

# **CITY OF LUDINGTON**

Mason County, Michigan

## **FINANCIAL STATEMENTS**

December 31, 2021

# CITY OF LUDINGTON

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## INDEPENDENT AUDITORS' REPORT

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

### Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, 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.

### Basis for Opinions

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. Our standards under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Ludington and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Ludington's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Ludington's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Ludington's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5-11), schedules of pension and OPEB liability changes and contributions (pages 61-68) and budgetary comparison information (pages 69-71) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary 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 accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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

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

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, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Ludington's 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 29, 2022

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

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

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, 2021. 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 \$35,863,542 for the year ended December 31, 2021, compared to \$34,754,465 (restated) for the year ended December 31, 2020.
- In the City's governmental activities, revenues generated were \$8,514,303 while expenses totaled \$7,689,882.
- In the City's business-type activities, revenues generated were \$7,502,216 while expenses totaled \$7,503,177.
- Total net position increased by \$1,109,077.

### 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 three 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.

**Component Unit** – 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, 2021

### **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 eleven (11) individual governmental funds. Separate information is presented for the General Fund and Building Rehab Fund, which are considered "major" funds. Data from the other nine (9) 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, Cartier Park Campground Fund and Harbor View Marina.
- 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, 2021

### CITY OF LUDINGTON AS A WHOLE:

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. In the case of the City of Ludington, assets and deferred outflows exceeded liabilities and deferred inflows by \$35,863,542 at the close of the most recent calendar year, which is an increase of \$1,109,077. The City is able to report positive balances in two categories of net position, (net investment in capital assets and restricted) for the government as a whole. Unrestricted net position is a deficit balance in the governmental activities due to the inclusion of net pension and net OPEB liabilities in the financial statement.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Assets:</b>						
Current assets	\$ 10,872,867	\$ 9,725,428	\$ 4,244,885	\$ 4,891,317	\$ 15,117,752	\$ 14,616,745
Noncurrent assets:						
Restricted assets	-	-	2,406,270	2,132,441	2,406,270	2,132,441
Capital assets, net	<u>17,155,133</u>	<u>16,572,412</u>	<u>56,697,405</u>	<u>55,387,222</u>	<u>73,852,538</u>	<u>71,959,634</u>
Total assets	<u>28,028,000</u>	<u>26,297,840</u>	<u>63,348,560</u>	<u>62,410,980</u>	<u>91,376,560</u>	<u>88,708,820</u>
<b>Deferred outflows of resources</b>	<u>766,973</u>	<u>697,785</u>	<u>362,865</u>	<u>186,872</u>	<u>1,129,838</u>	<u>884,657</u>
<b>Liabilities:</b>						
Other liabilities	1,472,381	358,348	1,047,682	1,176,513	2,520,063	1,534,861
Long-term liabilities	<u>7,482,981</u>	<u>8,230,394</u>	<u>40,866,112</u>	<u>39,851,982</u>	<u>48,349,093</u>	<u>48,082,376</u>
Total liabilities	<u>8,955,362</u>	<u>8,588,742</u>	<u>41,913,794</u>	<u>41,028,495</u>	<u>50,869,156</u>	<u>49,617,237</u>
<b>Deferred inflows of resources</b>	<u>5,356,738</u>	<u>5,034,048</u>	<u>416,962</u>	<u>187,727</u>	<u>5,773,700</u>	<u>5,221,775</u>
<b>Net position:</b>						
Net investment in capital assets	16,031,023	15,409,096	18,624,405	18,452,222	34,655,428	33,861,318
Restricted	902,611	1,210,215	1,235,954	981,510	2,138,565	2,191,725
Unrestricted (deficit)	<u>(2,450,761)</u>	<u>(3,246,476)</u>	<u>1,520,310</u>	<u>1,947,898</u>	<u>(930,451)</u>	<u>(1,298,578)</u>
Total net position	<u>\$ 14,482,873</u>	<u>\$ 13,372,835</u>	<u>\$ 21,380,669</u>	<u>\$ 21,381,630</u>	<u>\$ 35,863,542</u>	<u>\$ 34,754,465</u>

By far the largest portion of the City's net position, \$34,655,428, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, utility systems and infrastructure), less any related outstanding debt used to acquire those assets. As the City uses capital assets to provide services to citizens, these assets are generally not available for future spending. Although the City's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources. An additional portion, \$2,138,565 of the City's net position represents resources that are restricted, meaning they are subject to external restrictions on how they may be used. The remaining balance, unrestricted net position, is a deficit of \$930,451.

# CITY OF LUDINGTON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

The following table shows comparison of the change in net position in a condensed format for the years ended December 31, 2021 and 2020:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 946,082	\$ 789,750	\$ 7,464,421	\$ 6,388,213	\$ 8,410,503	\$ 7,177,963
Operating grants	1,512,685	1,534,478	1,385	724,201	1,514,070	2,258,679
Capital grants	-	374,836	18,620	234,381	18,620	609,217
General revenues						
Property taxes	3,987,263	3,950,191	-	-	3,987,263	3,950,191
Franchise fees	84,268	86,742	-	-	84,268	86,742
Unrestricted grants	1,924,048	1,738,231	-	-	1,924,048	1,738,231
Investment earnings	31,471	81,820	17,790	47,419	49,261	129,239
Other	28,486	138,060	-	6,626	28,486	144,686
Total revenues	<u>8,514,303</u>	<u>8,694,108</u>	<u>7,502,216</u>	<u>7,400,840</u>	<u>16,016,519</u>	<u>16,094,948</u>
<b>Expenses:</b>						
General government	1,807,206	1,503,901	-	-	1,807,206	1,503,901
Public safety	1,683,754	2,063,460	-	-	1,683,754	2,063,460
Public works	2,801,973	2,857,701	-	-	2,801,973	2,857,701
Health and welfare	208,569	207,183	-	-	208,569	207,183
Community and economic development	227,517	130,368	-	-	227,517	130,368
Recreation and culture	912,461	783,180	-	-	912,461	783,180
Interest on long-term debt	48,402	36,636	-	-	48,402	36,636
Sewer	-	-	3,069,167	3,513,195	3,069,167	3,513,195
Water	-	-	2,498,937	2,518,726	2,498,937	2,518,726
Municipal Marina	-	-	918,163	699,651	918,163	699,651
Cartier Park Campground	-	-	297,125	267,278	297,125	267,278
Harbor View Marina	-	-	719,785	560,587	719,785	560,587
Total expenses	<u>7,689,882</u>	<u>7,582,429</u>	<u>7,503,177</u>	<u>7,559,437</u>	<u>15,193,059</u>	<u>15,141,866</u>
Excess of revenues over expenses before other items	<u>824,421</u>	<u>1,111,679</u>	<u>(961)</u>	<u>(158,597)</u>	<u>823,460</u>	<u>953,082</u>
<b>Other items:</b>						
Sale of capital assets	<u>285,617</u>	<u>11,640</u>	<u>-</u>	<u>-</u>	<u>285,617</u>	<u>11,640</u>
<b>Changes in net position</b>	<u>1,110,038</u>	<u>1,123,319</u>	<u>(961)</u>	<u>(158,597)</u>	<u>1,109,077</u>	<u>964,722</u>
Net position, beginning of year, restated	<u>13,372,835</u>	<u>12,249,516</u>	<u>21,381,630</u>	<u>21,540,227</u>	<u>34,754,465</u>	<u>33,789,743</u>
Net position, end of year	<u>\$ 14,482,873</u>	<u>\$ 13,372,835</u>	<u>\$ 21,380,669</u>	<u>\$ 21,381,630</u>	<u>\$ 35,863,542</u>	<u>\$ 34,754,465</u>

While in total, the City's net position is positive, results are very different for the governmental activities and the business-type activities. Readers should review the following analysis pertaining to those portions to fully understand the City's financial reports.

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

**Governmental activities.** For the current year, governmental activities, including other items, increased the City's total net position by \$1,110,038. This increase was \$13,281 lower than the increase reported at the end of the previous calendar year. The following points highlight the significant changes compared with changes that occurred in the previous year:

- Property tax revenue, the City's largest revenue source, increased by \$37,072 or approximately 0.09%. Property taxes made up 46.83% of the total revenue, up from 45.44% of the total in the previous year.
- Charges for services revenue increased by \$153,332 as more activities were opened to the public coming out of the pandemic.
- Investment earnings decreased \$50,349 as investment returns decreased.
- Unrestricted grants increased by \$185,817. The increase was due to an increase in personal property tax reimbursement and revenue sharing of \$128,614.
- In 2021, the City received notice that the American Rescue Plan Act of 2021 had awarded the City approximately \$848,653 in grant funds. The City has held several work sessions with the public to determine the most effective use of these funds which will be spent beginning in 2022.
- Total expenses increased \$107,453 as more activities were reactivated coming out of the pandemic.

**Business-type activities.** The City's business-type activities consist of five enterprise funds: two major funds accounting for its sewer operations and water operations, and three non-major funds, including the Cartier Park operations City marina operations, and Harbor View marina operations. The vast majority of the revenue is provided through charges for services.

The City's business-type activities decreased the City's total net position by \$961. This was a result of the following:

- Operating grants decreased \$722,816 compared to the prior year. In the prior year, the City had received a SAW grant of \$707,316 for WWTP improvements work completed in 2020.
- Capital grants decreased \$215,761.
- Operating expenses decreased \$56,260.

### CITY OF LUDINGTON'S FUNDS:

Presentation of the City of Ludington's major funds and nonmajor funds begins on page 17, 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.

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

The General Fund is the City's largest governmental fund and one of two governmental funds that are 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, 2021, General Fund financing sources exceeded its financing uses by \$143,812, increasing its ending fund balance to \$2,826,664. The City's second major governmental fund, the Building Rehab, had no change in fund balance. The federal grants received were used for projects during the year.

### **General Fund Budgetary Highlights:**

The General Fund budget, as originally adopted, projected a decrease in fund balance of \$624,700. During the year, the City made budget amendments that changed the projection to a net increase in fund balance of \$71,100. The actual results for the year yielded a net increase in fund balance of \$143,812.

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

- Payment of lieu of taxes was \$15,200 higher than budgeted.
- Local Stabilization income was \$128,600 higher than budgeted.
- Interest, penalties and fees from tax account were \$21,400 lower than budgeted.
- Building permit revenue increased \$49,110 over what was budgeted.
- State constitutional revenue sharing was \$155,848 higher than budgeted.
- State statutory revenue sharing was \$13,803 higher than budgeted.
- Grave opening revenue was \$20,150 higher than budgeted and sale of cemetery lots was \$18,550 higher than budgeted.
- Sale of refuse stickers was \$6,746 higher than budgeted.
- Boat ramp stickers was \$6,001 over budget.
- Reimbursements were \$28,485 more than budgeted.
- Sale of City property on North Rowe Street resulted in \$198,475 of revenue which had not been budgeted.

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

- The City did not spend \$200,000 in 2021 in repairing the rubble mound pier at the Loomis Street boat launch as bids came in much higher than what was budgeted.
- Sidewalk installation expenditures were \$40,900 lower than budgeted due to rapidly changing housing market.
- Street light expenditures overall were below budget by \$15,000.
- Police department wages and fringe benefits lower than budgeted by \$95,000 due to limited applicant market.
- The pole barn was built in 2021 for \$227,300 using proceeds from the sale of North Rowe Street property and had been budgeted in 2020.

### **Capital Assets and Debt Administration:**

At December 31, 2021, the City of Ludington had \$73,852,538 invested in capital assets including land, buildings, equipment, land improvements, water and sewer lines and other infrastructure, net of accumulated depreciation. At December 31, 2020, this total was \$71,959,634. 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 \$1,948,000 in WWTP improvements. Related sewer debt proceeds were approximately \$1,915,000. The Water Fund acquired approximately \$620,000 in water system improvements. The Motor Pool Fund acquired approximately \$413,000 in machinery and equipment. Governmental activities added approximately \$767,000 in various capital assets.

# CITY OF LUDINGTON

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

At December 31, 2021, the City of Ludington's total long-term indebtedness (not including liabilities for compensated absences payable, net pension liability, and net OPEB liability) was \$39,197,110, of which \$1,124,110 was backed by the full faith and credit of the City and the remaining \$38,073,000 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 2022 where the City is expected to spend \$310,500 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 2024 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, and to help pay for reconstruction and maintenance of street projects. The City will invest in Police and Fire Department equipment in 2022.

The City should finish several years of bond improvement work in 2022 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 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 will again be completed in 2022 to assist the City with a plan of action 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, 2021

	<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	\$ 7,652,372	\$ 2,349,875	\$ 10,002,247	\$ 264,941
Investments	1,375,289	-	1,375,289	-
Receivables	1,178,350	1,846,536	3,024,886	54,109
Internal balances	327,655	(327,655)	-	-
Inventory	188,629	265,627	454,256	-
Prepaid expenses	150,572	110,502	261,074	690
Restricted cash and cash equivalents	-	2,406,270	2,406,270	-
Capital assets not being depreciated	291,362	1,086,797	1,378,159	32,916
Capital assets being depreciated, net	16,863,771	55,610,608	72,474,379	2,328,621
Total assets	<u>28,028,000</u>	<u>63,348,560</u>	<u>91,376,560</u>	<u>2,681,277</u>
<b>Deferred outflows of resources:</b>				
Related to pension - General (MERS)	572,997	362,865	935,862	-
Related to pension - Police	193,976	-	193,976	-
	<u>766,973</u>	<u>362,865</u>	<u>1,129,838</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	996,986	723,280	1,720,266	6,545
Unearned revenue	475,395	324,402	799,797	90,028
Long-term liabilities:				
Due within one year				
Current portion of long-term debt	33,728	789,000	822,728	-
Due in more than one year				
Compensated absences payable	123,942	55,819	179,761	-
Long-term debt	1,090,382	37,284,000	38,374,382	-
Net pension liability - General (MERS)	3,837,221	2,684,195	6,521,416	-
Net pension liability - Police	1,787,083	-	1,787,083	-
Net OPEB liability	610,625	53,098	663,723	-
Total liabilities	<u>8,955,362</u>	<u>41,913,794</u>	<u>50,869,156</u>	<u>96,573</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	4,433,554	-	4,433,554	118,550
Related to pension - General (MERS)	685,353	416,946	1,102,299	-
Related to pension - Police	237,650	-	237,650	-
Related to OPEB	181	16	197	-
Total deferred inflow of resources	<u>5,356,738</u>	<u>416,962</u>	<u>5,773,700</u>	<u>118,550</u>

