,219	668,758	72,624	54,106
Unassigned	-	-	-	-
Total fund balances	1,085,026	672,890	73,571	54,882
Total liabilities and fund balances	\$ 1,097,514	\$ 679,884	\$ 74,554	\$ 64,587

continued

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING BALANCE SHEET, CONTINUED**  
 December 31, 2019

	<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>
<b>Assets:</b>				
Cash and cash equivalents	\$ 90,017	\$ 30,156	\$ 8	\$ 252,857
Accounts receivable	-	1,220	-	-
Notes receivable	5,207	-	-	-
Accrued interest receivable	-	13	-	109
Due from other governments	-	-	4,090	-
Inventory	-	-	-	-
Prepaid expenditures	-	-	1,200	-
Total assets	\$ 95,224	\$ 31,389	\$ 5,298	\$ 252,966
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 350	\$ 5,290	\$ -
Accrued expenses	-	496	-	-
Due to other governments	1,860	-	-	-
Due to other funds	100	-	-	-
Accrued wages payable	-	438	-	-
Total liabilities	1,960	1,284	5,290	-
<b>Fund balances:</b>				
Nonspendable	5,207	-	1,200	-
Restricted	88,057	30,105	-	252,966
Unassigned	-	-	(1,192)	-
Total fund balances	93,264	30,105	8	252,966
Total liabilities and fund balances	\$ 95,224	\$ 31,389	\$ 5,298	\$ 252,966

continued

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING BALANCE SHEET, CONTINUED**  
 December 31, 2019

	<u><i>Debt Service Funds</i></u>		<u><i>Capital Projects Fund</i></u>		<u><i>Total</i></u>
	<u><i>Building Authority Bond Fund</i></u>	<u><i>Fire Station Debt Project</i></u>	<u><i>W. Ludington Avenue Project Fund</i></u>	<u><i>Fire Station Improvement Fund</i></u>	
<b>Assets:</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 65,728	\$ 86	\$ 2,132,585
Accounts receivable	-	-	-	-	1,348
Notes receivable	-	-	-	-	5,207
Accrued interest receivable	-	-	-	-	813
Due from other governments	-	-	-	-	164,415
Inventory	-	-	-	-	55,540
Prepaid expenditures	-	-	-	-	7,322
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,728</u>	<u>\$ 86</u>	<u>\$ 2,367,230</u>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 22,227
Accrued expenses	-	-	-	-	496
Due to other governments	-	-	-	-	1,860
Due to other funds	-	-	-	-	100
Accrued wages payable	-	-	-	-	14,021
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,704</u>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	68,069
Restricted	-	-	65,728	86	2,261,649
Unassigned	-	-	-	-	(1,192)
Total fund balances	<u>-</u>	<u>-</u>	<u>65,728</u>	<u>86</u>	<u>2,328,526</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,728</u>	<u>\$ 86</u>	<u>\$ 2,367,230</u>

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES**  
 Year Ended December 31, 2019

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>
<b>Revenues:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ 14,077
State grants	680,029	311,865	-	177
Contributions from other units	-	-	24,800	167,550
Charges for services	47,342	-	53,117	13,822
Interest and rents	17,456	12,212	1,620	6,610
Other revenue	4,780	-	13,257	12,622
Total revenues	749,607	324,077	92,794	214,858
<b>Expenditures:</b>				
Current				
Public safety	-	-	-	-
Public works	301,093	471,963	-	-
Health and welfare	-	-	-	213,542
Community and economic development	-	-	-	-
Recreation and culture	-	-	121,276	-
Capital outlay	57,744	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	358,837	471,963	121,276	213,542
Excess (deficiency) of revenues over expenditures	390,770	(147,886)	(28,482)	1,316
<b>Other financing sources (uses):</b>				
Proceeds from bond issue	-	-	-	-
Interfund transfers in	-	192,800	42,000	-
Interfund transfers out	(192,800)	-	-	-
Net other financing sources (uses)	(192,800)	192,800	42,000	-
Changes in fund balances	197,970	44,914	13,518	1,316
Fund balances, beginning of year	887,056	627,976	60,053	53,566
Fund balances, end of year	\$ 1,085,026	\$ 672,890	\$ 73,571	\$ 54,882

continued

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES, CONTINUED**  
 Year Ended December 31, 2019

	<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>
<b>Revenues:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants	-	-	12,535	-
Contributions from other units	-	-	-	-
Charges for services	-	44,520	-	17,425
Interest and rents	-	663	-	5,105
Other revenue	-	-	-	-
Total revenues	-	45,183	12,535	22,530
<b>Expenditures:</b>				
Current				
Public safety	-	25,496	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community and economic development	-	-	12,527	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	-	25,496	12,527	-
Excess (deficiency) of revenues over expenditures	-	19,687	8	22,530
<b>Other financing sources (uses):</b>				
Proceeds from bond issue	-	-	-	-
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	(5,105)
Net other financing sources (uses)	-	-	-	(5,105)
Changes in fund balances	-	19,687	8	17,425
Fund balances, beginning of year	93,264	10,418	-	235,541
Fund balances, end of year	\$ 93,264	\$ 30,105	\$ 8	\$ 252,966

