

CITY OF LUDINGTON

Mason County, Michigan

FINANCIAL STATEMENTS

December 31, 2022

CITY OF LUDINGTON

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances.....	19
Reconciliation of Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities.....	20
Proprietary Funds:	
Statement of Net Position.....	21
Statement of Revenues, Expenses and Changes in Fund Net Position.....	25
Statement of Cash Flows.....	27
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	31
Statement of Changes in Fiduciary Net Position.....	32
Notes to Financial Statements	34
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Changes in the City's General (MERS) Net Pension Liability and Related Ratios.....	65
Schedule of Changes in the City's Police Net Pension Liability and Related Ratios.....	67
Schedule of City General (MERS) Defined Benefit Pension Contributions.....	69
Schedule of City Police Defined Benefit Pension Contributions.....	70
Schedule of City Police Defined Benefit Investment Returns.....	71
Schedules of Changes in the City's Net OPEB Liability and Related Ratios.....	72
Schedule of City OPEB Contributions.....	73
Schedule of City OPEB Investment Returns.....	74
Budgetary Comparison Schedule – General Fund.....	75
SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	81
Nonmajor Enterprise Funds:	
Combining Statement of Net Position.....	84
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	85
Combining Statement of Cash Flows.....	86
Internal Service Funds:	
Combining Statement of Net Position.....	88
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	89
Combining Statement of Cash Flows.....	90

CITY OF LUDINGTON

TABLE OF CONTENTS, CONTINUED

	PAGE
<i>Fiduciary Funds – Pension (and Other Postemployment Benefit) Trust Funds:</i>	
Combining Statement of Fiduciary Net Position.....	91
Combining Statement of Changes in Fiduciary Net Position.....	92
<i>Fiduciary Funds – Custodial Funds:</i>	
Combining Statement of Fiduciary Net Position.....	93
Combining Statement of Changes in Fiduciary Net Position.....	94
<i>Component Unit:</i>	
Balance Sheet.....	95
Statement of Revenues, Expenditures and Changes in Fund Balances.....	96
<i>Schedules of Indebtedness</i>	97
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	108



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2022, 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, 2022, 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.

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

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. 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, contributions and investment return (pages 65-74) and budgetary comparison information (pages 75-76) 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.

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

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 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 26, 2023 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 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

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, 2022. 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 \$36,726,051 for the year ended December 31, 2022, compared to \$35,863,542 for the year ended December 31, 2021.
- In the City's governmental activities, revenues generated were \$9,461,345 while expenses totaled \$9,471,928.
- In the City's business-type activities, revenues generated were \$9,140,252 while expenses totaled \$8,271,480.
- Total net position increased by \$862,509.

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/distribution, wastewater collection/treatment, marinas and 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

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, which is considered "major" funds. Data from the other ten (10) 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, 2022

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 \$36,726,051 at the close of the most recent calendar year, which is an increase of \$862,509. 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets:						
Current assets	\$ 10,040,218	\$ 10,872,867	\$ 3,262,680	\$ 4,244,885	\$ 13,302,898	\$ 15,117,752
Noncurrent assets:						
Restricted assets	-	-	2,680,476	2,406,270	2,680,476	2,406,270
Capital assets, net	<u>17,820,014</u>	<u>17,155,133</u>	<u>57,764,408</u>	<u>56,697,405</u>	<u>75,584,422</u>	<u>73,852,538</u>
Total assets	<u>27,860,232</u>	<u>28,028,000</u>	<u>63,707,564</u>	<u>63,348,560</u>	<u>91,567,796</u>	<u>91,376,560</u>
Deferred outflows of resources	<u>2,263,460</u>	<u>766,973</u>	<u>967,440</u>	<u>362,865</u>	<u>3,230,900</u>	<u>1,129,838</u>
Liabilities:						
Other liabilities	929,015	1,472,381	789,504	1,047,682	1,718,519	2,520,063
Long-term liabilities	<u>10,003,952</u>	<u>7,482,981</u>	<u>41,565,940</u>	<u>40,866,112</u>	<u>51,569,892</u>	<u>48,349,093</u>
Total liabilities	<u>10,932,967</u>	<u>8,955,362</u>	<u>42,355,444</u>	<u>41,913,794</u>	<u>53,288,411</u>	<u>50,869,156</u>
Deferred inflows of resources	<u>4,714,115</u>	<u>5,356,738</u>	<u>70,119</u>	<u>416,962</u>	<u>4,784,234</u>	<u>5,773,700</u>
Net position:						
Net investment in capital assets	16,744,014	16,031,023	19,923,408	18,624,405	36,667,422	34,655,428
Restricted	984,536	902,611	1,490,398	1,235,954	2,474,934	2,138,565
Unrestricted (deficit)	<u>(3,251,940)</u>	<u>(2,450,761)</u>	<u>835,635</u>	<u>1,520,310</u>	<u>(2,416,305)</u>	<u>(930,451)</u>
Total net position	<u>\$ 14,476,610</u>	<u>\$ 14,482,873</u>	<u>\$ 22,249,441</u>	<u>\$ 21,380,669</u>	<u>\$ 36,726,051</u>	<u>\$ 35,863,542</u>