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, 2021

	<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	16,031,023	18,624,405	34,655,428	2,361,537
Restricted for:				
Bond and RRI reserve	-	1,235,954	1,235,954	-
Capital projects	22,055	-	22,055	-
Senior center activities	85,886	-	85,886	-
Streets	794,670	-	794,670	-
Unrestricted (deficit)	<u>(2,450,761)</u>	<u>1,520,310</u>	<u>(930,451)</u>	<u>104,617</u>
Total net position	<u>\$ 14,482,873</u>	<u>\$ 21,380,669</u>	<u>\$ 35,863,542</u>	<u>\$ 2,466,154</u>

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

# CITY OF LUDINGTON

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

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	\$ 1,807,206	\$ 325,782	\$ -	\$ -	\$ (1,481,424)
Public safety	1,683,754	251,623	41,359	-	(1,390,772)
Public works	2,801,973	287,491	1,132,134	-	(1,382,348)
Health and welfare	208,569	5,068	214,850	-	11,349
Community and economic development	227,517	2,330	117,053	-	(108,134)
Recreation and culture	912,461	73,788	7,289	-	(831,384)
Interest on long-term debt	48,402	-	-	-	(48,402)
Total governmental activities	<u>7,689,882</u>	<u>946,082</u>	<u>1,512,685</u>	<u>-</u>	<u>(5,231,115)</u>
<i>Business-type activities:</i>					
Sewer	3,069,167	2,535,812	-	-	(533,355)
Water	2,498,937	2,783,161	-	-	284,224
Cartier Park Campground	297,125	351,303	1,385	-	55,563
Municipal Marina	918,163	873,117	-	8,674	(36,372)
Harbor View Marina	719,785	921,028	-	9,946	211,189
Total business-type activities	<u>7,503,177</u>	<u>7,464,421</u>	<u>1,385</u>	<u>18,620</u>	<u>(18,751)</u>
Total primary government	<u>\$ 15,193,059</u>	<u>\$ 8,410,503</u>	<u>\$ 1,514,070</u>	<u>\$ 18,620</u>	<u>\$ (5,249,866)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	<u>\$ 183,869</u>	<u>\$ 4,106</u>	<u>\$ 69,272</u>	<u>\$ 1,543,137</u>	<u>\$ 1,432,646</u>

continued

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

# CITY OF LUDINGTON

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended December 31, 2021

	<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	\$ (5,231,115)	\$ (18,751)	\$ (5,249,866)	\$ 1,432,646
General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,885,325	-	3,885,325	-
Property taxes, levied and captured by DDA	-	-	-	110,858
Payment in lieu of taxes	101,938	-	101,938	-
Franchise fees	84,268	-	84,268	-
Grants and contributions not restricted to specific programs	1,924,048	-	1,924,048	11,229
Unrestricted investment earnings	31,471	17,790	49,261	334
Other	28,486	-	28,486	2,652
Special item - Gain (loss) on sale of capital asset	285,617	-	285,617	-
Total general revenues and special item	<u>6,341,153</u>	<u>17,790</u>	<u>6,358,943</u>	<u>125,073</u>
Changes in net position	1,110,038	(961)	1,109,077	1,557,719
Net position, beginning of year, restated	<u>13,372,835</u>	<u>21,381,630</u>	<u>34,754,465</u>	<u>908,435</u>
Net position, end of year	<u>\$ 14,482,873</u>	<u>\$ 21,380,669</u>	<u>\$ 35,863,542</u>	<u>\$ 2,466,154</u>

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

# CITY OF LUDINGTON

## GOVERNMENTAL FUNDS

### BALANCE SHEET

December 31, 2021

	<i>General Fund</i>	<i>Building Rehab Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 6,047,932	\$ 101,276	\$ 1,201,943	\$ 7,351,151
Investments	1,375,289	-	-	1,375,289
Taxes receivable	243,255	-	-	243,255
Accounts receivable	104,141	-	3,049	107,190
Special assessments receivable	493	-	-	493
Notes receivable	-	5,207	-	5,207
Accrued interest receivable	420	-	128	548
Due from other governments	170,226	455,524	194,387	820,137
Inventory	28,175	-	81,046	109,221
Prepaid expenditures	96,334	-	9,249	105,583
<b>Total assets</b>	<b>\$ 8,066,265</b>	<b>\$ 562,007</b>	<b>\$ 1,489,802</b>	<b>\$ 10,118,074</b>
<b>Liabilities:</b>				
Accounts payable	\$ 242,541	\$ 467,669	\$ 138,583	\$ 848,793
Accrued expenses	2,205	-	1,370	3,575
Due to other governments	-	1,860	3,994	5,854
Deposits payable	13,717	-	-	13,717
Accrued wages payable	72,864	-	10,145	83,009
Unearned revenue	474,720	-	675	475,395
<b>Total liabilities</b>	<b>806,047</b>	<b>469,529</b>	<b>154,767</b>	<b>1,430,343</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	4,433,554	-	-	4,433,554
<b>Fund balances:</b>				
Nonspendable	124,509	5,207	90,295	220,011
Restricted	-	87,271	1,244,740	1,332,011
Committed	67,137	-	-	67,137
Assigned	35,600	-	-	35,600
Unassigned	2,599,418	-	-	2,599,418
<b>Total fund balances</b>	<b>2,826,664</b>	<b>92,478</b>	<b>1,335,035</b>	<b>4,254,177</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,066,265</b>	<b>\$ 562,007</b>	<b>\$ 1,489,802</b>	<b>\$ 10,118,074</b>

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, 2021

<b>Fund balances of governmental funds</b>	\$ 4,254,177
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	287,112
Capital assets being depreciated, net	14,234,650
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	(5,264,212)
Deferred pension amounts	(145,274)
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	(610,625)
Deferred OPEB amounts	(181)
Interest payable in the governmental activities is not payable from current financial resources and therefore is not reported in the governmental funds.	(8,881)
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	(1,124,110)
Compensated absences payable	(119,490)
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	2,652,052
Net position allocated to business-type activities from governmental activities internal service funds	<u>327,655</u>
<b>Net position of governmental activities</b>	<u><u>\$ 14,482,873</u></u>

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

# CITY OF LUDINGTON

*GOVERNMENTAL FUNDS*  
**STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES**  
 Year Ended December 31, 2021

	<i>General Fund</i>	<i>Building Rehab Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Revenues:</b>				
Property taxes	\$ 3,995,041	\$ -	\$ -	\$ 3,995,041
Licenses and permits	158,379	-	-	158,379
Federal grants	29,663	2,222,801	12,722	2,265,186
State grants	1,901,862	-	1,249,937	3,151,799
Contributions from other units	17,139	-	197,077	214,216
Charges for services	668,889	-	161,639	830,528
Fines and forfeits	21,638	-	-	21,638
Interest and rents	24,673	-	7,440	32,113
Other revenue	176,941	-	12,012	188,953
Total revenues	<u>6,994,308</u>	<u>2,222,801</u>	<u>1,640,827</u>	<u>10,857,936</u>
<b>Expenditures:</b>				
Current				
General government	1,638,599	-	-	1,638,599
Public safety	2,025,108	-	51,423	2,076,531
Public works	1,816,150	-	728,179	2,544,329
Health and welfare	-	-	206,395	206,395
Community and economic development	110,064	2,222,801	117,050	2,449,915
Recreation and culture	665,437	-	73,507	738,944
Other	31,617	-	-	31,617
Capital outlay	724,241	-	670,316	1,394,557
Debt service				
Principal	34,829	-	17,000	51,829
Interest and fees	-	-	36,075	36,075
Total expenditures	<u>7,046,045</u>	<u>2,222,801</u>	<u>1,899,945</u>	<u>11,168,791</u>
Excess (deficiency) of revenues over expenditures	<u>(51,737)</u>	<u>-</u>	<u>(259,118)</u>	<u>(310,855)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	198,475	-	-	198,475
Interfund transfers in	92,149	-	205,075	297,224
Interfund transfers out	(95,075)	-	(202,149)	(297,224)
Net other financing sources (uses)	<u>195,549</u>	<u>-</u>	<u>2,926</u>	<u>198,475</u>
Changes in fund balances	143,812	-	(256,192)	(112,380)
Fund balances, beginning of year	<u>2,682,852</u>	<u>92,478</u>	<u>1,591,227</u>	<u>4,366,557</u>
Fund balances, end of year	<u>\$ 2,826,664</u>	<u>\$ 92,478</u>	<u>\$ 1,335,035</u>	<u>\$ 4,254,177</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, 2021

<b>Changes in fund balances of governmental funds</b>	\$ (112,380)
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	1,195,075
Depreciation expense	(655,455)
Loss on disposal	(683)
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.	39,206
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	296
Change in compensated absences payable	2,469
Change in net pension liability and related deferred amounts	476,438
Change in net OPEB liability and related deferred amounts	43,037
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	129,122
Change in net position of governmental activities accounted for in internal service funds charged to business-type activities.	<u>(7,087)</u>
<b>Change in net position of governmental activities</b>	<u>\$ 1,110,038</u>

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

# CITY OF LUDINGTON

## PROPRIETARY FUNDS STATEMENT OF NET POSITION December 31, 2021

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Assets:</b>					
<b><i>Current assets:</i></b>					
Cash and cash equivalents	\$ 954,431	\$ 319,927	\$ 1,075,517	\$ 2,349,875	\$ 301,221
Utility bills receivable	707,372	650,627	-	1,357,999	-
Accounts receivable	-	11,719	-	11,719	-
Notes receivable	340,000	-	-	340,000	-
Accrued interest receivable	5,970	106	122	6,198	31
Due from other governments	112,000	-	18,620	130,620	1,489
Inventory	60,974	142,669	61,984	265,627	79,408
Prepaid expenses	25,640	61,710	23,152	110,502	44,989
Total current assets	2,206,387	1,186,758	1,179,395	4,572,540	427,138
<b><i>Noncurrent assets:</i></b>					
Restricted cash and cash equivalents					
USDA bond reserve	456,400	268,800	-	725,200	-
USDA RRI reserve	424,150	86,604	-	510,754	-
Equipment replacement and other reserves	667,243	503,073	-	1,170,316	-
Capital assets					
Not being depreciated	72,415	17,018	997,364	1,086,797	4,250
Being depreciated, net	34,346,120	19,420,119	1,844,369	55,610,608	2,629,121
Total noncurrent assets	35,966,328	20,295,614	2,841,733	59,103,675	2,633,371
Total assets	38,172,715	21,482,372	4,021,128	63,676,215	3,060,509
<b>Deferred outflows of resources:</b>					
Related to pension	139,554	214,664	8,647	362,865	56,796
<b>Liabilities:</b>					
<b><i>Current liabilities:</i></b>					
Accounts payable	251,906	73,089	135,582	460,577	26,934
Deposits payable	-	11,250	600	11,850	-
Accrued interest payable	158,754	47,017	-	205,771	-
Accrued wages payable	10,026	31,021	4,035	45,082	6,223
Unearned revenue	-	-	324,402	324,402	-
Current long-term debt	522,000	267,000	-	789,000	-
Total current liabilities	942,686	429,377	464,619	1,836,682	33,157

continued

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

# CITY OF LUDINGTON

*PROPRIETARY FUNDS*  
**STATEMENT OF NET POSITION, CONTINUED**  
 December 31, 2021

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Noncurrent liabilities:</b>					
Long-term debt	25,397,000	11,887,000	-	37,284,000	-
Compensated absences payable	21,855	22,929	11,035	55,819	4,452
Net pension liability	1,031,351	1,594,458	58,386	2,684,195	360,092
Net OPEB liability	-	53,098	-	53,098	-
Total noncurrent liabilities	<u>26,450,206</u>	<u>13,557,485</u>	<u>69,421</u>	<u>40,077,112</u>	<u>364,544</u>
Total liabilities	<u>27,392,892</u>	<u>13,986,862</u>	<u>534,040</u>	<u>41,913,794</u>	<u>397,701</u>
<b>Deferred inflows of resources:</b>					
Related to pension	161,806	243,592	11,548	416,946	67,552
Related to OPEB	-	16	-	16	-
Total deferred inflows	<u>161,806</u>	<u>243,608</u>	<u>11,548</u>	<u>416,962</u>	<u>67,552</u>
<b>Net position:</b>					
Net investment in capital assets	8,499,535	7,283,137	2,841,733	18,624,405	2,633,371
Restricted for:					
Bond and RRI reserve	880,550	355,404	-	1,235,954	-
Unrestricted (deficit)	<u>1,377,486</u>	<u>(171,975)</u>	<u>642,454</u>	<u>1,847,965</u>	<u>18,681</u>
Total net position	<u>\$ 10,757,571</u>	<u>\$ 7,466,566</u>	<u>\$ 3,484,187</u>	\$ 21,708,324	<u>\$ 2,652,052</u>
Adjustment to reflect the allocation of internal service fund activities related to business-type activities				<u>(327,655)</u>	
				<u>\$ 21,380,669</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, 2021

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Operating revenues:</b>					
Charges for services	\$ 2,498,135	\$ 2,642,312	\$ 2,117,157	\$ 7,257,604	\$ -
Equipment rental	-	-	-	-	1,240,969
Other	680	7,608	29,577	37,865	40,229
Total operating revenues	<u>2,498,815</u>	<u>2,649,920</u>	<u>2,146,734</u>	<u>7,295,469</u>	<u>1,281,198</u>
<b>Operating expenses:</b>					
Personal services	619,790	1,015,696	510,174	2,145,660	367,668
Contracted services	244,385	163,424	186,945	594,754	123,338
Administrative expense	89,100	89,100	105,800	284,000	66,800
Insurance	24,411	24,411	24,411	73,233	60,691
Utilities	361,941	203,989	132,077	698,007	27,202
Repairs and maintenance	10,680	47,111	20,090	77,881	94,131
Other services and expenses	184,303	241,203	839,399	1,264,905	165,287
Depreciation	935,497	526,591	117,121	1,579,209	335,752
Total operating expenses	<u>2,470,107</u>	<u>2,311,525</u>	<u>1,936,017</u>	<u>6,717,649</u>	<u>1,240,869</u>
Operating income (loss)	<u>28,708</u>	<u>338,395</u>	<u>210,717</u>	<u>577,820</u>	<u>40,329</u>
<b>Non-operating revenues (expenses):</b>					
Interest income	6,800	5,784	5,206	17,790	968
Rental income	-	128,278	-	128,278	-
Sale of capital assets	-	-	-	-	87,825
Contributions	-	-	1,385	1,385	-
Reimbursements	36,997	4,963	(1,286)	40,674	-
Interest expense	(601,506)	(191,109)	-	(792,615)	-
Net non-operating revenues (expenses)	<u>(557,709)</u>	<u>(52,084)</u>	<u>5,305</u>	<u>(604,488)</u>	<u>88,793</u>
Changes in net position before capital contributions	(529,001)	286,311	216,022	(26,668)	129,122

continued

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

# CITY OF LUDINGTON

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*PROPRIETARY FUNDS*  
**STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION, CONTINUED**  
 Year Ended December 31, 2021