continued

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended December 31, 2019

	<i>Debt Service Funds</i>		<i>Capital Projects Fund</i>		<i>Total</i>
	<i>Building Authority Bond Fund</i>	<i>Fire Station Debt Fund</i>	<i>W. Ludington Avenue Project Fund</i>	<i>Fire Station Improvement Fund</i>	
<b>Revenues:</b>					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 14,077
State grants	-	-	300,000	-	1,304,606
Contributions from other units	-	-	-	-	192,350
Charges for services	-	-	-	-	176,226
Interest and rents	-	-	-	-	43,666
Other revenue	-	-	129,842	-	160,501
Total revenues	-	-	429,842	-	1,891,426
<b>Expenditures:</b>					
Current					
Public safety	-	-	-	-	25,496
Public works	-	-	3,912	-	776,968
Health and welfare	-	-	-	-	213,542
Community and economic development	-	-	-	-	12,527
Recreation and culture	-	-	-	-	121,276
Capital outlay	-	-	494,902	668,165	1,220,811
Debt service					
Principal	285,000	15,000	-	-	300,000
Interest and fees	11,400	30,269	-	-	41,669
Total expenditures	296,400	45,269	498,814	668,165	2,712,289
Excess (deficiency) of revenues over expenditures	(296,400)	(45,269)	(68,972)	(668,165)	(820,863)
<b>Other financing sources (uses):</b>					
Proceeds from bond issue	-	-	-	667,800	667,800
Interfund transfers in	296,398	45,269	123,500	-	699,967
Interfund transfers out	-	-	-	-	(197,905)
Net other financing sources (uses)	296,398	45,269	123,500	667,800	1,169,862
Changes in fund balances	(2)	-	54,528	(365)	348,999
Fund balances, beginning of year	2	-	11,200	451	1,979,527
Fund balances, end of year	\$ -	\$ -	\$ 65,728	\$ 86	\$ 2,328,526

# CITY OF LUDINGTON

*NONMAJOR ENTERPRISE FUNDS*  
**COMBINING STATEMENT OF NET POSITION**  
December 31, 2019

	<i>Cartier Park Campground Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 291,385	\$ 10,104	\$ 301,489
Accrued interest receivable	124	-	124
Prepaid expenses	2,495	14,509	17,004
Total current assets	<u>294,004</u>	<u>24,613</u>	<u>318,617</u>
<b>Noncurrent assets:</b>			
Capital assets			
Being depreciated, net	198,690	-	198,690
Total assets	<u>492,694</u>	<u>24,613</u>	<u>517,307</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	931	6,817	7,748
Due to other funds	-	7,633	7,633
Accrued wages payable	2,254	-	2,254
Unearned revenue	-	10,163	10,163
Total current liabilities	<u>3,185</u>	<u>24,613</u>	<u>27,798</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable	1,820	-	1,820
Net pension liability	1,712	-	1,712
Total noncurrent liabilities	<u>3,532</u>	<u>-</u>	<u>3,532</u>
Total liabilities	<u>6,717</u>	<u>24,613</u>	<u>31,330</u>
<b>Net position:</b>			
Investment in capital assets	198,690	-	198,690
Unrestricted	287,287	-	287,287
Total net position	<u>\$ 485,977</u>	<u>\$ -</u>	<u>\$ 485,977</u>

# CITY OF LUDINGTON

## NONMAJOR ENTERPRISE FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended December 31, 2019

	<i>Cartier Park Campground Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
<b>Operating revenues:</b>			
Charges for services	\$ 268,595	\$ -	\$ 268,595
Other	17,670	-	17,670
Total operating revenues	<u>286,265</u>	<u>-</u>	<u>286,265</u>
<b>Operating expenses:</b>			
Personal services	112,421	-	112,421
Contracted services	17,793	-	17,793
Administrative expense	42,800	-	42,800
Utilities	24,691	-	24,691
Repairs and maintenance	1,136	-	1,136
Other services and expenses	46,935	-	46,935
Depreciation	7,931	-	7,931
Total operating expenses	<u>253,707</u>	<u>-</u>	<u>253,707</u>
Operating income (loss)	<u>32,558</u>	<u>-</u>	<u>32,558</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	6,081	-	6,081
Contributions	1,100	-	1,100
Net non-operating revenues (expenses)	<u>7,181</u>	<u>-</u>	<u>7,181</u>
Changes in net position	39,739	-	39,739
Net position, beginning of year	<u>446,238</u>	<u>-</u>	<u>446,238</u>
Net position, end of year	<u>\$ 485,977</u>	<u>\$ -</u>	<u>\$ 485,977</u>

# CITY OF LUDINGTON

*NONMAJOR ENTERPRISE FUNDS*  
**COMBINING STATEMENT OF CASH FLOWS**  
 Year Ended December 31, 2019

	<i>Cartier Park Campground Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 286,265	\$ 10,163	\$ 296,428
Cash paid for interfund services	(22,156)	-	(22,156)
Cash payments to employees and on behalf of employees	(121,965)	-	(121,965)
Cash payments to suppliers for goods and services	(115,057)	(59)	(115,116)
Net cash provided by operating activities	<u>27,087</u>	<u>10,104</u>	<u>37,191</u>
<b>Cash flows from non-capital financing activities:</b>			
Contributions	<u>1,100</u>	<u>-</u>	<u>1,100</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>6,028</u>	<u>-</u>	<u>6,028</u>
Change in cash and cash equivalents	34,215	10,104	44,319
Cash and cash equivalents, beginning of year	<u>257,170</u>	<u>-</u>	<u>257,170</u>
Cash and cash equivalents, end of year	<u><u>\$ 291,385</u></u>	<u><u>\$ 10,104</u></u>	<u><u>\$ 301,489</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating income	\$ 32,558	\$ -	\$ 32,558
Adjustments:			
Depreciation	7,931	-	7,931
Change in assets and liabilities:			
Prepaid expenses	325	(14,509)	(14,184)
Accounts payable	(4,183)	6,817	2,634
Due to other funds	-	7,633	7,633
Accrued wages payable	150	-	150
Unearned revenue	-	10,163	10,163
Compensated absences payable	600	-	600
Net pension liability and related deferred amounts	221	-	221
Net OPEB liability	(10,515)	-	(10,515)
Net cash provided by operating activities	<u><u>\$ 27,087</u></u>	<u><u>\$ 10,104</u></u>	<u><u>\$ 37,191</u></u>