By far the largest portion of the City's net position, \$36,667,422, 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, \$2,474,934 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 \$2,416,305.

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

The following table shows comparison of the change in net position in a condensed format for the years ended December 31, 2022 and 2021:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues						
Charges for services	\$ 1,042,145	\$ 946,082	\$ 8,028,132	\$ 7,464,421	\$ 9,070,277	\$ 8,410,503
Operating grants	1,851,322	1,512,685	-	1,385	1,851,322	1,514,070
Capital grants	429,218	-	1,057,589	18,620	1,486,807	18,620
General revenues						
Property taxes	4,063,246	3,987,263	-	-	4,063,246	3,987,263
Franchise fees	85,168	84,268	-	-	85,168	84,268
Unrestricted grants	1,933,028	1,924,048	-	-	1,933,028	1,924,048
Investment earnings	38,849	31,471	31,911	17,790	70,760	49,261
Other	18,369	28,486	22,620	-	40,989	28,486
Total revenues	<u>9,461,345</u>	<u>8,514,303</u>	<u>9,140,252</u>	<u>7,502,216</u>	<u>18,601,597</u>	<u>16,016,519</u>
Expenses:						
General government	2,058,812	1,807,206	-	-	2,058,812	1,807,206
Public safety	2,315,616	1,683,754	-	-	2,315,616	1,683,754
Public works	3,197,783	2,801,973	-	-	3,197,783	2,801,973
Health and welfare	279,143	208,569	-	-	279,143	208,569
Community and economic development	537,185	227,517	-	-	537,185	227,517
Recreation and culture	1,040,459	912,461	-	-	1,040,459	912,461
Interest on long-term debt	42,930	48,402	-	-	42,930	48,402
Sewer	-	-	3,344,899	3,069,167	3,344,899	3,069,167
Water	-	-	2,756,774	2,498,937	2,756,774	2,498,937
Municipal Marina	-	-	1,111,379	918,163	1,111,379	918,163
Cartier Park Campground	-	-	311,883	297,125	311,883	297,125
Harbor View Marina	-	-	746,545	719,785	746,545	719,785
Total expenses	<u>9,471,928</u>	<u>7,689,882</u>	<u>8,271,480</u>	<u>7,503,177</u>	<u>17,743,408</u>	<u>15,193,059</u>
Excess of revenues over expenses before other items	<u>(10,583)</u>	<u>824,421</u>	<u>868,772</u>	<u>(961)</u>	<u>858,189</u>	<u>823,460</u>
Other items:						
Sale of capital assets	<u>4,320</u>	<u>285,617</u>	<u>-</u>	<u>-</u>	<u>4,320</u>	<u>285,617</u>
Changes in net position	(6,263)	1,110,038	868,772	(961)	862,509	1,109,077
Net position, beginning 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>
Net position, end of year	<u>\$ 14,476,610</u>	<u>\$ 14,482,873</u>	<u>\$ 22,249,441</u>	<u>\$ 21,380,669</u>	<u>\$ 36,726,051</u>	<u>\$ 35,863,542</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

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

Governmental activities. For the current year, governmental activities, including other items, decreased the City's total net position by \$6,263. This decrease was \$1,116,301 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 \$75,983 or approximately 1.9%. Property taxes made up 42.9% of the total revenue, down from 46.8% of the total in the previous year.
- Charges for services revenue increased by \$96,063 as more activities were opened to the public coming out of the pandemic.
- Operating grants increased by \$338,637. The increase was the result of transferring American Rescue Plan Act (ARPA) dollars to grant income and spending these grant dollars as well as CDBG grant funds received for building rehabilitation.
- Total expenses increased \$1,782,046; however, there were few significant line item changes.