	<i>Enterprise Funds</i>			<i>Total</i>	<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Nonmajor Funds</i>		
<b>Capital contributions:</b>					
State grants	-	-	18,620	18,620	-
Changes in net position	(529,001)	286,311	234,642	(8,048)	129,122
Net position, beginning of year, restated	11,286,572	7,180,255	3,249,545		2,522,930
Net position, end of year	\$ 10,757,571	\$ 7,466,566	\$ 3,484,187		\$ 2,652,052
Adjustment to reflect the allocation of internal service fund activities to business-type activities.				7,087	
Changes in net position of business-type activities				\$ (961)	

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

# CITY OF LUDINGTON

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS Year Ended December 31, 2021

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 2,328,241	\$ 2,563,654	\$ 2,169,328	\$ 7,061,223	\$ 39,658
Cash received from State SAW grant	145,038	-	-	145,038	-
Cash received (paid) for interfund services	(75,272)	(113,768)	(29,038)	(218,078)	1,240,969
Cash payments to and on behalf of employees	(644,547)	(1,046,884)	(507,178)	(2,198,609)	(374,965)
Cash payments to suppliers for goods and services	(1,029,944)	(693,363)	(1,299,066)	(3,022,373)	(544,360)
Net cash provided by operating activities	<u>723,516</u>	<u>709,639</u>	<u>334,046</u>	<u>1,767,201</u>	<u>361,302</u>
<b>Cash flows from non-capital financing activities:</b>					
Contributions	-	-	1,385	1,385	-
Reimbursements	376,997	4,963	(1,286)	380,674	-
Net cash provided by non-capital financing activities	<u>376,997</u>	<u>4,963</u>	<u>99</u>	<u>382,059</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Capital contributions	-	-	188,646	188,646	-
Sale of capital assets	-	-	-	-	121,022
Acquisition and construction of capital assets	(2,089,419)	(632,740)	(166,753)	(2,888,912)	(419,491)
Proceeds from bonds	2,044,000	-	-	2,044,000	-
Principal payments	(513,000)	(264,000)	-	(777,000)	-
Interest paid	(590,677)	(192,124)	-	(782,801)	-
Net cash used by capital and related financing activities	<u>(1,149,096)</u>	<u>(1,088,864)</u>	<u>21,893</u>	<u>(2,216,067)</u>	<u>(298,469)</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, 2021

	<i>Enterprise Funds</i>				<i>Internal Service Funds</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>	
<b>Cash flows from investing activities:</b>					
Interest received	7,585	6,232	5,415	19,232	1,034
Rent received	-	128,278	-	128,278	-
Net cash provided by investing activities	<u>7,585</u>	<u>134,510</u>	<u>5,415</u>	<u>147,510</u>	<u>1,034</u>
Change in cash and cash equivalents	(40,998)	(239,752)	361,453	80,703	63,867
Cash and cash equivalents, beginning of year	<u>2,543,222</u>	<u>1,418,156</u>	<u>714,064</u>	<u>4,675,442</u>	<u>237,354</u>
Cash and cash equivalents, end of year	<u>\$ 2,502,224</u>	<u>\$ 1,178,404</u>	<u>\$ 1,075,517</u>	<u>\$ 4,756,145</u>	<u>\$ 301,221</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 28,708	\$ 338,395	\$ 210,717	\$ 577,820	\$ 40,329
Adjustments:					
Depreciation	935,497	526,591	117,121	1,579,209	335,752
Change in assets and liabilities:					
Utility bills receivable	(170,574)	(84,651)	-	(255,225)	-
Accounts receivable	-	(1,615)	1,580	(35)	-
Due from other governments	145,038	-	-	145,038	(571)
Inventory	(3,595)	(15,230)	(21,508)	(40,333)	(17,033)
Prepaid expenses	(1,035)	(25,535)	(2,950)	(29,520)	5,270
Accounts payable	(185,766)	622	5,076	(180,068)	4,852
Deposits payable	-	2,250	600	2,850	-
Accrued wages payable	174	16,608	897	17,679	963
Unearned revenue	-	-	20,414	20,414	-
Compensated absences payable	(1,138)	(7,574)	3,685	(5,027)	1,257
Net pension liability and related deferred amounts	(23,793)	(36,484)	(1,586)	(61,863)	(9,517)
Net OPEB liability and related deferred amounts	<u>-</u>	<u>(3,738)</u>	<u>-</u>	<u>(3,738)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 723,516</u>	<u>\$ 709,639</u>	<u>\$ 334,046</u>	<u>\$ 1,767,201</u>	<u>\$ 361,302</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, 2021

	<i>Pension (and Other Employee Benefit) Trust Funds</i>	<i>Custodial Funds</i>
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 658,848	\$ 374,721
Investments at fair value		
Mutual funds	7,084,454	-
Other	2,363	-
Taxes receivable	29,742	-
Accrued interest receivable	37	-
	<u>7,775,444</u>	<u>374,721</u>
Total assets		
	<u>7,775,444</u>	<u>374,721</u>
<b>Liabilities:</b>		
Accounts payable	-	2,597
Due to local governments	-	308,334
	<u>-</u>	<u>310,931</u>
Total liabilities		
	<u>-</u>	<u>310,931</u>
<b>Deferred inflows of resources:</b>		
Unavailable revenue - property taxes	488,783	-
	<u>488,783</u>	<u>-</u>
<b>Net position:</b>		
Restricted for:		
Pension benefits	7,284,298	-
Retiree healthcare benefits	2,363	-
Individuals, organizations and other governments	-	63,790
	<u>-</u>	<u>63,790</u>
Total net position	<u>\$ 7,286,661</u>	<u>\$ 63,790</u>

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

# CITY OF LUDINGTON

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*FIDUCIARY FUNDS*  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended December 31, 2021

	<i><b>Pension (and Other Employee Benefit) Trust Funds</b></i>	<i><b>Custodial Funds</b></i>
<b>Additions:</b>		
Contributions:		
Employer	\$ 452,026	\$ -
Employee	70,818	-
Federal grants	-	-
Gifts and bequests	-	16,866
Total contributions	<u>522,844</u>	<u>16,866</u>
Investment earnings:		
Interest	172,961	-
Net increase in fair value of investments	<u>450,028</u>	<u>-</u>
Net investment earnings	<u>622,989</u>	<u>-</u>
Property tax collections for other governments	<u>-</u>	<u>9,463,132</u>
Total additions	<u>1,145,833</u>	<u>9,479,998</u>
<b>Deductions:</b>		
Benefits - pension	609,751	-
Fees and other	28,134	-
Payments on behalf of organizations	-	134
Property tax collections to other governments	<u>-</u>	<u>9,463,132</u>
Total deductions	<u>637,885</u>	<u>9,463,266</u>
Net increase (decrease)	507,948	16,732
Net position, beginning of year	<u>6,778,713</u>	<u>47,058</u>
Net position, end of year	<u>\$ 7,286,661</u>	<u>\$ 63,790</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, 2021

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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; however, there was no activity during the current year.

#### **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, 2021

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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, 2021

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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.

**Building Rehab Fund** accounts for grants to property owners for construction and maintenance of commercial, rental housing, office space, retail stores and other purposes.

#### **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.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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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, 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. Individual assets that cost less than \$5,000, but were purchased as a group or are part of a set costing at least \$5,000, should be capitalized. 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, 2021

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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, 2021

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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 2021 include property taxes levied in 2020 but appropriated by a City ordinance to finance 2021 operations. Property taxes levied in 2021 for the operations of 2022 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, 2021. In 2020, the City levied property taxes on an assessed property tax value of \$278,676,016 (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 1.6500 mills levied for police pension. The DDA levied property taxes on an assessed property tax value of \$28,242,482 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 1.6057 mills.

**Pension Costs** – The City offers two defined benefit pension plans 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, 2021

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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. Investments 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.

#### **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.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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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, 2021		\$	-
Current year building permit revenue			74,111
Related expenses:			
Direct costs	44,963		
Indirect costs	37,139		82,102
			<u>          </u>
Cumulative surplus at December 31, 2021		\$	<u>          </u>

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### NOTE 3: DEPOSITS AND INVESTMENTS

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

The 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.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

#### Summary of Deposit and Investment Balances:

The following is a reconciliation of deposit and investment balances as of December 31, 2021:

#### Statement of Net Position:

Cash and cash equivalents (including restricted):

Primary Government	\$ 12,408,517
Component Unit	264,941

Investments:

Primary Government	1,375,289
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#### Statement of Fiduciary Net Position:

Cash and cash equivalents

Investments

Total

1,033,569

7,086,817

\$ 22,169,133

#### Deposits and Investments:

Bank deposits

Investments:

Mutual funds	
Equity funds	3,916,810
Fixed-income funds	3,076,028
Money market	102,801

Pooled investments - Michigan CLASS

Treasury bonds

Other

Cash on hand

Total

1,600

\$ 22,169,133

**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 \$13,833,101 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,098,105 was covered by 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 and NCUA insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

<i>Investment Type</i>	<i>Market Value</i>	<i>Less than 1 Year</i>	<i>1 to 3 Years</i>	<i>4 to 10 Years</i>	<i>10 + Years</i>
Mutual funds					
Equity funds	\$ 3,916,810	\$ 3,916,810	\$ -	\$ -	\$ -
Fixed-income funds	3,076,028	-	1,251,490	1,685,740	138,798
Money market	102,801	102,801	-	-	-
Pooled investments - Michigan CLASS	1,134,569	1,134,569	-	-	-
Treasury bonds	229,535	101,180	128,355	-	-
Other	2,363	2,363	-	-	-
Total	<u>\$ 8,462,106</u>	<u>\$ 5,257,723</u>	<u>\$ 1,379,845</u>	<u>\$ 1,685,740</u>	<u>\$ 138,798</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 are as follow:

<i>Investment Type</i>	<i>Market Value</i>	<i>Rating</i>	<i>Rating Organization</i>
Mutual funds			
Equity funds	\$ 3,916,810	Not rated	N/A
Fixed-income funds	1,387,313	AAA avg	S&P
Fixed-income funds	1,329,786	A avg	S&P
Fixed-income funds	138,798	BBB avg	S&P
Fixed-income funds	220,131	BB avg	S&P
Money market	102,801	Not rated	N/A
Pooled investments - Michigan CLASS	1,134,569	AAAm	S&P
Treasury bonds	229,535	Aaa	Moody's
Other	2,363	Not rated	N/A
Total	<u>\$ 8,462,106</u>		

**Custodial Credit Risk – Investments** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk.

At year end, none of the City’s investments were subject to custodial credit risk due to one of the following:

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

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### 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, 2021:

<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	\$ 3,916,810	\$ 3,916,810	\$ -	\$ -
Fixed-income funds	3,076,028	3,076,028	-	-
Money market	102,801	102,801	-	-
Pooled investments - Michigan CLASS	1,134,569	-	1,134,569	-
Treasury bonds	229,535	-	229,535	-
Other	<u>2,363</u>	<u>-</u>	<u>2,363</u>	<u>-</u>
Total	<u>\$ 8,462,106</u>	<u>\$ 7,095,639</u>	<u>\$ 1,366,467</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, 2021 the City had these accounts established and had restricted cash and cash equivalents as follows:

#### Sewer Fund:

USDA Bond reserve	\$ 456,400
USDA RRI reserve	424,150
Construction improvements	238
Equipment replacement	307,004
Other bond reserve	<u>360,000</u>
	<u>\$ 1,547,792</u>

#### Water Fund:

USDA Bond reserve	\$ 268,800
USDA RRI reserve	86,604
Equipment replacement	<u>503,073</u>
	<u>\$ 858,477</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	<i>January 1,</i> <u>2021</u>	<i>Additions</i>	<i>Retirements</i>	<i>December 31,</i> <u>2021</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 213,254	\$ -	\$ -	\$ 213,254
Construction in progress	<u>269,340</u>	<u>78,108</u>	<u>(269,340)</u>	<u>78,108</u>
Total capital assets not being depreciated	<u>482,594</u>	<u>78,108</u>	<u>(269,340)</u>	<u>291,362</u>
Capital assets being depreciated:				
Buildings and improvements	7,492,862	1,082,074	(20,500)	8,554,436
Furniture and equipment	227,767	-	-	227,767
Infrastructure	10,978,734	96,714	-	11,075,448
Land and site improvements	1,451,288	184,464	-	1,635,752
Machinery and equipment	<u>2,493,279</u>	<u>435,788</u>	<u>(122,324)</u>	<u>2,806,743</u>
Total capital assets being depreciated	<u>22,643,930</u>	<u>1,799,040</u>	<u>(142,824)</u>	<u>24,300,146</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,072,628)	(166,256)	19,817	(2,219,067)
Furniture and equipment	(59,834)	(27,566)	-	(87,400)
Infrastructure	(2,631,730)	(403,291)	-	(3,035,021)
Land and site improvements	(403,096)	(59,786)	-	(462,882)
Machinery and equipment	<u>(1,386,824)</u>	<u>(334,308)</u>	<u>89,127</u>	<u>(1,632,005)</u>
Total accumulated depreciation	<u>(6,554,112)</u>	<u>(991,207)</u>	<u>108,944</u>	<u>(7,436,375)</u>
Capital assets being depreciated, net	<u>16,089,818</u>	<u>807,833</u>	<u>(33,880)</u>	<u>16,863,771</u>
Governmental activities, capital assets, net	<u>\$ 16,572,412</u>	<u>\$ 885,941</u>	<u>\$ (303,220)</u>	<u>\$ 17,155,133</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 880,826	\$ -	\$ -	\$ 880,826
Construction in progress	<u>9,512,180</u>	<u>2,153,616</u>	<u>(11,459,825)</u>	<u>205,971</u>
Total capital assets not being depreciated	<u>10,393,006</u>	<u>2,153,616</u>	<u>(11,459,825)</u>	<u>1,086,797</u>
Capital assets being depreciated:				
Buildings and improvements	4,284,230	30,277	(13,139)	4,301,368
Furniture and equipment	24,760	-	-	24,760
Infrastructure	148,601	-	-	148,601
Land improvements	2,056,624	55,907	-	2,112,531
Machinery and equipment	787,156	29,360	(100,523)	715,993
Sewer systems and plants	29,748,286	11,459,825	(24,085)	41,184,026
Water systems and plants	<u>22,541,844</u>	<u>620,232</u>	<u>-</u>	<u>23,162,076</u>
Total capital assets being depreciated	<u>59,591,501</u>	<u>12,195,601</u>	<u>(137,747)</u>	<u>71,649,355</u>

continued

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE 6: CAPITAL ASSETS, CONTINUED