# CITY OF LUDINGTON

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET POSITION December 31, 2019

	<u>Motor Pool</u> <u>Fund</u>	<u>Technology</u> <u>Fund</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 256,751	\$ -	\$ 256,751
Accrued interest receivable	108	-	108
Due from other governments	1,205	-	1,205
Inventory	60,581	-	60,581
Prepaid expenses	33,367	32,675	66,042
Total current assets	<u>352,012</u>	<u>32,675</u>	<u>384,687</u>
<b>Noncurrent assets:</b>			
Capital assets not being depreciated	4,250	-	4,250
Capital assets being depreciated, net	<u>2,522,759</u>	<u>16,325</u>	<u>2,539,084</u>
Total noncurrent assets	<u>2,527,009</u>	<u>16,325</u>	<u>2,543,334</u>
Total assets	<u>2,879,021</u>	<u>49,000</u>	<u>2,928,021</u>
<b>Deferred outflows of resources:</b>			
Related to pension	<u>6,651</u>	<u>-</u>	<u>6,651</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	12,357	856	13,213
Due to other funds	-	3,415	3,415
Accrued wages payable	<u>9,243</u>	<u>-</u>	<u>9,243</u>
Total current liabilities	<u>21,600</u>	<u>4,271</u>	<u>25,871</u>
<b>Noncurrent liabilities:</b>			
Compensated absences payable	2,914	-	2,914
Net pension liability	<u>392,710</u>	<u>-</u>	<u>392,710</u>
Total noncurrent liabilities	<u>395,624</u>	<u>-</u>	<u>395,624</u>
Total liabilities	<u>417,224</u>	<u>4,271</u>	<u>421,495</u>
<b>Net position:</b>			
Investment in capital assets	2,527,009	16,325	2,543,334
Unrestricted (deficit)	<u>(58,561)</u>	<u>28,404</u>	<u>(30,157)</u>
Total net position	<u>\$ 2,468,448</u>	<u>\$ 44,729</u>	<u>\$ 2,513,177</u>

# CITY OF LUDINGTON

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*INTERNAL SERVICE FUNDS*  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION**  
Year Ended December 31, 2019

	<i>Motor Pool</i> <u>Fund</u>	<i>Technology</i> <u>Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Equipment rental - interfund charges	\$ 1,046,468	\$ 126,950	\$ 1,173,418
Other	24,494	-	24,494
Total operating revenues	<u>1,070,962</u>	<u>126,950</u>	<u>1,197,912</u>
<b>Operating expenses:</b>			
Personal services	390,606	-	390,606
Contracted services	25,594	60,938	86,532
Administrative expense	64,100	-	64,100
Insurance	54,675	-	54,675
Utilities	32,651	-	32,651
Repairs and maintenance	101,327	-	101,327
Other services and expenses	159,236	64,020	223,256
Depreciation	314,410	1,992	316,402
Total operating expenses	<u>1,142,599</u>	<u>126,950</u>	<u>1,269,549</u>
Operating income (loss)	<u>(71,637)</u>	<u>-</u>	<u>(71,637)</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	2,501	-	2,501
Sales of capital assets	19,559	-	19,559
Net non-operating revenues	<u>22,060</u>	<u>-</u>	<u>22,060</u>
Changes in net position	(49,577)	-	(49,577)
Net position, beginning of year	<u>2,518,025</u>	<u>44,729</u>	<u>2,562,754</u>
Net position, end of year	<u>\$ 2,468,448</u>	<u>\$ 44,729</u>	<u>\$ 2,513,177</u>

# CITY OF LUDINGTON

*INTERNAL SERVICE FUNDS*  
**COMBINING STATEMENT OF CASH FLOWS**  
 Year Ended December 31, 2019

	<i><b>Motor Pool</b></i>	<i><b>Technology</b></i>	<i><b>Total</b></i>
	<i><b>Fund</b></i>	<i><b>Fund</b></i>	<i><b>Total</b></i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 26,072	\$ -	\$ 26,072
Cash received from interfund services	1,046,468	130,365	1,176,833
Cash payments to employees and on behalf of employees	(370,241)	-	(370,241)
Cash payments to suppliers for goods and services	(338,222)	(139,702)	(477,924)
Net cash provided (used) by operating activities	<u>364,077</u>	<u>(9,337)</u>	<u>354,740</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from sale of capital assets	34,777	-	34,777
Acquisition of capital assets	(318,408)	(5,898)	(324,306)
Net cash used by capital and related financing activities	<u>(283,631)</u>	<u>(5,898)</u>	<u>(289,529)</u>
<b>Cash flows from investing activities:</b>			
Interest received	2,441	-	2,441
Change in cash and cash equivalents	82,887	(15,235)	67,652
Cash and cash equivalents, beginning of year	173,864	15,235	189,099
Cash and cash equivalents, end of year	<u>\$ 256,751</u>	<u>\$ -</u>	<u>\$ 256,751</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating loss	\$ (71,637)	\$ -	\$ (71,637)
Adjustments:			
Depreciation	314,410	1,992	316,402
Change in assets and liabilities:			
Due from other governments	1,578	-	1,578
Inventory	17,024	-	17,024
Prepaid expenses	76,201	(14,736)	61,465
Accounts payable	6,136	(8)	6,128
Due to other funds	-	3,415	3,415
Accrued wages payable	532	-	532
Compensated absences payable	(3,089)	-	(3,089)
Net pension liability and related deferred amounts	22,922	-	22,922
Net cash provided (used) by operating activities	<u>\$ 364,077</u>	<u>\$ (9,337)</u>	<u>\$ 354,740</u>