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

The City's business-type activities increased the City's total net position by \$868,772. This was a result of the following:

- Capital grant revenue increased \$1,038,969 compared to the prior year. ARPA grant funds of \$449,000 were transferred to grant revenue and spent. Ludington Municipal Marina received grant money for F Dock replacement and Harbor View Marina received state funds for the replacement of its gas docks and seawall repair.
- Total expenses increased \$768,303 due to increases in the cost of chemicals, supplies and utilities. While the revenue from marina fuel was higher compared to the prior year, fuel costs also increased in proportion to the revenue increases.

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.

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, 2022, General Fund financing uses exceeded its financing sources by \$476,966, decreasing its ending fund balance to \$2,349,698.

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a decrease in fund balance of \$310,500. During the year, the City made budget amendments that changed the projection to a net decrease in fund balance of \$523,150. The actual results for the year yielded a net decrease in fund balance of \$476,966.

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

- Local Stabilization income was \$101,400 higher than budgeted.
- Interest, penalties and fees from tax account were \$1,025 lower than budgeted.
- Building permit revenue decreased \$14,600 over what was budgeted.
- State constitutional revenue sharing was \$144,000 higher than budgeted.
- State statutory revenue sharing was \$5,700 higher than budgeted.
- Grave opening revenue was \$4,000 lower than budgeted and sale of cemetery lots was \$11,600 lower than budgeted.
- Sale of refuse stickers was \$3,586 higher than budgeted.
- Boat ramp sticker sales were \$9,724 over budget.
- Sidewalk construction income was \$9,444 lower than budgeted.

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

- The City spent \$262,846 in repairing the rubble mound pier at the Loomis Street boat launch which was not budgeted.
- Police department wages and fringe benefits were lower than budgeted due to limited applicant market and an open chief position for part of the year.
- Attorney fees were \$23,100 higher due to legal expenses incurred in defending lawsuits and additional services necessary when the city was exploring whether to allow marijuana establishments in the City.

Capital Assets and Debt Administration:

At December 31, 2022, the City of Ludington had \$75,584,422 invested in capital assets including land, buildings, equipment, land improvements, water and sewer lines and other infrastructure, net of accumulated depreciation. At December 31, 2021, this total was \$73,852,538. There were significant acquisitions in both the governmental activities and business-type activities. Additional information about the City's capital assets is presented in Note 1 and Note 6 of the Notes to the Financial Statements.

At December 31, 2022, the City of Ludington's total long-term indebtedness (not including liabilities for compensated absences payable, net pension liability, and net OPEB liability) was \$38,652,000, of which \$1,076,000 was backed by the full faith and credit of the City and the remaining \$37,576,000 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.

CITY OF LUDINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

The City has approved a budget for 2023 where the City is expected to spend \$27,400 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 2025 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.

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 the meantime, the City is actively seeking grant opportunities and researching revenue sources to help with this substantial cost. Bond improvement work is now complete and the City is in the repayment stage. In order to repay these bonds, the City has and will continue to increase the water and sewer rates and readiness-to-serve charges to cover operating expenses, capital expenses, debt service and depreciation expenses. A comprehensive water and sewer rate study will again be completed in 2023 to assist the City with a plan of action to address our future utility rate structure. A long term monetary challenge facing the City is finding funding sources to pay for the reconstruction and maintenance of our City streets. The City will continue to research grant opportunities or other means to offset the cost of these street improvements.