	<i>January 1,</i> <u>2021</u>	<i>Additions</i>	<i>Retirements</i>	<i>December 31,</i> <u>2021</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,693,059)	(86,105)	13,139	(2,766,025)
Furniture and equipment	(23,109)	(1,651)	-	(24,760)
Infrastructure	(44,625)	(3,821)	-	(48,446)
Land improvements	(820,892)	(72,541)	-	(893,433)
Machinery and equipment	(385,580)	(84,006)	100,523	(369,063)
Sewer systems and plants	(6,260,055)	(865,013)	24,085	(7,100,983)
Water systems and plants	(4,369,965)	(466,072)	-	(4,836,037)
Total accumulated depreciation	<u>(14,597,285)</u>	<u>(1,579,209)</u>	<u>137,747</u>	<u>(16,038,747)</u>
Capital assets being depreciated, net	<u>44,994,216</u>	<u>10,616,392</u>	<u>-</u>	<u>55,610,608</u>
Business-type activities, capital assets, net	<u>\$ 55,387,222</u>	<u>\$ 12,770,008</u>	<u>\$ (11,459,825)</u>	<u>\$ 56,697,405</u>
<b>Component unit:</b>				
Capital assets not being depreciated:				
Land	\$ 32,916	\$ -	\$ -	\$ 32,916
Construction in progress	848,158	-	(848,158)	-
Total capital assets not being depreciated	<u>881,074</u>	<u>-</u>	<u>(848,158)</u>	<u>32,916</u>
Capital assets being depreciated:				
Buildings and improvements	7,666	2,378,909	-	2,386,575
Land improvements	10,672	-	-	10,672
Machinery and equipment	7,385	-	-	7,385
Total capital assets being depreciated	<u>25,723</u>	<u>2,378,909</u>	<u>-</u>	<u>2,404,632</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,739)	(69,951)	-	(71,690)
Land improvements	(1,830)	(213)	-	(2,043)
Machinery and equipment	(1,540)	(738)	-	(2,278)
Total accumulated depreciation	<u>(5,109)</u>	<u>(70,902)</u>	<u>-</u>	<u>(76,011)</u>
Capital assets being depreciated, net	<u>20,614</u>	<u>2,308,007</u>	<u>-</u>	<u>2,328,621</u>
Component unit, capital assets, net	<u>\$ 901,688</u>	<u>\$ 2,308,007</u>	<u>\$ (848,158)</u>	<u>\$ 2,361,537</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### 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	\$ 102,767	\$ -	\$ -
Public safety	68,132	-	-
Public works	313,677	-	-
Health and welfare	2,045	-	-
Community and economic development	-	-	70,902
Recreation and culture	168,834	-	-
Internal service funds	335,752	-	-
Sewer	-	935,497	-
Water	-	526,591	-
Municipal Marina	-	107,981	-
Harbor View Marina	-	7,931	-
Cartier Park Campground	-	1,209	-
	<u>\$ 991,207</u>	<u>\$ 1,579,209</u>	<u>\$ 70,902</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. Other liabilities include compensated absences, net pension liability and net OPEB liability.

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2021:

	<i>January 1, 2021</i>	<i>Additions</i>	<i>Reductions</i>	<i>December 31, 2021</i>	<i>Due Within One Year</i>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 1,110,000	\$ -	\$ (17,000)	\$ 1,093,000	\$ 17,000
Notes from direct borrowings	53,316	-	(22,206)	31,110	16,728
Compensated absences	125,154	-	(1,212)	123,942	-
Total governmental activities	<u>\$ 1,288,470</u>	<u>\$ -</u>	<u>\$ (40,418)</u>	<u>\$ 1,248,052</u>	<u>\$ 33,728</u>
<b>Business-type Activities:</b>					
Revenue bonds	\$ 36,935,000	\$ 1,915,000	\$ (777,000)	\$ 38,073,000	\$ 789,000
Compensated absences	60,846	-	(5,027)	55,819	-
Total business-type activities	<u>\$ 36,995,846</u>	<u>\$ 1,915,000</u>	<u>\$ (782,027)</u>	<u>\$ 38,128,819</u>	<u>\$ 789,000</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

Debt issues outstanding are as follows:

	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
<b>Governmental Activities:</b>				
<i>General obligation bond:</i>				
2018 General Obligation Limited Tax				
Capital Improvement Bonds	2056	\$ 1,200,000	3.25%	\$ 1,093,000
<i>Notes from direct borrowings:</i>				
2018 Copier/Printer Contract	2026	125,511	0.00%	31,110
<b>Business-type activities:</b>				
<i>Revenue Bonds:</i>				
2007 Sewage Disposal System Junior Lien				
Revenue Bonds	2027	1,500,000	1.625%	500,000
2016 Water Supply System Junior Lien				
Revenue Bonds	2056	9,817,000	1.375%	8,849,000
2017 Sewage Disposal System Junior Lien				
Revenue Bonds	2056	2,146,000	2.500%	1,974,000
2017 Water Supply System Junior Lien				
Revenue Bonds	2056	2,330,000	1.875%	2,125,000
2018 Sewage Disposal System Revenue				
Bonds	2056	2,020,000	2.750%	1,768,000
2018 Water Supply System Revenue				
Bonds	2056	1,351,000	2.250%	1,180,000
2019 Sewage Disposal System Revenue				
Bonds (Junior Lien)	2058	9,000,000	2.375%	8,560,000
2019 Sewage Disposal System Revenue				
Bonds (Junior Lien)	2058	8,079,000	2.375%	7,684,000
2019 Sewage Disposal System Revenue				
Bonds (Junior Lien)	2058	6,014,000	2.500%	5,433,000

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

Annual debt service requirements to maturity for governmental activities are as follows:

<i>Year Ended</i>	<i>Governmental Activities</i>			<i>Governmental Activities</i>		
	<i>General Obligation Bonds</i>			<i>Direct Borrowings</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>December 31,</i>						
2022	\$ 17,000	\$ 35,522	\$ 52,522	\$ 16,728	\$ -	\$ 16,728
2023	18,000	34,970	52,970	7,028	-	7,028
2024	18,000	34,386	52,386	3,793	-	3,793
2025	19,000	33,800	52,800	3,235	-	3,235
2026	19,000	33,182	52,182	326	-	326
2027-2031	107,000	156,100	263,100	-	-	-
2032-2036	125,000	137,638	262,638	-	-	-
2037-2041	146,000	115,898	261,898	-	-	-
2042-2046	172,000	90,642	262,642	-	-	-
2047-2051	202,000	60,744	262,744	-	-	-
2052-2056	237,000	25,774	262,774	-	-	-
2057	13,000	422	13,422	-	-	-
	<u>\$ 1,093,000</u>	<u>\$ 759,078</u>	<u>\$ 1,852,078</u>	<u>\$ 31,110</u>	<u>\$ -</u>	<u>\$ 31,110</u>

Annual debt service requirements to maturity for business-type activities are as follows:

<i>Year Ended</i>	<i>Business-type Activities</i>		
	<i>Revenue Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>December 31,</i>			
2022	\$ 789,000	\$ 823,084	\$ 1,612,084
2023	803,000	806,906	1,609,906
2024	822,000	790,412	1,612,412
2025	838,000	773,524	1,611,524
2026	852,000	756,280	1,608,280
2027-2031	4,183,000	3,518,504	7,701,504
2032-2036	4,546,000	3,064,434	7,610,434
2037-2041	5,055,000	2,558,800	7,613,800
2042-2046	5,618,000	1,994,258	7,612,258
2047-2051	6,247,000	1,363,600	7,610,600
2052-2056	6,869,000	658,892	7,527,892
2057-2058	1,743,000	63,210	1,806,210
	<u>\$ 38,365,000</u>	<u>\$ 17,171,904</u>	<u>\$ 55,536,904</u>
Less: Amount not drawn yet	<u>(292,000)</u>		
	<u>\$ 38,073,000</u>		

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivable and payable balances for the year ended December 31, 2021 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	\$ 243,255	\$ -	\$ 243,255	\$ 1,198
Utility bills	-	1,357,999	1,357,999	-
Accounts	107,190	11,719	118,909	52,904
Special assessments	493	-	493	-
Notes				
Current	-	340,000	340,000	-
Long-term	5,207	-	5,207	-
Accrued interest	579	6,198	6,777	7
Intergovernmental	821,626	130,620	952,246	-
Total receivables	<u>\$ 1,178,350</u>	<u>\$ 1,846,536</u>	<u>\$ 3,024,886</u>	<u>\$ 54,109</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts	\$ 875,727	\$ 460,577	\$ 1,336,304	\$ 3,843
Payroll liabilities	92,807	45,082	137,889	2,702
Deposits payable	13,717	11,850	25,567	-
Accrued interest	8,881	205,771	214,652	-
Intergovernmental	5,854	-	5,854	-
Total accounts payable and accrued expenses	<u>\$ 996,986</u>	<u>\$ 723,280</u>	<u>\$ 1,720,266</u>	<u>\$ 6,545</u>

### NOTE 9: INTERFUND TRANSFERS AND BALANCES

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.

Interfund transfers during the year were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Recreation Fund	\$ 42,000
	Fire Station Debt Fund	53,075
Major Street Fund	Local Street Fund	110,000
Cemetery Capital Improvement Fund	General Fund	1,349
W. Ludington Avenue Project Fund	General Fund	90,800
		<u>\$ 297,224</u>

There were no interfund receivables or payables at December 31, 2021.

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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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).

**Employees covered by benefit terms** – At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	69
Inactive employees entitled to but not yet receiving benefits (including refunds)	8
Active employees	<u>51</u>
Total	<u><u>128</u></u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

**Benefits Provided** – The following are the benefits provided from the December 31, 2020 valuation.

	<u>Division 01 - General: Closed, linked to Division 02</u>	<u>Division 02 - General after 6/11: Open, linked to Division 01</u>
Benefit Multiplier:	Bridged Benefit: 2.50% Multiplier (80% max) Frozen FAC; 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

**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 \$63,080 monthly based on valuation payroll for Division 01 and 5.57% as a percentage of payroll for Division 02. Amounts are based on the valuation payroll from the December 31, 2019 actuarial valuation.

**Net Pension Liability** – The City's net pension liability reported at December 31, 2021 was measured as of December 31, 2021. The total pension liability as of December 31, 2021 was calculated by the roll-forward method based on the December 31, 2020 actuarial valuation.

**Actuarial assumptions** – The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.5%; Salary Increases: 3.00% in the long-term; Investment rate of return: 7.35%, 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 Healthy Annuitant Tables with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables, all with a 50% male and 50% female blend.

A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020 actuarial valuation, first impacting 2022 contributions.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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 Gross Return	Long-term Expected Gross Return Contribution	Inflation Assumptin	Long-term Expected Real Rate of Return
Global Equity	60.0%	7.75%	4.65%	2.5%	3.15%
Global Fixed Income	20.0%	3.75%	0.75%	2.5%	0.25%
Private Investments	20.0%	9.75%	1.95%	2.5%	1.45%
Total	100.0%		7.35%		4.85%

**Discount rate** – The discount rate used to measure the total pension liability is 7.60%. 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 12/31/20	\$ 21,453,858	\$ 14,637,326	\$ 6,816,532
Service cost	269,724	-	269,724
Interest on total pension liability	1,594,644	-	1,594,644
Difference between expected and actual experience	103,914	-	103,914
Changes in assumptions	871,549	-	871,549
Employer contributions	-	953,972	(953,972)
Employee contributions	-	62,951	(62,951)
Net investment income	-	2,051,213	(2,051,213)
Benefit payments, including employee refunds	(1,393,129)	(1,393,129)	-
Administrative expenses	-	(23,538)	23,538
Other changes	(90,349)	-	(90,349)
Net changes	1,356,353	1,651,469	(295,116)
Balances at 12/31/21	<u>\$ 22,810,211</u>	<u>\$ 16,288,795</u>	<u>\$ 6,521,416</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

Governmental activities	\$ 3,837,221
Business-type activities	<u>2,684,195</u>
	<u>\$ 6,521,416</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 7.6%, as well as what the City’s net pension liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate.

	<u>1% Decrease Rate 6.6%</u>	<u>Current Rate 7.6%</u>	<u>1% Increase Rate 8.6%</u>
Net pension liability	\$ -	\$ 6,521,416	\$ -
Change in net pension liability as of 12/31/21	<u>2,548,763</u>	<u>-</u>	<u>(2,146,927)</u>
	<u>\$ 9,070,179</u>	<u>\$ 6,521,416</u>	<u>\$ 4,374,489</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, 2021, the City recognized a negative pension expense of \$795,349. 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	\$ 42,620	\$ -
Changes in assumptions	893,242	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,102,299</u>
	<u>\$ 935,862</u>	<u>\$ 1,102,299</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	\$ 572,997	\$ 685,353
Business-type activities	<u>362,865</u>	<u>416,946</u>
	<u>\$ 935,862</u>	<u>\$ 1,102,299</u>

# CITY OF LUDINGTON

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

<i>Year Ended</i>	<i>Amount</i>
2022	\$ 307,538
2023	(210,928)
2024	(72,253)
2025	(190,794)

**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 plan is established and administered by the City of Ludington Police Retirement System; a single-employer defined benefit pension plan administered by a Board of Trustees comprised of five members—the City treasurer, two members elected by plan members and two members appointed by the City Council. The plan was established under Act 345, PA of 1937 of the State of Michigan.

*Plan membership* – At December 31, 2021, pension plan membership consisted of the following:

Inactives currently receiving benefits	19
Inactives not yet receiving benefits	3
Active plan members	14
Total	<u>36</u>

*Benefits provided* – The City of Ludington Police Retirement System provides retirement, termination, 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.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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. 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 7% of eligible payroll. The City is required to contribute based on a property tax levy of 1.6500 mills. For the year ended December 31, 2021, the City made contributions of \$452,026 and the police employees contributed \$70,818.

#### *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 Board 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, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Range Allocation</u>
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, 2021, the recognized rate of investment return based on the smoothed market value was 7.66% (higher than the assumed 7.00%).