# CITY OF LUDINGTON

## FIDUCIARY FUNDS – PENSION (AND OTHER POSTEMPLOYMENT) TRUST FUNDS

### COMBINING STATEMENT OF FIDUCIARY NET POSITION

December 31, 2019

	<i>Police Pension Trust Fund</i>	<i>Police Greenwood Fund</i>	<i>OPEB Fund</i>	<i>Total</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 140,457	\$ 41,803	\$ -	\$ 182,260
Investments at fair value				
Mutual funds	6,630,103	-		6,630,103
Pooled investments	-	-	1,835	1,835
Taxes receivable	28,066	-	-	28,066
Accrued interest receivable	37	-	-	37
	<u>6,798,663</u>	<u>41,803</u>	<u>1,835</u>	<u>6,842,301</u>
Total assets				
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	<u>398,622</u>	<u>-</u>	<u>-</u>	<u>398,622</u>
<b>Net position:</b>				
Restricted for:				
Pension benefits	6,400,041	41,803	-	6,441,844
Retiree healthcare benefits	<u>-</u>	<u>-</u>	<u>1,835</u>	<u>1,835</u>
Total net position	<u>\$ 6,400,041</u>	<u>\$ 41,803</u>	<u>\$ 1,835</u>	<u>\$ 6,443,679</u>

# CITY OF LUDINGTON

## FIDUCIARY FUNDS – PENSION (AND OTHER POSTEMPLOYMENT) TRUST FUNDS

### COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2019

	<i>Police Pension Trust Fund</i>	<i>Police Greenwood Fund</i>	<i>OPEB Fund</i>	<i>Total</i>
<b>Additions:</b>				
Contributions:				
Employer	\$ 358,729	\$ -	\$ 1,700	\$ 360,429
Employee	60,155	-	-	60,155
Total contributions	418,884	-	1,700	420,584
Investment earnings:				
Interest	152,992	806		153,798
Net increase in fair value of investments	826,332	-	137	826,469
Net investment earnings	979,324	806	137	980,267
Total additions	1,398,208	806	1,837	1,400,851
<b>Deductions:</b>				
Benefits - pension	421,724	5,700	-	427,424
Fees and other	7,609	-	2	7,611
Total deductions	429,333	5,700	2	435,035
Net increase (decrease)	968,875	(4,894)	1,835	965,816
Net position, beginning of year	5,431,166	46,697	-	5,477,863
Net position, end of year	<u>\$ 6,400,041</u>	<u>\$ 41,803</u>	<u>\$ 1,835</u>	<u>\$ 6,443,679</u>

# CITY OF LUDINGTON

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*FIDUCIARY FUNDS – CUSTODIAL FUNDS*  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
December 31, 2019

	<i><u>Tax Collection Fund</u></i>	<i><u>Cultural Economic Development Fund</u></i>	<i><u>Splash Pad Fund</u></i>	<i><u>Carferry Grant Fund</u></i>	<i><u>Total</u></i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 463,023	\$ 43,141	\$ 23,143	\$ -	\$ 529,307
Receivables:					
Taxes for other governments	<u>187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187</u>
Total assets	<u>463,210</u>	<u>43,141</u>	<u>23,143</u>	<u>-</u>	<u>529,494</u>
<b>Liabilities:</b>					
Due to local governments	<u>463,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>463,210</u>
<b>Net position:</b>					
Restricted for:					
Individuals, organizations and other governments	<u>-</u>	<u>43,141</u>	<u>23,143</u>	<u>-</u>	<u>66,284</u>
Total net position	<u>\$ -</u>	<u>\$ 43,141</u>	<u>\$ 23,143</u>	<u>\$ -</u>	<u>\$ 66,284</u>

# CITY OF LUDINGTON

*FIDUCIARY FUNDS – CUSTODIAL FUNDS*  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
 Year Ended December 31, 2019

	<i>Tax Collection Fund</i>	<i>Cultural Economic Development Fund</i>	<i>Splash Pad Fund</i>	<i>Carferry Grant Fund</i>	<i>Total</i>
<b>Additions:</b>					
Contributions:					
Gifts and bequests	\$ -	\$ 4,342	\$ 207,607	\$ -	\$ 211,949
Federal grants	-	-	-	3,350,977	3,350,977
Total contributions	-	4,342	207,607	3,350,977	3,562,926
Property tax collections for other governments	9,074,332	-	-	-	9,074,332
Total additions	9,074,332	4,342	207,607	3,350,977	12,637,258
<b>Deductions:</b>					
Payments on behalf of organizations	-	3,606	184,464	3,350,977	3,539,047
Property tax collections to other governments	9,074,332	-	-	-	9,074,332
Total deductions	9,074,332	3,606	184,464	3,350,977	12,613,379
Net increase (decrease)	-	736	23,143	-	23,879
Net position, beginning of year	-	42,405	-	-	42,405
Net position, end of year	\$ -	\$ 43,141	\$ 23,143	\$ -	\$ 66,284

# CITY OF LUDINGTON

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## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

### BALANCE SHEET

December 31, 2019

**Assets:**

Cash and cash equivalents	\$ 295,070
Investments	60,216
Taxes receivable	3,074
Accounts receivable	4,040
Accrued interest receivable	100
Prepaid expenditures	<u>3,561</u>
Total assets	<u>\$ 366,061</u>

**Liabilities:**

Accounts payable	\$ 12,290
Accrued expenses	936
Accrued wages payable	2,305
Unearned revenue	<u>3,598</u>
Total liabilities	<u>19,129</u>

**Deferred inflows of resources:**

Unavailable revenue - property taxes	<u>122,229</u>
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**Fund balance:**

Unassigned	<u>224,703</u>
Total fund balance	<u>224,703</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 366,061</u>