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

BASIC FINANCIAL STATEMENTS

CITY OF LUDINGTON

STATEMENT OF NET POSITION

December 31, 2022

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 5,598,027	\$ 1,943,734	\$ 7,541,761	\$ 271,869
Investments	2,583,642	-	2,583,642	-
Receivables	763,086	1,592,328	2,355,414	24,170
Internal balances	738,739	(738,739)	-	-
Inventory	189,158	345,133	534,291	-
Prepaid expenses	167,566	120,224	287,790	-
Restricted cash and cash equivalents	-	2,680,476	2,680,476	-
Capital assets not being depreciated	213,254	948,441	1,161,695	32,916
Capital assets being depreciated, net	<u>17,606,760</u>	<u>56,815,967</u>	<u>74,422,727</u>	<u>2,325,359</u>
Total assets	<u>27,860,232</u>	<u>63,707,564</u>	<u>91,567,796</u>	<u>2,654,314</u>
Deferred outflows of resources:				
Related to pension - General (MERS)	1,479,945	967,426	2,447,371	-
Related to pension - Police	783,331	-	783,331	-
Related to OPEB	<u>184</u>	<u>14</u>	<u>198</u>	<u>-</u>
	<u>2,263,460</u>	<u>967,440</u>	<u>3,230,900</u>	<u>-</u>
Liabilities:				
Accounts payable and accrued expenses	569,245	435,912	1,005,157	2,011
Unearned revenue	359,770	353,592	713,362	45,438
Long-term liabilities:				
Due within one year				
Current portion of long-term debt	18,000	803,000	821,000	-
Due in more than one year				
Compensated absences payable	138,256	61,843	200,099	-
Long-term debt	1,058,000	36,773,000	37,831,000	-
Net pension liability - General (MERS)	5,717,463	3,886,317	9,603,780	-
Net pension liability - Police	2,591,766	-	2,591,766	-
Net OPEB liability	<u>480,467</u>	<u>41,780</u>	<u>522,247</u>	<u>-</u>
Total liabilities	<u>10,932,967</u>	<u>42,355,444</u>	<u>53,288,411</u>	<u>47,449</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,573,768	-	4,573,768	126,683
Related to pension - General (MERS)	104,234	70,119	174,353	-
Related to pension - Police	<u>36,113</u>	<u>-</u>	<u>36,113</u>	<u>-</u>
Total deferred inflow of resources	<u>4,714,115</u>	<u>70,119</u>	<u>4,784,234</u>	<u>126,683</u>

continued

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

CITY OF LUDINGTON

STATEMENT OF NET POSITION, CONTINUED

December 31, 2022

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Net position:				
Net investment in capital assets	16,744,014	19,923,408	36,667,422	2,358,275
Restricted for:				
Bond and RRI reserve	-	1,490,398	1,490,398	-
Capital projects	22,055	-	22,055	-
Senior center activities	112,940	-	112,940	-
Streets	849,541	-	849,541	-
Unrestricted (deficit)	<u>(3,251,940)</u>	<u>835,635</u>	<u>(2,416,305)</u>	<u>121,907</u>
Total net position	<u>\$ 14,476,610</u>	<u>\$ 22,249,441</u>	<u>\$ 36,726,051</u>	<u>\$ 2,480,182</u>

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

CITY OF LUDINGTON

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

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>	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 2,058,812	\$ 409,188	\$ 31,651	\$ -	\$ (1,617,973)
Public safety	2,315,616	242,816	47,515	-	(2,025,285)
Public works	3,197,783	233,584	1,107,231	388,749	(1,468,219)
Health and welfare	279,143	53,828	249,339	-	24,024
Community and economic development	537,185	5,210	371,759	-	(160,216)
Recreation and culture	1,040,459	97,519	43,827	40,469	(858,644)
Interest on long-term debt	42,930	-	-	-	(42,930)
Total governmental activities	<u>9,471,928</u>	<u>1,042,145</u>	<u>1,851,322</u>	<u>429,218</u>	<u>(6,149,243)</u>
<i>Business-type activities:</i>					
Sewer	3,344,899	2,698,389	-	41,123	(605,387)
Water	2,756,774	2,986,113	-	407,674	637,013
Cartier Park Campground	311,883	347,693	-	-	35,810
Municipal Marina	1,111,379	1,093,656	-	268,738	251,015
Harbor View Marina	746,545	902,281	-	340,054	495,790
Total business-type activities	<u>8,271,480</u>	<u>8,028,132</u>	<u>-</u>	<u>1,057,589</u>	<u>814,241</u>
Total primary government	<u>\$ 17,743,408</u>	<u>\$ 9,070,277</u>	<u>\$ 1,851,322</u>	<u>\$ 1,486,807</u>	<u>\$ (5,335,002)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 223,245</u>	<u>\$ 300</u>	<u>\$ 74,579</u>	<u>\$ 39,213</u>	<u>\$ (109,153)</u>