#### *Net Pension Liability:*

The components of the net pension liability at December 31, 2021, were as follows:

Total pension liability	\$ 9,041,298
Plan fiduciary net position	<u>(7,254,215)</u>
Net pension liability	<u>\$ 1,787,083</u>
Plan fiduciary net position as a percentage percentage of the total pension liability	80.23%
Covered payroll	\$ 947,503
Net pension liability as a percentage of of covered payroll	188.61%

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

*Actuarial assumptions* – The total pension liability was determined based on the annual actuarial valuation as of December 31, 2021. Actuarial assumptions were applied to compute the total pension liability: Inflation: 2.5%; Salary Increases: experience-based rates; Investment rate of return: 7.00%, net of investment and administrative expenses including inflation. Mortality rates were based on the RP-2021 Combined Healthy Annuitant Mortality Table, projected to 2014 with Scale AA.

*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 Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments (7.00%) was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%. The municipal bond rate is 2.25% (based on the daily rate closest to, but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index). The resulting single discount rate is 7.00%.

*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	\$ 2,822,820	\$ 1,787,083	\$ 919,461

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – For the year ended December 31, 2021, the City recognized pension expense of \$62,831. 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	\$ 193,976	\$ -
Net difference between projected and actual earnings on pension plan investments	-	237,650
	<u>\$ 193,976</u>	<u>\$ 237,650</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>
2022	\$ 36,549
2023	(48,010)
2024	53,654
2025	(58,386)
2026	(27,481)

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

**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** – If hired before June 1, 2014, then the earlier of attainment of age 55 with 15 or more years of service or attainment of age 60 with 10 or more years of service (no longer applies to any current General Clerk or General Treasurer who are currently employed or retired after December 31, 2019). If retiree had 25 or more years of service at retirement, the benefit amount is \$250 per month for life. 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, 2021, Plan membership consisted of the following:

Active members	-
Inactive members	-
Retirees and beneficiaries	19
Total	<u>19</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 are made from general operating funds. There are no long-term contracts for contributions to the plan.

#### Assumptions and Methods

The City's OPEB liability was measured as of December 31, 2021.

**Actuarial Assumptions** – The total OPEB liability was determined by an actuarial valuation as of December 31, 2021. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	None; there are no actives eligible for retiree healthcare benefits
Investment rate of return	7.35% (including inflation)
20-year Aa Municipal bond rate	2.25% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement scale	MP-2021

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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	60.0%	5.25%
Global Fixed Income	20.0%	1.25%
Private Assets	20.0%	7.25%

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

**Discount rate** – The discount rate used to measure the total OPEB liability was 2.25%. 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 2021, 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, which is calculated to be the 20-year AA/Aa tax-exempt municipal bond yield, is used to determine the Total OPEB Liability. As of December 31, 2020, the discount rate used to value OPEB liabilities was 1.93%.

#### *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 12/31/20	\$ 712,654	\$ 2,074	\$ 710,580
Service cost	-	-	-
Interest	13,337	-	13,337
Change in plan terms	-	-	-
Experience (gains)/losses	(2,999)	-	(2,999)
Change in actuarial assumptions	(13,724)	-	(13,724)
Contributions to OPEB trust	-	-	-
Contributions/benefit paid from general operating funds	-	43,182	(43,182)
Net investment income	-	293	(293)
Benefit payments, including employee refunds	(43,182)	(43,182)	-
Administrative expenses	-	(4)	4
Net changes	(46,568)	289	(46,857)
Balance at 12/31/21	<u>\$ 666,086</u>	<u>\$ 2,363</u>	<u>\$ 663,723</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

The net OPEB liability is recorded as follows:

Governmental activities	\$ 610,625
Business-type activities	53,098
	<u>\$ 663,723</u>

**Discount and Trend Rate Sensitivities** – The following presents the net OPEB liability (NOL) of the City, calculated using discount rates 1% higher and 1% lower than base assumptions. The benefit is a fixed monthly payment, so the liability is unaffected by trend.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
<b>Discount</b>			
Total OPEB liability	\$ 742,803	\$ 666,086	\$ 602,567
Plan fiduciary net position	<u>2,363</u>	<u>2,363</u>	<u>2,363</u>
Net OPEB liability	<u>\$ 740,440</u>	<u>\$ 663,723</u>	<u>\$ 600,204</u>

#### OPEB Expense

**Components of the City's OPEB expense for the fiscal year ended December 31, 2021** – Below are the components of the total OPEB expense:

	<u>2021</u>
Interest	\$ 13,337
Experience (gains)/losses	(2,999)
Changes in assumptions	(13,724)
Projected earnings on OPEB plan investments	(152)
Investment earnings (gains)/losses	(59)
Administrative expenses	<u>4</u>
Total OPEB expense	<u>\$ (3,593)</u>

#### Net OPEB Liability

**OPEB plan fiduciary net position** – The OPEB plan fiduciary net position as of December 31, 2021 is \$2,363.

#### Deferred inflows and outflows of resources related to OPEB plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Investment earnings (gains)/losses	<u>\$ -</u>	<u>\$ 197</u>

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Governmental activities	\$ -	\$ 181
Business-type activities	-	16
	<u>\$ -</u>	<u>\$ 197</u>

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

<i>Year Ended</i>	<i>Amount</i>
2022	\$ (59)
2023	(61)
2024	(48)
2025	(29)
2026	-

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

Net OPEB liability 12/31/20	\$ 710,580
Total OPEB expense	(3,593)
Contributions	(43,182)
Change in deferred inflows of resources	<u>(82)</u>
Net OPEB liability 12/31/21	<u>\$ 663,723</u>

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

Active participants	\$ -
Inactive participants	-
Retirees and beneficiaries	<u>666,085</u>
Total OPEB liability	<u>\$ 666,085</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%.

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE 14: TAX ABATEMENTS, CONTINUED

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, 2021, the City abated property tax revenues totaling approximately \$7,000 under this program.

#### *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, 2021 there was approximately \$38,000 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 17.

	<u>General Fund</u>	<u>Building Rehab Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	\$ 28,175	\$ -	\$ 81,046	\$ 109,221
Prepaid expenditures	96,334	-	9,249	105,583
Long-term receivables	-	5,207	-	5,207
Total nonspendable	<u>124,509</u>	<u>5,207</u>	<u>90,295</u>	<u>220,011</u>
Restricted for:				
Streets	-	-	708,708	708,708
Senior center activities	-	-	82,640	82,640
Recreation activities	-	-	82,324	82,324
Rental inspection	-	-	55,536	55,536
Site assessment	-	-	11	11
Downtown building rehab	-	87,271	-	87,271
Cemetery capital improvements	-	-	293,466	293,466
Capital projects	-	-	22,055	22,055
Total restricted	<u>-</u>	<u>87,271</u>	<u>1,244,740</u>	<u>1,332,011</u>

continued

# CITY OF LUDINGTON

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE 15: FUND BALANCES, CONTINUED

	<i>General Fund</i>	<i>Building Rehab Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Committed for:				
Fire hall construction	57,137	-	-	57,137
Façade improvement program	10,000	-	-	10,000
Total committed	<u>67,137</u>	<u>-</u>	<u>-</u>	<u>67,137</u>
Assigned to:				
Fire department	35,600	-	-	35,600
Unassigned	2,599,418	-	-	2,599,418
Total fund balances	<u>\$ 2,826,664</u>	<u>\$ 92,478</u>	<u>\$ 1,335,035</u>	<u>\$ 4,254,177</u>

### NOTE 16: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position of the Sewer Fund and Business-type Activities was restated due to a correction of an error in the amount that was billed to sewer customers in previous years. The effect on beginning net position is as follows:

	<i>Enterprise Fund</i>	<i>Government- wide</i>
	<i>Sewer Fund</i>	<i>Business-type Activities</i>
Ending, December 31, 2020, net position as previously stated	\$ 11,376,479	\$ 21,471,537
Record payable for overbilling of sewer charges	<u>(89,907)</u>	<u>(89,907)</u>
Ending, December 31, 2020, net position as restated	<u>\$ 11,286,572</u>	<u>\$ 21,381,630</u>

### NOTE 17: CONTINGENT LIABILITIES

**Litigation** – The City is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, it is the opinion of the City’s attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF LUDINGTON

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 269,724	\$ 242,770	\$ 264,449	\$ 249,175
Interest on total pension liability	1,594,644	1,596,703	1,556,892	1,531,270
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	103,914	(205,668)	132,966	(76,748)
Changes in assumptions	871,549	718,740	-	-
Benefit payments, including employee refunds	(1,393,129)	(1,412,329)	(1,373,240)	(1,364,316)
Other changes	(90,349)	(29,923)	(53,046)	(22,681)
<b>Net change in total pension liability</b>	<b>1,356,353</b>	<b>910,293</b>	<b>528,021</b>	<b>316,700</b>
<b>Total pension liability - beginning</b>	<b>21,453,858</b>	<b>20,543,565</b>	<b>20,015,544</b>	<b>19,698,844</b>
<b>Total pension liability - ending</b>	<b><u>\$ 22,810,211</u></b>	<b><u>\$ 21,453,858</u></b>	<b><u>\$ 20,543,565</u></b>	<b><u>\$ 20,015,544</u></b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 953,972	\$ 856,399	\$ 779,955	\$ 746,335
Contributions - employee	62,951	57,702	49,399	42,356
Net investment income (loss)	2,051,213	1,683,905	1,661,628	(514,626)
Benefit payments, including employee refunds	(1,393,129)	(1,412,329)	(1,373,240)	(1,364,316)
Administrative expenses	(23,538)	(26,865)	(28,612)	(25,860)
<b>Net change in plan fiduciary net position</b>	<b>1,651,469</b>	<b>1,158,812</b>	<b>1,089,130</b>	<b>(1,116,111)</b>
<b>Total plan fiduciary net position - beginning</b>	<b>14,637,326</b>	<b>13,478,514</b>	<b>12,389,384</b>	<b>13,505,495</b>
<b>Total plan fiduciary net position - ending</b>	<b><u>\$ 16,288,795</u></b>	<b><u>\$ 14,637,326</u></b>	<b><u>\$ 13,478,514</u></b>	<b><u>\$ 12,389,384</u></b>
<b>City's net pension liability</b>	<b>\$ 6,521,416</b>	<b>\$ 6,816,532</b>	<b>\$ 7,065,051</b>	<b>\$ 7,626,160</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>71.41%</b>	<b>68.23%</b>	<b>65.61%</b>	<b>61.90%</b>
<b>Covered employee payroll</b>	<b>\$ 2,444,162</b>	<b>\$ 2,242,349</b>	<b>\$ 2,264,199</b>	<b>\$ 2,172,067</b>
<b>City's net pension liability as a percentage of covered employee payroll</b>	<b>266.82%</b>	<b>303.99%</b>	<b>312.03%</b>	<b>351.10%</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.

continued

# CITY OF LUDINGTON

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

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

# CITY OF LUDINGTON

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total pension liability</b>				
Service cost	\$ 176,268	\$ 194,879	\$ 176,889	\$ 179,221
Interest	622,016	580,536	538,072	529,004
Changes in benefit terms	-	2,691	-	-
Differences between expected and actual experience	(164,883)	394,116	255,356	(172,490)
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	(603,551)	(518,532)	(421,724)	(388,306)
<b>Net change in total pension liability</b>	29,850	653,690	548,593	147,429
<b>Total pension liability - beginning</b>	9,011,448	8,357,758	7,809,165	7,661,736
<b>Total pension liability - ending</b>	<u>\$ 9,041,298</u>	<u>\$ 9,011,448</u>	<u>\$ 8,357,758</u>	<u>\$ 7,809,165</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 452,026	\$ 396,690	\$ 358,729	\$ 320,219
Contributions - member	70,818	72,394	60,155	58,091
Net investment income (loss)	622,552	416,084	979,324	(149,752)
Benefit payments, including refunds of member contributions	(603,551)	(518,532)	(421,724)	(388,306)
Administrative expense	(28,130)	(25,950)	(7,609)	(7,500)
Other	-	(227)	-	-
<b>Net change in plan fiduciary net position</b>	513,715	340,459	968,875	(167,248)
<b>Plan fiduciary net position - beginning</b>	6,740,500	6,400,041	5,431,166	5,598,414
<b>Plan fiduciary net position - ending</b>	<u>\$ 7,254,215</u>	<u>\$ 6,740,500</u>	<u>\$ 6,400,041</u>	<u>\$ 5,431,166</u>
<b>City's police net pension liability</b>	<u>\$ 1,787,083</u>	<u>\$ 2,270,948</u>	<u>\$ 1,957,717</u>	<u>\$ 2,377,999</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	80.23%	74.80%	76.58%	69.55%
<b>Covered-employee payroll</b>	\$ 947,503	\$ 965,468	\$ 992,362	\$ 906,667
<b>City's police net pension liability as a percentage of covered-employee payroll</b>	188.61%	235.22%	197.28%	262.28%

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.

continued

# CITY OF LUDINGTON

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

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

# CITY OF LUDINGTON

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

<i>Year Ended December 31,</i>	<i>Actuarially Determined Contribution</i>	<i>Contributions in Relation to the Actuarially Determined Contribution</i>	<i>Contributions Deficiency (Excess)</i>	<i>Covered- Employee Payroll</i>	<i>Actuarially Determined Contribution as a Percentage Covered- Employee Payroll</i>
2012	\$ 452,171	\$ 452,171	\$ -	\$ 1,982,367	22.81%
2013	489,247	489,247	-	2,008,700	24.36%
2014	521,831	557,831	(36,000)	1,920,675	27.17%
2015	559,505	595,505	(36,000)	2,156,320	25.95%
2016	630,237	666,237	(36,000)	2,120,040	29.73%
2017	574,990	671,574	(96,584)	2,153,157	26.70%
2018	619,459	746,335	(126,876)	2,172,067	28.52%
2019	653,079	779,955	(126,876)	2,264,199	28.84%
2020	729,523	856,399	(126,876)	2,242,349	32.53%
2021	827,096	953,972	(126,876)	2,444,162	33.84%

### 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	18 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Rate of wage inflation	3.00%
Investment rate of return	7.35%
Retirement age	50-60 years
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

<i>Year Ended December 31,</i>	<i>Actuarially Determined Contribution</i>	<i>Contributions in Relation to the Actuarially Determined Contribution</i>	<i>Contributions Deficiency (Excess)</i>	<i>Covered- Employee Payroll</i>	<i>Actuarially Determined Contribution as a Percentage Covered- Employee Payroll</i>
2012	\$ 284,836	\$ 284,836	\$ -	\$ 832,173	34.23%
2013	289,156	289,156	-	809,192	35.73%
2014	297,188	297,188	-	888,155	33.46%
2015	306,876	306,876	-	852,255	36.01%
2016	311,491	311,491	-	885,272	35.19%
2017	318,015	318,015	-	933,791	34.06%
2018	320,219	320,219	-	906,667	35.32%
2019	358,729	358,729	-	992,362	36.15%
2020	396,690	396,690	-	965,468	41.09%
2021	452,026	452,026	-	947,503	47.71%

### Notes to Schedule

Methods and assumptions used to determine contribution rates:

Calculation timing	Actuarially determined contribution is calculated using a December 31, 2020 valuation date
Investment rate of return	7.00%
Amortization method	Level percentage of payroll method over a closed period
Amortization period for unfunded actuarial accrued liability	15 years
Asset valuation method	4 years smoothed market
Inflation	2.50%
Salary increases	Experience-based rates
Mortality rate	RP-2014 Mortality Table. 100% of deaths are assumed to be non-duty.