**RECONCILIATION OF FUND BALANCE TO NET POSITION:**

<b>Fund balance for component unit</b>	\$ 224,703
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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 not being depreciated	32,916
Capital assets being depreciated, net	<u>21,873</u>
<b>Net position of component unit</b>	<u>\$ 279,492</u>

# CITY OF LUDINGTON

## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

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

Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Final Budget</i>
	<u>Original</u>	<u>Final</u>		<i>Favorable</i>
				<i>(Unfavorable)</i>
<b>Revenues:</b>				
Property taxes	\$ 110,200	\$ 111,300	\$ 112,293	\$ 993
State grants	9,000	9,800	9,853	53
Charges for services	1,000	2,600	2,626	26
Interest and rents	1,800	5,100	5,172	72
Other revenue	<u>76,800</u>	<u>97,500</u>	<u>96,243</u>	<u>(1,257)</u>
Total revenues	<u>198,800</u>	<u>226,300</u>	<u>226,187</u>	<u>(113)</u>
<b>Expenditures:</b>				
Current				
Community and economic development	<u>154,700</u>	<u>189,700</u>	<u>187,512</u>	<u>2,188</u>
Change in fund balance	44,100	36,600	38,675	2,075
Fund balance, beginning of year	<u>186,028</u>	<u>186,028</u>	<u>186,028</u>	<u>-</u>
Fund balance, end of year	<u>\$ 230,128</u>	<u>\$ 222,628</u>	<u>\$ 224,703</u>	<u>\$ 2,075</u>

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

**Change in fund balance** \$ 38,675

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	-
Depreciation expense	<u>(1,494)</u>
<b>Change in net position</b>	<u>\$ 37,181</u>

# CITY OF LUDINGTON

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*GOVERNMENTAL ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**  
December 31, 2019

**2005 BUILDING AUTHORITY REFUNDING BONDS**

Issue in the amount of	\$ 2,135,000
Less: Principal paid in prior years	(1,850,000)
Principal paid in current year	<u>(285,000)</u>
Balance payable at December 31, 2019	<u>\$ -</u>

**2018 COPIER/PRINTER CAPITAL LEASE AGREEMENT**

Issue in the amount of	\$ 125,511
Less: Principal paid in prior years	(18,827)
Principal paid in current year	<u>(27,194)</u>
Balance payable at December 31, 2019	<u>\$ 79,490</u>

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Interest Rate</i></u>	<u><i>Principal due</i></u>
2020	0.0%	\$ 25,102
2021	0.0%	25,102
2022	0.0%	25,102
2023	0.0%	<u>4,184</u>
		<u>\$ 79,490</u>

# CITY OF LUDINGTON

## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 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		(39,200)
Principal paid in prior years		(20,000)
Principal paid in current year		<u>(15,000)</u>
Balance payable at December 31, 2019	\$	<u>1,125,800</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>
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
2049	3.250%	6,728	6,728	40,000	53,456

continued

# CITY OF LUDINGTON

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*GOVERNMENTAL ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
 December 31, 2019

**2018 GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT 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>
2050	3.250%	6,078	6,078	42,000	54,156
2051	3.250%	5,395	5,395	43,000	53,790
2052	3.250%	4,696	4,696	44,000	53,392
2053	3.250%	3,981	3,981	46,000	53,962
2054	3.250%	3,234	3,234	47,000	53,468
2055	3.250%	2,470	2,470	49,000	53,940
2056	3.250%	1,674	1,674	51,000	54,348
2057	3.250%	845	845	52,000	53,690
		<u>\$ 439,955</u>	<u>\$ 439,955</u>	<u>\$ 1,165,000</u>	<u>\$ 2,044,910</u>
				Less: Amount not drawn yet	
				<u>(39,200)</u>	
				<u>\$ 1,125,800</u>	

Note: Schedule is based on estimated timing of future draws

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**  
 December 31, 2019

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

Issue in the amount of		\$ 1,500,000
Less:	Principal paid in prior years	(765,000)
	Principal paid in current year	<u>(75,000)</u>
Balance payable at December 31, 2019		<u>\$ 660,000</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>
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>\$ 24,457</u>	<u>\$ 24,457</u>	<u>\$ 660,000</u>	<u>\$ 708,914</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 2016 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated October 18, 2016 in the amount of	\$	9,817,000
Less: Principal paid in prior years		(380,000)
Principal paid in current year		<u>(199,000)</u>
Balance payable at December 31, 2019	\$	<u>9,238,000</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>
2020	1.375%	\$ 63,511	\$ 63,511	\$ 193,000	\$ 320,022
2021	1.375%	62,185	62,185	196,000	320,370
2022	1.375%	60,837	60,837	199,000	320,674
2023	1.375%	59,469	59,469	201,000	319,938
2024	1.375%	58,087	58,087	204,000	320,174
2025	1.375%	56,684	56,684	207,000	320,368
2026	1.375%	55,261	55,261	210,000	320,522
2027	1.375%	53,818	53,818	213,000	320,636
2028	1.375%	52,353	52,353	216,000	320,706
2029	1.375%	50,868	50,868	219,000	320,736
2030	1.375%	49,363	49,363	222,000	320,726
2031	1.375%	47,836	47,836	225,000	320,672
2032	1.375%	46,290	46,290	228,000	320,580
2033	1.375%	44,722	44,722	231,000	320,444
2034	1.375%	43,134	43,134	234,000	320,268
2035	1.375%	41,525	41,525	237,000	320,050
2036	1.375%	39,896	39,896	241,000	320,792
2037	1.375%	38,239	38,239	244,000	320,478
2038	1.375%	36,561	36,561	247,000	320,122
2039	1.375%	34,863	34,863	251,000	320,726
2040	1.375%	33,138	33,138	254,000	320,276
2041	1.375%	31,391	31,391	258,000	320,782
2042	1.375%	29,618	29,618	261,000	320,236
2043	1.375%	27,823	27,823	265,000	320,646
2044	1.375%	26,001	26,001	268,000	320,002
2045	1.375%	24,159	24,159	272,000	320,318
2046	1.375%	22,289	22,289	276,000	320,578
2047	1.375%	20,391	20,391	280,000	320,782
2048	1.375%	18,466	18,466	283,000	319,932
2049	1.375%	16,521	16,521	287,000	320,042