continued

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

CITY OF LUDINGTON

STATEMENT OF ACTIVITIES, CONTINUED

Year Ended December 31, 2022

	<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	\$ (6,149,243)	\$ 814,241	\$ (5,335,002)	\$ (109,153)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,957,691	-	3,957,691	-
Property taxes, levied and captured by DDA	-	-	-	106,965
Payment in lieu of taxes	105,555	-	105,555	-
Franchise fees	85,168	-	85,168	-
Grants and contributions not restricted to specific programs	1,933,028	-	1,933,028	11,664
Unrestricted investment earnings	38,849	31,911	70,760	820
Other	18,369	22,620	40,989	3,732
Special item - Gain (loss) on sale of capital asset	4,320	-	4,320	-
Total general revenues and special item	6,142,980	54,531	6,197,511	123,181
Changes in net position	(6,263)	868,772	862,509	14,028
Net position, beginning of year	14,482,873	21,380,669	35,863,542	2,466,154
Net position, end of year	\$ 14,476,610	\$ 22,249,441	\$ 36,726,051	\$ 2,480,182

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

CITY OF LUDINGTON

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2022

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 4,051,250	\$ 1,354,581	\$ 5,405,831
Investments	2,583,642	-	2,583,642
Taxes receivable	238,440	-	238,440
Accounts receivable	136,726	7,720	144,446
Special assessments receivable	1,090	-	1,090
Notes receivable	-	5,207	5,207
Accrued interest receivable	641	288	929
Due from other governments	173,140	197,394	370,534
Inventory	31,543	64,947	96,490
Prepaid expenditures	98,919	10,051	108,970
Advance receivable from other fund	400,000	-	400,000
Total assets	<u>\$ 7,715,391</u>	<u>\$ 1,640,188</u>	<u>\$ 9,355,579</u>
Liabilities:			
Accounts payable	\$ 316,046	\$ 65,683	\$ 381,729
Accrued expenses	-	1,604	1,604
Due to other governments	-	20,360	20,360
Deposits payable	38,263	-	38,263
Accrued wages payable	78,876	12,978	91,854
Unearned revenue	358,740	1,030	359,770
Total liabilities	<u>791,925</u>	<u>101,655</u>	<u>893,580</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	4,573,768	-	4,573,768
Fund balances:			
Nonspendable	130,462	80,205	210,667
Restricted	-	1,458,328	1,458,328
Committed	67,137	-	67,137
Assigned	56,960	-	56,960
Unassigned	2,095,139	-	2,095,139
Total fund balances	<u>2,349,698</u>	<u>1,538,533</u>	<u>3,888,231</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,715,391</u>	<u>\$ 1,640,188</u>	<u>\$ 9,355,579</u>

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

CITY OF LUDINGTON

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

December 31, 2022

Fund balances of governmental funds	\$ 3,888,231
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	209,004
Capital assets being depreciated, net	14,923,759
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	(7,764,195)
Deferred pension amounts	1,987,318
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	(480,467)
Deferred OPEB amounts	184
Interest payable in the governmental activities is not payable from current financial resources and therefore is not reported in the governmental funds.	(8,743)
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	(1,076,000)
Compensated absences payable	(131,450)
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	2,590,230
Net position allocated to business-type activities from governmental activities internal service funds	338,739
Net position of governmental activities	<u>\$ 14,476,610</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, 2022