# CITY OF LUDINGTON

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ -	\$ -	\$ 21,509	\$ 20,883
Interest	13,337	20,146	31,537	31,288
Changes in plan terms	-	-	(369,454)	-
Differences between expected and actual experience	(2,999)	(1,890)	(37,409)	-
Changes in assumptions	(13,724)	97,998	(13,971)	-
Benefit payments (including refunds of employee contributions)	(43,182)	(43,135)	(44,808)	(44,158)
<b>Net change in total OPEB liability</b>	(46,568)	73,119	(412,596)	8,013
<b>Total OPEB liability - beginning</b>	712,654	639,535	1,052,131	1,044,118
<b>Total OPEB liability - ending</b>	<u>\$ 666,086</u>	<u>\$ 712,654</u>	<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	43,182	43,135	44,808	44,158
Net investment income	293	243	137	-
Benefit payments (including refunds of employee contributions)	(43,182)	(43,135)	(44,808)	(44,158)
Administrative expense	(4)	(4)	(2)	-
<b>Net change in plan fiduciary net position</b>	289	239	1,235	600
<b>Plan fiduciary net position - beginning</b>	2,074	1,835	600	-
<b>Plan fiduciary net position - ending</b>	<u>\$ 2,363</u>	<u>\$ 2,074</u>	<u>\$ 1,835</u>	<u>\$ 600</u>
<b>City's net OPEB liability</b>	<u>\$ 663,723</u>	<u>\$ 710,580</u>	<u>\$ 637,700</u>	<u>\$ 1,051,531</u>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	0.35%	0.29%	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	N/A	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 after 2018.

# CITY OF LUDINGTON

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## SCHEDULE OF CITY OPEB CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 47,106	\$ 45,551	\$ 92,833	\$ 170,250
Employer contribution	<u>43,182</u>	<u>43,135</u>	<u>45,908</u>	<u>44,758</u>
Contribution (excess) deficiency	<u>\$ 3,924</u>	<u>\$ 2,416</u>	<u>\$ 46,925</u>	<u>\$ 125,492</u>
Covered-employee payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,239,812</u>
Actuarially determined contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	7.60%

### Notes to Schedule

Because the plan is closed to all currently active members, there is no covered payroll to report after 2018.

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, 2021

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		<i>(Unfavorable)</i>
<b>Revenues:</b>				
Property taxes	\$ 4,007,900	\$ 4,001,600	\$ 3,995,041	\$ (6,559)
Licenses and permits	110,300	159,400	158,379	(1,021)
Federal grants	-	-	29,663	29,663
State grants	1,616,200	1,806,300	1,901,862	95,562
Contributions from other units	46,300	46,300	17,139	(29,161)
Charges for services	644,300	695,600	668,889	(26,711)
Fines and forfeits	26,000	26,000	21,638	(4,362)
Interest and rents	54,800	54,800	24,673	(30,127)
Other revenue	133,500	161,800	176,941	15,141
Total revenues	<u>6,639,300</u>	<u>6,951,800</u>	<u>6,994,308</u>	<u>42,508</u>
<b>Expenditures:</b>				
Current				
General government				
Council and Mayor	53,300	47,300	47,066	234
Manager	321,900	330,900	330,568	332
Clerk	328,800	348,800	348,222	578
Board of review	3,200	2,800	2,689	111
Treasurer	180,800	172,300	172,013	287
Assessor and Building inspector	262,200	304,200	303,461	739
Elections	15,200	24,800	24,643	157
Hall and grounds, downtown and other	347,300	310,700	308,716	1,984
Attorney	86,300	101,800	101,221	579
Board of ethics	200	200	-	200
Total general government	<u>1,599,200</u>	<u>1,643,800</u>	<u>1,638,599</u>	<u>5,201</u>
Public safety				
Police	1,789,300	1,690,169	1,674,459	15,710
Special police	87,100	82,300	81,199	1,101
Fire	268,200	270,200	269,450	750
Total public safety	<u>2,144,600</u>	<u>2,042,669</u>	<u>2,025,108</u>	<u>17,561</u>
Public works				
Department of public works	533,900	517,100	516,721	379
Sidewalk construction	144,100	104,100	103,178	922
Street lighting	122,900	107,900	106,988	912
Garbage and rubbish	818,700	860,200	859,584	616
Cemetery	235,900	229,900	229,679	221
Total public works	<u>1,855,500</u>	<u>1,819,200</u>	<u>1,816,150</u>	<u>3,050</u>

continued

# CITY OF LUDINGTON

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended December 31, 2021

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Community and economic development				
Planning	9,300	2,100	1,877	223
Economic development	103,700	108,700	108,187	513
Total community and economic development	113,000	110,800	110,064	736
Recreation and culture				
Parks	557,200	539,800	539,312	488
Beach safety	33,000	20,500	19,542	958
Launching ramps	292,600	106,900	106,583	317
Total recreation and culture	882,800	667,200	665,437	1,763
Other				
Insurance and bonds	43,000	32,000	31,617	383
Capital outlay	530,200	724,331	724,241	90
Debt service	30,000	35,000	34,829	171
Total expenditures	7,198,300	7,075,000	7,046,045	28,955
Excess (deficiency) of revenues over (under) expenditures	(559,000)	(123,200)	(51,737)	71,463
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	198,400	198,475	75
Interfund transfers in	30,400	92,000	92,149	149
Interfund transfers out	(96,100)	(96,100)	(95,075)	1,025
Net other financing sources (uses)	(65,700)	194,300	195,549	1,249
Change in fund balance	(624,700)	71,100	143,812	72,712
Fund balance, beginning of year	2,682,852	2,682,852	2,682,852	-
Fund balance, end of year	<u>\$ 2,058,152</u>	<u>\$ 2,753,952</u>	<u>\$ 2,826,664</u>	<u>\$ 72,712</u>

# CITY OF LUDINGTON

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*BUILDING REHAB FUND*  
**BUDGETARY COMPARISON SCHEDULE, CONTINUED**  
 Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Federal grants	\$ 494,500	\$ 2,222,801	\$ 2,222,801	\$ -
Other revenue	<u>378,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>872,600</u>	<u>2,222,801</u>	<u>2,222,801</u>	<u>-</u>
<b>Expenditures:</b>				
Current				
Community and economic development	<u>872,600</u>	<u>2,222,801</u>	<u>2,222,801</u>	<u>-</u>
Change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>92,478</u>	<u>92,478</u>	<u>92,478</u>	<u>-</u>
Fund balance, end of year	<u>\$ 92,478</u>	<u>\$ 92,478</u>	<u>\$ 92,478</u>	<u>\$ -</u>

***OTHER SUPPLEMENTARY INFORMATION***

# CITY OF LUDINGTON

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET December 31, 2021

	<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	\$ 16,910	\$ 556,332	\$ 96,228	\$ 95,032
Accounts receivable	1,149	-	-	-
Notes receivable	-	-	-	-
Accrued interest receivable	1	64	11	11
Due from other governments	132,858	53,790	-	1,205
Inventory	81,046	-	-	-
Prepaid expenditures	158	4,758	333	3,246
Total assets	<u>\$ 232,122</u>	<u>\$ 614,944</u>	<u>\$ 96,572</u>	<u>\$ 99,494</u>
<b>Liabilities and Fund Balances:</b>				
<i>Liabilities:</i>				
Accounts payable	\$ 43,052	\$ -	\$ 13,300	\$ 9,565
Accrued expenses	-	-	-	-
Due to other governments	3,994	-	-	-
Accrued wages payable	2,109	3,241	615	3,368
Unearned revenue	-	-	-	675
Total liabilities	<u>49,155</u>	<u>3,241</u>	<u>13,915</u>	<u>13,608</u>
<i>Fund balances:</i>				
Nonspendable	81,204	4,758	333	3,246
Restricted	101,763	606,945	82,324	82,640
Total fund balances	<u>182,967</u>	<u>611,703</u>	<u>82,657</u>	<u>85,886</u>
Total liabilities and fund balances	<u>\$ 232,122</u>	<u>\$ 614,944</u>	<u>\$ 96,572</u>	<u>\$ 99,494</u>

continued

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING BALANCE SHEET, CONTINUED**  
 December 31, 2021

	<i>Special Revenue Funds</i>		
	<i>Rental Inspection Fund</i>	<i>Site Assessment Fund</i>	<i>Cemetery Capital Improvement Fund</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 55,812	\$ 66,142	\$ 293,432
Accounts receivable	1,900	-	-
Notes receivable	-	-	-
Accrued interest receivable	7	-	34
Due from other governments	-	6,534	-
Inventory	-	-	-
Prepaid expenditures	754	-	-
	<u>58,473</u>	<u>72,676</u>	<u>293,466</u>
Total assets	<u>\$ 58,473</u>	<u>\$ 72,676</u>	<u>\$ 293,466</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1	\$ 72,665	\$ -
Accrued expenses	1,370	-	-
Due to other governments	-	-	-
Accrued wages payable	812	-	-
Unearned revenue	-	-	-
	<u>2,183</u>	<u>72,665</u>	<u>-</u>
Total liabilities	<u>2,183</u>	<u>72,665</u>	<u>-</u>
<b>Fund balances:</b>			
Nonspendable	754	-	-
Restricted	55,536	11	293,466
	<u>56,290</u>	<u>11</u>	<u>293,466</u>
Total fund balances	<u>56,290</u>	<u>11</u>	<u>293,466</u>
Total liabilities and fund balances	<u>\$ 58,473</u>	<u>\$ 72,676</u>	<u>\$ 293,466</u>

continued

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING BALANCE SHEET, CONTINUED**  
 December 31, 2021

	<i>Capital Projects Fund</i>	
	<u><i>W. Ludington Avenue Project Fund</i></u>	<u><i>Total</i></u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 22,055	\$ 1,201,943
Accounts receivable	-	3,049
Notes receivable	-	-
Accrued interest receivable	-	128
Due from other governments	-	194,387
Inventory	-	81,046
Prepaid expenditures	-	9,249
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 22,055</u>	<u>\$ 1,489,802</u>
<b>Liabilities and Fund Balances:</b>		
<i>Liabilities:</i>		
Accounts payable	\$ -	\$ 138,583
Accrued expenses	-	1,370
Due to other governments	-	3,994
Accrued wages payable	-	10,145
Unearned revenue	-	675
	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>154,767</u>
<i>Fund balances:</i>		
Nonspendable	-	90,295
Restricted	22,055	1,244,740
	<u>          </u>	<u>          </u>
Total fund balances	<u>22,055</u>	<u>1,335,035</u>
	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 22,055</u>	<u>\$ 1,489,802</u>

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES**  
 Year Ended December 31, 2021

	<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	\$ -	\$ -	\$ -	\$ 12,722
State grants	754,409	375,975	-	2,500
Contributions from other units	-	-	5,500	191,577
Charges for services	31,331	-	22,447	2,736
Interest and rents	790	2,975	441	1,648
Other revenue	1,325	975	589	9,123
Total revenues	787,855	379,925	28,977	220,306
<b>Expenditures:</b>				
Current				
Public safety	-	-	-	-
Public works	213,580	514,599	-	-
Health and welfare	-	-	-	206,395
Community and economic development	-	-	-	-
Recreation and culture	-	-	73,507	-
Capital outlay	670,316	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	883,896	514,599	73,507	206,395
Excess (deficiency) of revenues over expenditures	(96,041)	(134,674)	(44,530)	13,911
<b>Other financing sources (uses):</b>				
Interfund transfers in	-	110,000	42,000	-
Interfund transfers out	(110,000)	-	-	-
Net other financing sources (uses)	(110,000)	110,000	42,000	-
Changes in fund balances	(206,041)	(24,674)	(2,530)	13,911
Fund balances, beginning of year	389,008	636,377	85,187	71,975
Fund balances, end of year	\$ 182,967	\$ 611,703	\$ 82,657	\$ 85,886

continued

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES, CONTINUED**  
 Year Ended December 31, 2021

	<i>Special Revenue Funds</i>		
	<i>Rental Inspection Fund</i>	<i>Site Assessment Fund</i>	<i>Cemetery Capital Improvement Fund</i>
<b>Revenues:</b>			
Federal grants	\$ -	\$ -	\$ -
State grants	-	117,053	-
Contributions from other units	-	-	-
Charges for services	84,325	-	20,800
Interest and rents	237	-	1,349
Other revenue	-	-	-
Total revenues	84,562	117,053	22,149
<b>Expenditures:</b>			
Current			
Public safety	51,423	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	117,050	-
Recreation and culture	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and fees	-	-	-
Total expenditures	51,423	117,050	-
Excess (deficiency) of revenues over expenditures	33,139	3	22,149
<b>Other financing sources (uses):</b>			
Interfund transfers in	-	-	-
Interfund transfers out	-	-	(1,349)
Net other financing sources (uses)	-	-	(1,349)
Changes in fund balances	33,139	3	20,800
Fund balances, beginning of year	23,151	8	272,666
Fund balances, end of year	\$ 56,290	\$ 11	\$ 293,466

continued

# CITY OF LUDINGTON

*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES, CONTINUED**  
 Year Ended December 31, 2021