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
December 31, 2019

**2016 WATER SUPPLY SYSTEM REVENUE BONDS, CONTINUED**

<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>
2050	1.375%	14,548	14,548	291,000	320,096
2051	1.375%	12,547	12,547	295,000	320,094
2052	1.375%	10,519	10,519	299,000	320,038
2053	1.375%	8,463	8,463	303,000	319,926
2054	1.375%	6,380	6,380	308,000	320,760
2055	1.375%	4,263	4,263	312,000	320,526
2056	1.375%	2,118	2,118	308,000	312,236
		<u>\$ 1,304,137</u>	<u>\$ 1,304,137</u>	<u>\$ 9,238,000</u>	<u>\$ 11,846,274</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 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		(70,000)
Principal paid in current year		<u>(33,000)</u>
Balance payable at December 31, 2019	\$	<u>2,043,000</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>
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
2049	2.500%	7,625	7,625	70,000	85,250

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
December 31, 2019

**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>
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>\$ 555,522</u>	<u>\$ 555,522</u>	<u>\$ 2,043,000</u>	<u>\$ 3,154,044</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 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	(80,000)
Principal paid in current year	<u>(40,000)</u>
Balance payable at December 31, 2019	<u>\$ 2,210,000</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>
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
2049	1.875%	5,719	5,719	70,000	81,438

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
December 31, 2019

**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>
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>\$ 436,456</u>	<u>\$ 436,456</u>	<u>\$ 2,210,000</u>	<u>\$ 3,082,912</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 2018 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

Issue dated March 7, 2018 in the amount of	\$ 2,020,000
Less: Principal paid in prior years	(38,000)
Principal paid in current year	<u>(153,000)</u>
Balance payable at December 31, 2019	<u>\$ 1,829,000</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>
2020	2.750%	\$ 25,149	\$ 25,149	\$ 30,000	\$ 80,298
2021	2.750%	24,736	24,736	31,000	80,472
2022	2.750%	24,310	24,310	31,000	79,620
2023	2.750%	23,884	23,884	32,000	79,768
2024	2.750%	23,444	23,444	33,000	79,888
2025	2.750%	22,990	22,990	34,000	79,980
2026	2.750%	22,523	22,523	35,000	80,046
2027	2.750%	22,041	22,041	36,000	80,082
2028	2.750%	21,546	21,546	37,000	80,092
2029	2.750%	21,038	21,038	38,000	80,076
2030	2.750%	20,515	20,515	39,000	80,030
2031	2.750%	19,979	19,979	40,000	79,958
2032	2.750%	19,429	19,429	41,000	79,858
2033	2.750%	18,865	18,865	42,000	79,730
2034	2.750%	18,288	18,288	44,000	80,576
2035	2.750%	17,683	17,683	45,000	80,366
2036	2.750%	17,064	17,064	46,000	80,128
2037	2.750%	16,431	16,431	47,000	79,862
2038	2.750%	15,785	15,785	49,000	80,570
2039	2.750%	15,111	15,111	50,000	80,222
2040	2.750%	14,424	14,424	51,000	79,848
2041	2.750%	13,723	13,723	53,000	80,446
2042	2.750%	12,994	12,994	54,000	79,988
2043	2.750%	12,251	12,251	56,000	80,502
2044	2.750%	11,481	11,481	57,000	79,962
2045	2.750%	10,698	10,698	59,000	80,396
2046	2.750%	9,886	9,886	60,000	79,772
2047	2.750%	9,061	9,061	62,000	80,122
2048	2.750%	8,209	8,209	64,000	80,418
2049	2.750%	7,329	7,329	65,000	79,658

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
December 31, 2019

**2018 SEWAGE DISPOSAL SYSTEM REVENUE BONDS, CONTINUED**

<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>
2050	2.750%	6,435	6,435	67,000	79,870
2051	2.750%	5,514	5,514	69,000	80,028
2052	2.750%	4,565	4,565	71,000	80,130
2053	2.750%	3,589	3,589	73,000	80,178
2054	2.750%	2,585	2,585	75,000	80,170
2055	2.750%	1,554	1,554	77,000	80,108
2056	2.750%	495	495	36,000	36,990
		<u>\$ 545,604</u>	<u>\$ 545,604</u>	<u>\$ 1,829,000</u>	<u>\$ 2,920,208</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 2018 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated March 7, 2018 in the amount of	\$ 1,351,000
Less: Principal paid in prior years	(26,000)
Principal paid in current year	<u>(100,000)</u>
Balance payable at December 31, 2019	<u>\$ 1,225,000</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>
2020	2.250%	\$ 13,781	\$ 13,781	\$ 22,000	\$ 49,562
2021	2.250%	13,534	13,534	23,000	50,068
2022	2.250%	13,275	13,275	23,000	49,550
2023	2.250%	13,016	13,016	24,000	50,032
2024	2.250%	12,746	12,746	24,000	49,492
2025	2.250%	12,476	12,476	25,000	49,952
2026	2.250%	12,195	12,195	25,000	49,390
2027	2.250%	11,914	11,914	26,000	49,828
2028	2.250%	11,621	11,621	26,000	49,242
2029	2.250%	11,329	11,329	27,000	49,658
2030	2.250%	11,025	11,025	28,000	50,050
2031	2.250%	10,710	10,710	28,000	49,420
2032	2.250%	10,395	10,395	29,000	49,790
2033	2.250%	10,069	10,069	29,000	49,138
2034	2.250%	9,743	9,743	30,000	49,486
2035	2.250%	9,405	9,405	31,000	49,810
2036	2.250%	9,056	9,056	32,000	50,112
2037	2.250%	8,696	8,696	32,000	49,392
2038	2.250%	8,336	8,336	33,000	49,672
2039	2.250%	7,965	7,965	34,000	49,930
2040	2.250%	7,583	7,583	34,000	49,166
2041	2.250%	7,200	7,200	35,000	49,400
2042	2.250%	6,806	6,806	36,000	49,612
2043	2.250%	6,401	6,401	37,000	49,802
2044	2.250%	5,985	5,985	38,000	49,970
2045	2.250%	5,558	5,558	38,000	49,116
2046	2.250%	5,130	5,130	39,000	49,260
2047	2.250%	4,691	4,691	40,000	49,382
2048	2.250%	4,241	4,241	41,000	49,482
2049	2.250%	3,780	3,780	42,000	49,560