	<i>General Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Revenues:			
Property taxes	\$ 4,070,988	\$ -	\$ 4,070,988
Licenses and permits	133,371	-	133,371
Federal grants	131,520	365,682	497,202
State grants	1,945,175	1,104,686	3,049,861
Contributions from other units	34,571	223,536	258,107
Charges for services	692,711	238,821	931,532
Fines and forfeits	19,727	-	19,727
Interest and rents	31,102	11,128	42,230
Other revenue	162,143	19,889	182,032
	<u>7,221,308</u>	<u>1,963,742</u>	<u>9,185,050</u>
Total revenues			
Expenditures:			
Current			
General government	1,869,746	-	1,869,746
Public safety	2,109,411	52,554	2,161,965
Public works	1,886,987	938,708	2,825,695
Health and welfare	-	276,773	276,773
Community and economic development	177,385	352,945	530,330
Recreation and culture	729,818	117,809	847,627
Other	34,176	-	34,176
Capital outlay	400,164	517,662	917,826
Debt service			
Principal	38,655	17,000	55,655
Interest and fees	-	35,523	35,523
	<u>7,246,342</u>	<u>2,308,974</u>	<u>9,555,316</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(25,034)</u>	<u>(345,232)</u>	<u>(370,266)</u>
Other financing sources (uses):			
Sale of capital assets	4,320	-	4,320
Interfund transfers in	2,071	458,323	460,394
Interfund transfers out	(458,323)	(2,071)	(460,394)
	<u>(451,932)</u>	<u>456,252</u>	<u>4,320</u>
Net other financing sources (uses)			
Changes in fund balances	(476,966)	111,020	(365,946)
Fund balances, beginning of year	<u>2,826,664</u>	<u>1,427,513</u>	<u>4,254,177</u>
Fund balances, end of year	<u>\$ 2,349,698</u>	<u>\$ 1,538,533</u>	<u>\$ 3,888,231</u>

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

CITY OF LUDINGTON

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

Year Ended December 31, 2022

Changes in fund balances of governmental funds	\$ (365,946)
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	917,826
Capital assets acquired through capital contributions	383,549
Depreciation expense	(690,374)
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.	48,110
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	138
Change in compensated absences payable	(11,960)
Change in net pension liability and related deferred amounts	(367,391)
Change in net OPEB liability and related deferred amounts	130,523
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	(61,822)
Change in net position of governmental activities accounted for in internal service funds charged to business-type activities.	<u>11,084</u>
Change in net position of governmental activities	<u>\$ (6,263)</u>

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
 December 31, 2022

	<i>Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 895,570	\$ 265,564	\$ 9,759
Utility bills receivable	720,925	611,522	-
Accounts receivable	1,480	11,479	-
Accrued interest receivable	493	203	2
Due from other governments	-	-	52,266
Inventory	68,333	172,408	36,605
Prepaid expenses	44,149	45,669	11,587
Total current assets	1,730,950	1,106,845	110,219
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents			
USDA bond reserve	564,100	314,460	-
USDA RRI reserve	510,800	101,038	-
Equipment replacement and other reserves	687,005	503,073	-
Capital assets			
Not being depreciated	72,415	17,018	791,393
Being depreciated, net	33,726,603	19,956,007	2,391,965
Advance receivable to other funds	-	-	-
Total noncurrent assets	35,560,923	20,891,596	3,183,358
Total assets	37,291,873	21,998,441	3,293,577
Deferred outflows of resources:			
Related to pension	370,645	572,833	23,948
Related to OPEB	-	14	-
Total deferred outflow of resources	370,645	572,847	23,948
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	71,732	66,388	13,630
Deposits payable	-	13,500	-
Accrued interest payable	155,734	45,993	-
Accrued wages payable	18,211	25,948	1,116
Unearned revenue	-	-	150,890
Current long-term debt	533,000	270,000	-
Total current liabilities	778,677	421,829	165,636

continued

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF NET POSITION, CONTINUED
 December 31, 2022

	<i>Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>
Noncurrent liabilities:			
Long-term debt	25,156,000	11,617,000	-
Advance payable to other funds	-	-	265,000
Compensated absences payable	27,181	24,987	3,337
Net pension liability	1,493,706	2,303,402	87,497
Net OPEB liability	-	41,780	-
Total noncurrent liabilities	<u>26,676,887</u>	<u>13,987,169</u>	<u>355,834</u>
Total liabilities	<u>27,455,564</u>	<u>14,408,998</u>	<u>521,470</u>
Deferred inflows of resources:			
Related to pension	<u>26,978</u>	<u>40,686</u>	<u>2,455</u>
Net position:			
Net investment in capital assets	8,110,018	8,086,025	2,918,358
Restricted for:			
Bond and RRI reserve	1,074,900	415,498	-
Unrestricted (deficit)	<u>995,058</u>	<u>(379,919)</u>	<u>(124,758)</u>
Total net position	<u>\$ 10,179,976</u>	<u>\$ 8,121,604</u>	<u>\$ 2,793,600</u>

continued

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF NET POSITION, CONTINUED
 December 31, 2022