	<u><i>Debt Service Fund</i></u>	<u><i>Capital Projects Fund</i></u>	
	<i>Fire Station Debt Fund</i>	<i>W. Ludington Avenue Project Fund</i>	<u><i>Total</i></u>
<b>Revenues:</b>			
Federal grants	\$ -	\$ -	\$ 12,722
State grants	-	-	1,249,937
Contributions from other units	-	-	197,077
Charges for services	-	-	161,639
Interest and rents	-	-	7,440
Other revenue	-	-	12,012
Total revenues	<u>-</u>	<u>-</u>	<u>1,640,827</u>
<b>Expenditures:</b>			
Current			
Public safety	-	-	51,423
Public works	-	-	728,179
Health and welfare	-	-	206,395
Community and economic development	-	-	117,050
Recreation and culture	-	-	73,507
Capital outlay	-	-	670,316
Debt service			
Principal	17,000	-	17,000
Interest and fees	<u>36,075</u>	<u>-</u>	<u>36,075</u>
Total expenditures	<u>53,075</u>	<u>-</u>	<u>1,899,945</u>
Excess (deficiency) of revenues over expenditures	<u>(53,075)</u>	<u>-</u>	<u>(259,118)</u>
<b>Other financing sources (uses):</b>			
Interfund transfers in	53,075	-	205,075
Interfund transfers out	<u>-</u>	<u>(90,800)</u>	<u>(202,149)</u>
Net other financing sources (uses)	<u>53,075</u>	<u>(90,800)</u>	<u>2,926</u>
Changes in fund balances	-	(90,800)	(256,192)
Fund balances, beginning of year	<u>-</u>	<u>112,855</u>	<u>1,591,227</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 22,055</u>	<u>\$ 1,335,035</u>

# CITY OF LUDINGTON

*NONMAJOR ENTERPRISE FUNDS*  
**COMBINING STATEMENT OF NET POSITION**  
 December 31, 2021

	<i>Cartier Park Campground Fund</i>	<i>Municipal Marina Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
<b>Assets:</b>				
<b><i>Current assets:</i></b>				
Cash and cash equivalents	\$ 388,468	\$ 240,071	\$ 446,978	\$ 1,075,517
Accrued interest receivable	44	27	51	122
Due from other governments	-	8,674	9,946	18,620
Inventory	-	16,343	45,641	61,984
Prepaid expenses	6,648	9,806	6,698	23,152
Total current assets	<u>395,160</u>	<u>274,921</u>	<u>509,314</u>	<u>1,179,395</u>
<b><i>Noncurrent assets:</i></b>				
Capital assets				
Not being depreciated	-	981,491	15,873	997,364
Being depreciated, net	<u>203,159</u>	<u>1,609,065</u>	<u>32,145</u>	<u>1,844,369</u>
Total noncurrent assets	<u>203,159</u>	<u>2,590,556</u>	<u>48,018</u>	<u>2,841,733</u>
Total assets	<u>598,319</u>	<u>2,865,477</u>	<u>557,332</u>	<u>4,021,128</u>
<b>Deferred outflows of resources:</b>				
Related to pension	<u>-</u>	<u>8,647</u>	<u>-</u>	<u>8,647</u>
<b>Liabilities:</b>				
<b><i>Current liabilities:</i></b>				
Accounts payable	5,508	119,327	10,747	135,582
Deposits payable	-	-	600	600
Accrued wages payable	1,745	1,214	1,076	4,035
Unearned revenue	<u>-</u>	<u>140,773</u>	<u>183,629</u>	<u>324,402</u>
Total current liabilities	<u>7,253</u>	<u>261,314</u>	<u>196,052</u>	<u>464,619</u>
<b><i>Noncurrent liabilities:</i></b>				
Compensated absences payable	2,875	4,080	4,080	11,035
Net pension liability	<u>1,712</u>	<u>56,674</u>	<u>-</u>	<u>58,386</u>
Total noncurrent liabilities	<u>4,587</u>	<u>60,754</u>	<u>4,080</u>	<u>69,421</u>
Total liabilities	<u>11,840</u>	<u>322,068</u>	<u>200,132</u>	<u>534,040</u>
<b>Deferred inflows of resources:</b>				
Related to pension	<u>-</u>	<u>11,548</u>	<u>-</u>	<u>11,548</u>
<b>Net position:</b>				
Investment in capital assets	203,159	2,590,556	48,018	2,841,733
Unrestricted (deficit)	<u>383,320</u>	<u>(50,048)</u>	<u>309,182</u>	<u>642,454</u>
Total net position	<u>\$ 586,479</u>	<u>\$ 2,540,508</u>	<u>\$ 357,200</u>	<u>\$ 3,484,187</u>

# CITY OF LUDINGTON

## NONMAJOR ENTERPRISE FUNDS

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

Year Ended December 31, 2021

	<i>Cartier Park Campground Fund</i>	<i>Municipal Marina Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
<b>Operating revenues:</b>				
Charges for services	\$ 331,926	\$ 872,740	\$ 912,491	\$ 2,117,157
Other	19,377	1,800	8,400	29,577
Total operating revenues	<u>351,303</u>	<u>874,540</u>	<u>920,891</u>	<u>2,146,734</u>
<b>Operating expenses:</b>				
Personal services	136,626	194,965	178,583	510,174
Contracted services	24,400	92,199	70,346	186,945
Administrative expense	44,600	30,600	30,600	105,800
Insurance	8,137	8,137	8,137	24,411
Utilities	32,794	49,388	49,895	132,077
Repairs and maintenance	631	6,610	12,849	20,090
Other services and expenses	42,476	428,757	368,166	839,399
Depreciation	7,931	107,981	1,209	117,121
Total operating expenses	<u>297,595</u>	<u>918,637</u>	<u>719,785</u>	<u>1,936,017</u>
Operating income (loss)	<u>53,708</u>	<u>(44,097)</u>	<u>201,106</u>	<u>210,717</u>
<b>Non-operating revenues (expenses):</b>				
Interest income	1,865	1,436	1,905	5,206
Contributions	1,385	-	-	1,385
Reimbursements	-	(1,423)	137	(1,286)
Net non-operating revenues (expenses)	<u>3,250</u>	<u>13</u>	<u>2,042</u>	<u>5,305</u>
Changes in net position before capital contributions	56,958	(44,084)	203,148	216,022
<b>Capital contributions:</b>				
State grants	-	8,674	9,946	18,620
Changes in net position	56,958	(35,410)	213,094	234,642
Net position, beginning of year	<u>529,521</u>	<u>2,575,918</u>	<u>144,106</u>	<u>3,249,545</u>
Net position, end of year	<u>\$ 586,479</u>	<u>\$ 2,540,508</u>	<u>\$ 357,200</u>	<u>\$ 3,484,187</u>

# CITY OF LUDINGTON

*NONMAJOR ENTERPRISE FUNDS*  
**COMBINING STATEMENT OF CASH FLOWS**  
 Year Ended December 31, 2021

	<i>Cartier Park Campground Fund</i>	<i>Municipal Marina Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 351,303	\$ 891,450	\$ 926,575	\$ 2,169,328
Cash paid for interfund services	(14,444)	(5,670)	(8,924)	(29,038)
Cash payments to employees and on behalf of employees	(134,632)	(195,255)	(177,291)	(507,178)
Cash payments to suppliers for goods and services	(136,117)	(618,305)	(544,644)	(1,299,066)
Net cash provided by operating activities	<u>66,110</u>	<u>72,220</u>	<u>195,716</u>	<u>334,046</u>
<b>Cash flows from non-capital financing activities:</b>				
Contributions	1,385	-	-	1,385
Reimbursements	-	(1,423)	137	(1,286)
Net cash provided (used) by non-capital financing activities	<u>1,385</u>	<u>(1,423)</u>	<u>137</u>	<u>99</u>
<b>Cash flows from capital and related financing activities:</b>				
Capital contributions	-	188,646	-	188,646
Acquisition of capital assets	(20,332)	(106,233)	(40,188)	(166,753)
Net cash provided (used) by capital and related financing activities	<u>(20,332)</u>	<u>82,413</u>	<u>(40,188)</u>	<u>21,893</u>
<b>Cash flows from investing activities:</b>				
Interest received	1,978	1,449	1,988	5,415
Change in cash and cash equivalents	49,141	154,659	157,653	361,453
Cash and cash equivalents, beginning of year	<u>339,327</u>	<u>85,412</u>	<u>289,325</u>	<u>714,064</u>
Cash and cash equivalents, end of year	<u>\$ 388,468</u>	<u>\$ 240,071</u>	<u>\$ 446,978</u>	<u>\$ 1,075,517</u>

continued

# CITY OF LUDINGTON

*NONMAJOR ENTERPRISE FUNDS*  
**COMBINING STATEMENT OF CASH FLOWS, CONTINUED**  
 Year Ended December 31, 2021

	<i>Cartier Park Campground Fund</i>	<i>Municipal Marina Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 53,708	\$ (44,097)	\$ 201,106	\$ 210,717
Adjustments:				
Depreciation	7,931	107,981	1,209	117,121
Change in assets and liabilities:				
Accounts receivable	-	1,580	-	1,580
Inventory	-	(3,236)	(18,272)	(21,508)
Prepaid expenses	(700)	(825)	(1,425)	(2,950)
Accounts payable	3,177	(4,223)	6,122	5,076
Deposits payable	-	-	600	600
Accrued wages payable	411	245	241	897
Unearned revenue	-	15,330	5,084	20,414
Compensated absences payable	1,583	1,051	1,051	3,685
Net pension liability and related deferred amounts	-	(1,586)	-	(1,586)
Net cash provided by operating activities	\$ 66,110	\$ 72,220	\$ 195,716	\$ 334,046

# CITY OF LUDINGTON

*INTERNAL SERVICE FUNDS*  
**COMBINING STATEMENT OF NET POSITION**  
 December 31, 2021

	<u><i>Motor Pool</i></u> <u><i>Fund</i></u>	<u><i>Technology</i></u> <u><i>Fund</i></u>	<u><i>Total</i></u>
<b>Assets:</b>			
<b><i>Current assets:</i></b>			
Cash and cash equivalents	\$ 272,868	\$ 28,353	\$ 301,221
Accrued interest receivable	31	-	31
Due from other governments	1,489	-	1,489
Inventory	79,408	-	79,408
Prepaid expenses	36,901	8,088	44,989
	<u>390,697</u>	<u>36,441</u>	<u>427,138</u>
Total current assets			
<b><i>Noncurrent assets:</i></b>			
Capital assets not being depreciated	4,250	-	4,250
Capital assets being depreciated, net	2,613,228	15,893	2,629,121
	<u>2,617,478</u>	<u>15,893</u>	<u>2,633,371</u>
Total noncurrent assets			
Total assets	<u>3,008,175</u>	<u>52,334</u>	<u>3,060,509</u>
<b>Deferred outflows of resources:</b>			
Related to pension	<u>56,796</u>	<u>-</u>	<u>56,796</u>
<b>Liabilities:</b>			
<b><i>Current liabilities:</i></b>			
Accounts payable	19,329	7,605	26,934
Accrued wages payable	6,223	-	6,223
	<u>25,552</u>	<u>7,605</u>	<u>33,157</u>
Total current liabilities			
<b><i>Noncurrent liabilities:</i></b>			
Compensated absences payable	4,452	-	4,452
Net pension liability	360,092	-	360,092
	<u>364,544</u>	<u>-</u>	<u>364,544</u>
Total noncurrent liabilities			
Total liabilities	<u>390,096</u>	<u>7,605</u>	<u>397,701</u>
<b>Deferred inflows of resources:</b>			
Related to pension	<u>67,552</u>	<u>-</u>	<u>67,552</u>
<b>Net position:</b>			
Investment in capital assets	2,617,478	15,893	2,633,371
Unrestricted (deficit)	(10,155)	28,836	18,681
	<u>2,607,323</u>	<u>44,729</u>	<u>2,652,052</u>
Total net position	<u>\$ 2,607,323</u>	<u>\$ 44,729</u>	<u>\$ 2,652,052</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, 2021

	<u><i>Motor Pool</i></u> <u><i>Fund</i></u>	<u><i>Technology</i></u> <u><i>Fund</i></u>	<u><i>Total</i></u>
<b>Operating revenues:</b>			
Equipment rental - interfund charges	\$ 1,116,545	\$ 124,424	\$ 1,240,969
Other	40,229	-	40,229
Total operating revenues	<u>1,156,774</u>	<u>124,424</u>	<u>1,281,198</u>
<b>Operating expenses:</b>			
Personal services	367,668	-	367,668
Contracted services	35,178	88,160	123,338
Administrative expense	66,800	-	66,800
Insurance	60,691	-	60,691
Utilities	27,202	-	27,202
Repairs and maintenance	94,131	-	94,131
Other services and expenses	132,667	32,620	165,287
Depreciation	332,108	3,644	335,752
Total operating expenses	<u>1,116,445</u>	<u>124,424</u>	<u>1,240,869</u>
Operating income (loss)	<u>40,329</u>	<u>-</u>	<u>40,329</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	968	-	968
Sales of capital assets	87,825	-	87,825
Net non-operating revenues	<u>88,793</u>	<u>-</u>	<u>88,793</u>
Changes in net position	129,122	-	129,122
Net position, beginning of year	<u>2,478,201</u>	<u>44,729</u>	<u>2,522,930</u>
Net position, end of year	<u>\$ 2,607,323</u>	<u>\$ 44,729</u>	<u>\$ 2,652,052</u>

# CITY OF LUDINGTON

*INTERNAL SERVICE FUNDS*  
**COMBINING STATEMENT OF CASH FLOWS**  
 Year Ended December 31, 2021

	<u><i>Motor Pool</i></u> <u><i>Fund</i></u>	<u><i>Technology</i></u> <u><i>Fund</i></u>	<u><i>Total</i></u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 39,658	\$ -	\$ 39,658
Cash received from interfund services	1,116,545	124,424	1,240,969
Cash payments to employees and on behalf of employees	(374,965)	-	(374,965)
Cash payments to suppliers for goods and services	(434,580)	(109,780)	(544,360)
	<u>346,658</u>	<u>14,644</u>	<u>361,302</u>
Net cash provided (used) by operating activities			
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from sale of capital assets	121,022	-	121,022
Acquisition of capital assets	(419,491)	-	(419,491)
	<u>(298,469)</u>	<u>-</u>	<u>(298,469)</u>
Net cash used by capital and related financing activities			
<b>Cash flows from investing activities:</b>			
Interest received	1,034	-	1,034
	<u>49,223</u>	<u>14,644</u>	<u>63,867</u>
Change in cash and cash equivalents			
Cash and cash equivalents, beginning of year	223,645	13,709	237,354
	<u>\$ 272,868</u>	<u>\$ 28,353</u>	<u>\$ 301,221</u>
Cash and cash equivalents, end of year			
<b>Reconciliation of operating loss to net cash provided</b>			
<b>(used) by operating activities:</b>			
Operating income	\$ 40,329	\$ -	\$ 40,329
Adjustments:			
Depreciation	332,108	3,644	335,752
Change in assets and liabilities:			
Due from other governments	(571)	-	(571)
Inventory	(17,033)	-	(17,033)
Prepaid expenses	(1,376)	6,646	5,270
Accounts payable	498	4,354	4,852
Accrued wages payable	963	-	963
Compensated absences payable	1,257	-	1,257
Net pension liability and related deferred amounts	(9,517)	-	(9,517)
	<u>\$ 346,658</u>	<u>\$ 14,644</u>	<u>\$ 361,302</u>
Net cash provided (used) by operating activities			