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
December 31, 2019

**2018 WATER SUPPLY SYSTEM REVENUE BONDS, CONTINUED**

<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>
2050	2.250%	3,308	3,308	43,000	49,616
2051	2.250%	2,824	2,824	44,000	49,648
2052	2.250%	2,329	2,329	45,000	49,658
2053	2.250%	1,823	1,823	46,000	49,646
2054	2.250%	1,305	1,305	47,000	49,610
2055	2.250%	776	776	48,000	49,552
2056	2.250%	236	236	21,000	21,472
		<u>\$ 291,263</u>	<u>\$ 291,263</u>	<u>\$ 1,225,000</u>	<u>\$ 1,807,526</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 2019 SEWAGE DISPOSAL SYSTEM REVENUE BONDS (JUNIOR LIEN), SERIES A

Issue dated March 11, 2019 in the amount of	\$ 9,000,000
Less: Principal amount not drawn	-
Principal paid in prior years	-
Principal paid in current year	<u>(156,000)</u>
Balance payable at December 31, 2019	<u>\$ 8,844,000</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>
2020	2.375%	\$ 105,023	\$ 105,023	\$ 140,000	\$ 350,046
2021	2.375%	103,360	103,360	144,000	350,720
2022	2.375%	101,650	101,650	147,000	350,300
2023	2.375%	99,904	99,904	151,000	350,808
2024	2.375%	98,111	98,111	154,000	350,222
2025	2.375%	96,283	96,283	158,000	350,566
2026	2.375%	94,406	94,406	161,000	349,812
2027	2.375%	92,494	92,494	165,000	349,988
2028	2.375%	90,535	90,535	169,000	350,070
2029	2.375%	88,528	88,528	173,000	350,056
2030	2.375%	86,474	86,474	177,000	349,948
2031	2.375%	84,372	84,372	182,000	350,744
2032	2.375%	82,211	82,211	186,000	350,422
2033	2.375%	80,002	80,002	190,000	350,004
2034	2.375%	77,746	77,746	195,000	350,492
2035	2.375%	75,430	75,430	199,000	349,860
2036	2.375%	73,067	73,067	204,000	350,134
2037	2.375%	70,644	70,644	209,000	350,288
2038	2.375%	68,163	68,163	214,000	350,326
2039	2.375%	65,621	65,621	219,000	350,242
2040	2.375%	63,021	63,021	224,000	350,042
2041	2.375%	60,361	60,361	230,000	350,722
2042	2.375%	57,629	57,629	235,000	350,258
2043	2.375%	54,839	54,839	241,000	350,678
2044	2.375%	51,977	51,977	246,000	349,954
2045	2.375%	49,056	49,056	252,000	350,112
2046	2.375%	46,063	46,063	258,000	350,126
2047	2.375%	42,999	42,999	264,000	349,998
2048	2.375%	39,864	39,864	271,000	350,728
2049	2.375%	36,646	36,646	277,000	350,292

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
December 31, 2019

**2019 SEWAGE DISPOSAL SYSTEM REVENUE BONDS (JUNIOR LIEN), SERIES A, CONTINUED**

<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>
2050	2.375%	33,357	33,357	284,000	350,714
2051	2.375%	29,984	29,984	290,000	349,968
2052	2.375%	26,541	26,541	297,000	350,082
2053	2.375%	23,014	23,014	304,000	350,028
2054	2.375%	19,404	19,404	312,000	350,808
2055	2.375%	15,699	15,699	319,000	350,398
2056	2.375%	11,911	11,911	327,000	350,822
2057	2.375%	8,028	8,028	334,000	350,056
2058	2.375%	4,061	4,061	342,000	350,122
		<u>\$ 2,408,478</u>	<u>\$ 2,408,478</u>	<u>\$ 8,844,000</u>	<u>\$ 13,660,956</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 2019 SEWAGE DISPOSAL SYSTEM REVENUE BONDS (JUNIOR LIEN), SERIES B

Issue dated March 11, 2019 in the amount of	\$	8,079,000
Less:		
Principal amount not drawn	(5,897,000)	
Principal paid in prior years	-	
Principal paid in current year	<u>(140,000)</u>	
Balance payable at December 31, 2019	\$	<u>2,042,000</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>
2020	2.375%	\$ 94,276	\$ 94,276	\$ 126,000	\$ 314,552
2021	2.375%	92,779	92,779	129,000	314,558
2022	2.375%	91,248	91,248	132,000	314,496
2023	2.375%	89,680	89,680	135,000	314,360
2024	2.375%	88,077	88,077	138,000	314,154
2025	2.375%	86,438	86,438	142,000	314,876
2026	2.375%	84,752	84,752	145,000	314,504
2027	2.375%	83,030	83,030	148,000	314,060
2028	2.375%	81,273	81,273	152,000	314,546
2029	2.375%	79,468	79,468	155,000	313,936
2030	2.375%	77,627	77,627	159,000	314,254
2031	2.375%	75,739	75,739	163,000	314,478
2032	2.375%	73,803	73,803	167,000	314,606
2033	2.375%	71,820	71,820	171,000	314,640
2034	2.375%	69,789	69,789	175,000	314,578
2035	2.375%	67,711	67,711	179,000	314,422
2036	2.375%	65,586	65,586	183,000	314,172
2037	2.375%	63,413	63,413	188,000	314,826
2038	2.375%	61,180	61,180	192,000	314,360
2039	2.375%	58,900	58,900	197,000	314,800
2040	2.375%	56,561	56,561	201,000	314,122
2041	2.375%	54,174	54,174	206,000	314,348
2042	2.375%	51,728	51,728	211,000	314,456
2043	2.375%	49,222	49,222	216,000	314,444
2044	2.375%	46,657	46,657	221,000	314,314
2045	2.375%	44,033	44,033	226,000	314,066
2046	2.375%	41,349	41,349	232,000	314,698
2047	2.375%	38,594	38,594	237,000	314,188
2048	2.375%	35,779	35,779	243,000	314,558
2049	2.375%	32,894	32,894	249,000	314,788

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
 December 31, 2019

**2019 SEWAGE DISPOSAL SYSTEM REVENUE BONDS (JUNIOR LIEN), SERIES B, 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>
2050	2.375%	29,937	29,937	254,000	313,874
2051	2.375%	26,921	26,921	261,000	314,842
2052	2.375%	23,821	23,821	267,000	314,642
2053	2.375%	20,651	20,651	273,000	314,302
2054	2.375%	17,409	17,409	280,000	314,818
2055	2.375%	14,084	14,084	286,000	314,168
2056	2.375%	10,688	10,688	293,000	314,376
2057	2.375%	7,208	7,208	300,000	314,416
2058	2.375%	3,646	3,646	307,000	314,292
		<u>\$ 2,161,945</u>	<u>\$ 2,161,945</u>	<u>\$ 7,939,000</u>	<u>\$ 12,262,890</u>
				Less: Amount not drawn yet	
				<u>(5,897,000)</u>	
				<u>\$ 2,042,000</u>	

Note: Schedule is based on estimating timing of future draws

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2019

### 2019 SEWAGE DISPOSAL SYSTEM REVENUE BONDS (JUNIOR LIEN), SERIES C

Issue dated March 11, 2019 in the amount of	\$	6,014,000
Less:		
Principal amount not drawn	(5,713,000)	
Principal paid in prior years	-	
Principal paid in current year	<u>(104,000)</u>	
Balance payable at December 31, 2019	\$	<u>197,000</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>
2020	2.500%	\$ 73,875	\$ 73,875	\$ 91,000	\$ 238,750
2021	2.500%	72,738	72,738	94,000	239,476
2022	2.500%	71,562	71,562	96,000	239,124
2023	2.500%	70,363	70,363	98,000	238,726
2024	2.500%	69,137	69,137	101,000	239,274
2025	2.500%	67,875	67,875	103,000	238,750
2026	2.500%	66,588	66,588	106,000	239,176
2027	2.500%	65,262	65,262	108,000	238,524
2028	2.500%	63,913	63,913	111,000	238,826
2029	2.500%	62,525	62,525	114,000	239,050
2030	2.500%	61,100	61,100	117,000	239,200
2031	2.500%	59,638	59,638	120,000	239,276
2032	2.500%	58,137	58,137	123,000	239,274
2033	2.500%	56,600	56,600	126,000	239,200
2034	2.500%	55,025	55,025	129,000	239,050
2035	2.500%	53,413	53,413	132,000	238,826
2036	2.500%	51,762	51,762	135,000	238,524
2037	2.500%	50,075	50,075	139,000	239,150
2038	2.500%	48,338	48,338	142,000	238,676
2039	2.500%	46,562	46,562	146,000	239,124
2040	2.500%	44,738	44,738	150,000	239,476
2041	2.500%	42,862	42,862	153,000	238,724
2042	2.500%	40,950	40,950	157,000	238,900
2043	2.500%	38,988	38,988	161,000	238,976
2044	2.500%	36,975	36,975	165,000	238,950
2045	2.500%	34,912	34,912	169,000	238,824
2046	2.500%	32,800	32,800	173,000	238,600
2047	2.500%	30,638	30,638	178,000	239,276
2048	2.500%	28,412	28,412	182,000	238,824
2049	2.500%	26,138	26,138	187,000	239,276

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
 December 31, 2019

**2019 SEWAGE DISPOSAL SYSTEM REVENUE BONDS (JUNIOR LIEN), SERIES C, CONTINUED**

<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>
2050	2.500%	23,800	23,800	191,000	238,600
2051	2.500%	21,412	21,412	196,000	238,824
2052	2.500%	18,963	18,963	201,000	238,926
2053	2.500%	16,450	16,450	206,000	238,900
2054	2.500%	13,875	13,875	211,000	238,750
2055	2.500%	11,238	11,238	217,000	239,476
2056	2.500%	8,525	8,525	222,000	239,050
2057	2.500%	5,750	5,750	227,000	238,500
2058	2.500%	2,912	2,912	233,000	238,824
		<u>\$ 1,704,826</u>	<u>\$ 1,704,826</u>	\$ 5,910,000	<u>\$ 9,319,652</u>
				Less: Amount not drawn yet	
				<u>(5,713,000)</u>	
				<u>\$ 197,000</u>	

Note: Schedule is based on estimating 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, 2019, 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 24, 2020.

**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 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 24, 2020