# CITY OF LUDINGTON

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

### COMBINING STATEMENT OF FIDUCIARY NET POSITION

December 31, 2021

	<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	\$ 628,765	\$ 30,083	\$ -	\$ 658,848
Investments at fair value				
Equity securities	7,084,454	-	-	7,084,454
Money market	-	-	2,363	2,363
Taxes receivable	29,742	-	-	29,742
Accrued interest receivable	37	-	-	37
	<u>7,742,998</u>	<u>30,083</u>	<u>2,363</u>	<u>7,775,444</u>
Total assets				
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	<u>488,783</u>	<u>-</u>	<u>-</u>	<u>488,783</u>
<b>Net position:</b>				
Restricted for:				
Pension benefits	7,254,215	30,083	-	7,284,298
Retiree healthcare benefits	<u>-</u>	<u>-</u>	<u>2,363</u>	<u>2,363</u>
	<u>\$ 7,254,215</u>	<u>\$ 30,083</u>	<u>\$ 2,363</u>	<u>\$ 7,286,661</u>
Total net position				

# CITY OF LUDINGTON

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

### COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2021

	<i>Police Pension Trust Fund</i>	<i>Police Greenwood Fund</i>	<i>OPEB Fund</i>	<i>Total</i>
<b>Additions:</b>				
Contributions:				
Employer	\$ 452,026	\$ -	\$ -	\$ 452,026
Employee	70,818	-	-	70,818
Total contributions	<u>522,844</u>	<u>-</u>	<u>-</u>	<u>522,844</u>
Investment earnings:				
Interest	172,817	144		172,961
Net increase in fair value of investments	449,735	-	293	450,028
Net investment earnings	<u>622,552</u>	<u>144</u>	<u>293</u>	<u>622,989</u>
Total additions	<u>1,145,396</u>	<u>144</u>	<u>293</u>	<u>1,145,833</u>
<b>Deductions:</b>				
Benefits - pension	603,551	6,200	-	609,751
Fees and other	28,130	-	4	28,134
Total deductions	<u>631,681</u>	<u>6,200</u>	<u>4</u>	<u>637,885</u>
Net increase (decrease)	513,715	(6,056)	289	507,948
Net position, beginning of year	<u>6,740,500</u>	<u>36,139</u>	<u>2,074</u>	<u>6,778,713</u>
Net position, end of year	<u>\$ 7,254,215</u>	<u>\$ 30,083</u>	<u>\$ 2,363</u>	<u>\$ 7,286,661</u>

# CITY OF LUDINGTON

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*FIDUCIARY FUNDS – CUSTODIAL FUNDS*  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
December 31, 2021

	<i>Tax Collection Fund</i>	<i>Cultural Economic Development Fund</i>	<i>Splash Pad Fund</i>	<i>Total</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 310,931	\$ 25,840	\$ 37,950	\$ 374,721
Prepaid expenses	-	-	-	-
Total assets	<u>310,931</u>	<u>25,840</u>	<u>37,950</u>	<u>374,721</u>
<b>Liabilities:</b>				
Accounts payable	2,597	-	-	2,597
Undistributed tax collections	<u>308,334</u>	<u>-</u>	<u>-</u>	<u>308,334</u>
Total liabilities	<u>310,931</u>	<u>-</u>	<u>-</u>	<u>310,931</u>
<b>Net position:</b>				
Restricted for:				
Individuals, organizations, and other governments	<u>-</u>	<u>25,840</u>	<u>37,950</u>	<u>63,790</u>
Total net position	<u>\$ -</u>	<u>\$ 25,840</u>	<u>\$ 37,950</u>	<u>\$ 63,790</u>

# CITY OF LUDINGTON

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*FIDUCIARY FUNDS – CUSTODIAL FUNDS*  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
 Year Ended December 31, 2021

	<i>Tax Collection Fund</i>	<i>Cultural Economic Development Fund</i>	<i>Splash Pad Fund</i>	<i>Total</i>
<b>Additions:</b>				
Contributions:				
Gifts and bequests	\$ -	\$ 2,059	\$ 14,807	\$ 16,866
Property tax collections for other governments	9,463,132	-	-	9,463,132
Total additions	9,463,132	2,059	14,807	9,479,998
<b>Deductions:</b>				
Payments on behalf of organizations	-	134	-	134
Property tax collections to other governments	9,463,132	-	-	9,463,132
Total deductions	9,463,132	134	-	9,463,266
Net increase (decrease)	-	1,925	14,807	16,732
Net position, beginning of year	-	23,915	23,143	47,058
Net position, end of year	\$ -	\$ 25,840	\$ 37,950	\$ 63,790

# CITY OF LUDINGTON

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## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

### BALANCE SHEET

December 31, 2021

**Assets:**

Cash and cash equivalents	\$	264,941
Taxes receivable		1,198
Accounts receivable		52,904
Accrued interest receivable		7
Prepaid expenditures		<u>690</u>
Total assets	\$	<u><u>319,740</u></u>

**Liabilities:**

Accounts payable	\$	3,843
Accrued expenses		1,559
Accrued wages payable		1,143
Unearned revenue		<u>90,028</u>
Total liabilities		<u>96,573</u>

**Deferred inflows of resources:**

Unavailable revenue - property taxes		<u>118,550</u>
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**Fund balance:**

Unassigned		<u>104,617</u>
Total liabilities, deferred inflows of resources, and fund balance	\$	<u><u>319,740</u></u>

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

<b>Fund balance for component unit</b>	\$	104,617
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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>2,328,621</u>
<b>Net position of component unit</b>	\$	<u><u>2,466,154</u></u>

# CITY OF LUDINGTON

## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

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

Year Ended December 31, 2021

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<b>Revenues:</b>				
Property taxes	\$ 111,500	\$ 111,500	\$ 110,858	\$ (642)
Federal grants	2,123,100	1,543,100	1,490,487	-
State grants	9,000	9,000	11,229	2,229
Charges for services	-	-	983	983
Interest and rents	2,500	2,500	334	(2,166)
Other revenue	64,700	64,700	127,697	62,997
Total revenues	2,310,800	1,730,800	1,741,588	63,401
<b>Expenditures:</b>				
Current				
Community and economic development	101,500	116,200	112,967	3,233
Capital outlay	2,172,400	1,532,700	1,530,751	1,949
Total expenditures	2,273,900	1,648,900	1,643,718	5,182
Change in fund balance	36,900	81,900	97,870	68,583
Fund balance, beginning of year	6,747	6,747	6,747	-
Fund balance, end of year	\$ 43,647	\$ 88,647	\$ 104,617	\$ 68,583

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

**Change in fund balance** \$ 97,870

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	1,530,751
Depreciation expense	(70,902)
<b>Change in net position</b>	<b>\$ 1,557,719</b>

# CITY OF LUDINGTON

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*GOVERNMENTAL ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**  
December 31, 2021

**2018 COPIER/PRINTER CAPITAL LEASE AGREEMENT**

Issue in the amount of	\$	125,511
Less:		
Principal paid in prior years		(72,195)
Principal paid in current year		<u>(22,206)</u>
Balance payable at December 31, 2021	\$	<u>31,110</u>

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Interest Rate</i></u>	<u><i>Principal due</i></u>
2022	0.0%	\$ 16,728
2023	0.0%	7,028
2024	0.0%	3,793
2025	0.0%	3,235
2026	0.0%	<u>326</u>
		<u>\$ 31,110</u>

# CITY OF LUDINGTON

## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

### 2018 GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT BONDS

Issue dated June 6, 2018 in the amount of	\$ 1,200,000
Less: Principal paid in prior years	(90,000)
Principal paid in current year	<u>(17,000)</u>
Balance payable at December 31, 2021	<u>\$ 1,093,000</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>
2022	3.250%	\$ 17,761	\$ 17,761	\$ 17,000	\$ 52,522
2023	3.250%	17,485	17,485	18,000	52,970
2024	3.250%	17,193	17,193	18,000	52,386
2025	3.250%	16,900	16,900	19,000	52,800
2026	3.250%	16,591	16,591	19,000	52,182
2027	3.250%	16,283	16,283	20,000	52,566
2028	3.250%	15,958	15,958	21,000	52,916
2029	3.250%	15,616	15,616	21,000	52,232
2030	3.250%	15,275	15,275	22,000	52,550
2031	3.250%	14,918	14,918	23,000	52,836
2032	3.250%	14,544	14,544	23,000	52,088
2033	3.250%	14,170	14,170	24,000	52,340
2034	3.250%	13,780	13,780	25,000	52,560
2035	3.250%	13,374	13,374	26,000	52,748
2036	3.250%	12,951	12,951	27,000	52,902
2037	3.250%	12,513	12,513	28,000	53,026
2038	3.250%	12,058	12,058	28,000	52,116
2039	3.250%	11,603	11,603	29,000	52,206
2040	3.250%	11,131	11,131	30,000	52,262
2041	3.250%	10,644	10,644	31,000	52,288
2042	3.250%	10,140	10,140	32,000	52,280
2043	3.250%	9,620	9,620	33,000	52,240
2044	3.250%	9,084	9,084	34,000	52,168
2045	3.250%	8,531	8,531	36,000	53,062
2046	3.250%	7,946	7,946	37,000	52,892
2047	3.250%	7,345	7,345	38,000	52,690
2048	3.250%	6,728	6,728	39,000	52,456
2049	3.250%	6,094	6,094	40,000	52,188
2050	3.250%	5,444	5,444	42,000	52,888
2051	3.250%	4,761	4,761	43,000	52,522
2052	3.250%	4,063	4,063	44,000	52,126
2053	3.250%	3,348	3,348	46,000	52,696

continued

# CITY OF LUDINGTON

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*GOVERNMENTAL ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
 December 31, 2021

**2018 GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT 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>
2054	3.250%	2,600	2,600	47,000	52,200
2055	3.250%	1,836	1,836	49,000	52,672
2056	3.250%	1,040	1,040	51,000	53,080
2057	3.250%	211	211	13,000	13,422
		<u>\$ 379,539</u>	<u>\$ 379,539</u>	<u>\$ 1,093,000</u>	<u>\$ 1,852,078</u>

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**  
 December 31, 2021

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

Issue in the amount of		\$ 1,500,000
Less:	Principal paid in prior years	(920,000)
	Principal paid in current year	<u>(80,000)</u>
Balance payable at December 31, 2021		<u>\$ 500,000</u>

Balance payable as follows:

<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>
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>\$ 14,382</u>	<u>\$ 14,382</u>	<u>\$ 500,000</u>	<u>\$ 528,764</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

### 2016 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated October 18, 2016 in the amount of	\$ 9,817,000
Less: Principal paid in prior years	(772,000)
Principal paid in current year	<u>(196,000)</u>
Balance payable at December 31, 2021	<u>\$ 8,849,000</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>
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, 2021

**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>\$ 1,178,441</u>	<u>\$ 1,178,441</u>	<u>\$ 8,849,000</u>	<u>\$ 11,205,882</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

### 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	(137,000)
Principal paid in current year	<u>(35,000)</u>
Balance payable at December 31, 2021	<u>\$ 1,974,000</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>
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, 2021

**2017 SEWAGE DISPOSAL SYSTEM JUNIOR LIEN 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	2.500%	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>\$ 504,871</u>	<u>\$ 504,871</u>	<u>\$ 1,974,000</u>	<u>\$ 2,983,742</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

### 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	(160,000)
Principal paid in current year	<u>(45,000)</u>
Balance payable at December 31, 2021	<u>\$ 2,125,000</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>
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, 2021

**2017 WATER SUPPLY SYSTEM JUNIOR LIEN 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	1.875%	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>\$ 395,393</u>	<u>\$ 395,393</u>	<u>\$ 2,125,000</u>	<u>\$ 2,915,786</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

### 2018 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

Issue dated March 7, 2018 in the amount of	\$ 2,020,000
Less: Principal paid in prior years	(221,000)
Principal paid in current year	<u>(31,000)</u>
Balance payable at December 31, 2021	<u>\$ 1,768,000</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>
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, 2021

**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>\$ 495,719</u>	<u>\$ 495,719</u>	<u>\$ 1,768,000</u>	<u>\$ 2,759,438</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

### 2018 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated March 7, 2018 in the amount of	\$ 1,351,000
Less: Principal paid in prior years	(148,000)
Principal paid in current year	<u>(23,000)</u>
Balance payable at December 31, 2021	<u>\$ 1,180,000</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>
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, 2021

**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>\$ 263,948</u>	<u>\$ 263,948</u>	<u>\$ 1,180,000</u>	<u>\$ 1,707,896</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

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

Issue dated March 11, 2019 in the amount of	\$ 9,000,000
Less: Principal paid in prior years	(296,000)
Principal paid in current year	<u>(144,000)</u>
Balance payable at December 31, 2021	<u>\$ 8,560,000</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>
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
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

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
December 31, 2021

**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>
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>\$ 2,200,095</u>	<u>\$ 2,200,095</u>	<u>\$ 8,560,000</u>	<u>\$ 12,960,190</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

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

Issue dated March 11, 2019 in the amount of	\$ 8,079,000
Less: Principal paid in prior years	(266,000)
Principal paid in current year	<u>(129,000)</u>
Balance payable at December 31, 2021	<u>\$ 7,684,000</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>
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
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

continued

# CITY OF LUDINGTON

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*BUSINESS-TYPE ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS, CONTINUED**  
December 31, 2021

**2019 SEWAGE DISPOSAL SYSTEM REVENUE BONDS (JUNIOR LIEN), SERIES B, 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>
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>\$ 1,974,890</u>	<u>\$ 1,974,890</u>	<u>\$ 7,684,000</u>	<u>\$ 11,633,780</u>

# CITY OF LUDINGTON

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2021

### 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	(292,000)
Principal paid in prior years	(195,000)
Principal paid in current year	<u>(94,000)</u>

Balance payable at December 31, 2021 \$ 5,433,000

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>
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, 2021

**2019 SEWAGE DISPOSAL SYSTEM REVENUE BONDS (JUNIOR LIEN), SERIES C, 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	2.500%	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>\$ 1,558,213</u>	<u>\$ 1,558,213</u>	\$ 5,725,000	<u>\$ 8,841,426</u>
				Less: Amount not drawn yet	
				<u>(292,000)</u>	
				<u>\$ 5,433,000</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, 2021, 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 29, 2022.

**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 29, 2022