	<i>Enterprise Funds</i>		
	<i>Nonmajor Funds</i>	<i>Total</i>	<i>Internal Service Funds</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 772,841	\$ 1,943,734	\$ 192,196
Utility bills receivable	-	1,332,447	-
Accounts receivable	3,776	16,735	-
Accrued interest receivable	182	880	41
Due from other governments	190,000	242,266	2,399
Inventory	67,787	345,133	92,668
Prepaid expenses	18,819	120,224	58,596
	1,053,405	4,001,419	345,900
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents			
USDA bond reserve	-	878,560	-
USDA RRI reserve	-	611,838	-
Equipment replacement and other reserves	-	1,190,078	-
Capital assets			
Not being depreciated	-	880,826	4,250
Being depreciated, net	809,007	56,883,582	2,683,001
Advance from other funds	265,000	265,000	-
	1,074,007	60,709,884	2,687,251
Total noncurrent assets	1,074,007	60,709,884	2,687,251
Total assets	2,127,412	64,711,303	3,033,151
Deferred outflows of resources:			
Related to pension	-	967,426	145,427
Related to OPEB	-	14	-
	-	967,440	145,427
Total deferred outflow of resources	-	967,440	145,427
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	20,384	172,134	19,037
Deposits payable	350	13,850	-
Accrued interest payable	-	201,727	-
Accrued wages payable	2,926	48,201	7,655
Unearned revenue	202,702	353,592	-
Current long-term debt	-	803,000	-
	226,362	1,592,504	26,692
Total current liabilities	226,362	1,592,504	26,692

continued

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF NET POSITION, CONTINUED
 December 31, 2022

	<i>Enterprise Funds</i>		<i>Internal Service Funds</i>
	<i>Nonmajor Funds</i>	<i>Total</i>	
Noncurrent liabilities:			
Long-term debt	-	36,773,000	-
Advance to other funds	400,000	665,000	-
Compensated absences payable	6,338	61,843	6,806
Net pension liability	1,712	3,886,317	545,034
Net OPEB liability	-	41,780	-
Total noncurrent liabilities	408,050	41,427,940	551,840
Total liabilities	634,412	43,020,444	578,532
Deferred inflows of resources:			
Related to pension	-	70,119	9,816
Net position:			
Net investment in capital assets	809,007	19,923,408	2,687,251
Restricted for:			
Bond and RRI reserve	-	1,490,398	-
Unrestricted (deficit)	683,993	1,174,374	(97,021)
Total net position	\$ 1,493,000	\$ 22,588,180	\$ 2,590,230
Adjustment to reflect the allocation of internal service fund activities related to business-type activities		(338,739)	
		\$ 22,249,441	

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, 2022

	<i>Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>
Operating revenues:			
Charges for services	\$ 2,693,621	\$ 2,846,494	\$ 1,092,256
Equipment rental	-	-	-
Other	4,768	6,753	1,400
Total operating revenues	<u>2,698,389</u>	<u>2,853,247</u>	<u>1,093,656</u>
Operating expenses:			
Personal services	814,996	1,166,547	215,612
Contracted services	153,306	108,896	40,187
Administrative expense	114,400	125,100	46,600
Insurance	25,632	25,632	8,544
Utilities	405,568	231,707	47,229
Repairs and maintenance	30,753	64,570	7,282
Other services and expenses	155,586	291,862	632,443
Depreciation	1,013,313	549,670	113,193
Total operating expenses	<u>2,713,554</u>	<u>2,563,984</u>	<u>1,111,090</u>
Operating income (loss)	<u>(15,165)</u>	<u>289,263</u>	<u>(17,434)</u>
Non-operating revenues (expenses):			
Interest income	17,406	6,634	1,250
Rental income	-	132,866	-
Other income	6,591	5,644	538
Interest expense	(627,550)	(187,043)	-
Net non-operating revenues (expenses)	<u>(603,553)</u>	<u>(41,899)</u>	<u>1,788</u>
Changes in net position before capital contributions	(618,718)	247,364	(15,646)
Capital contributions:			
Federal grants	41,123	407,674	-
State grants	-	-	268,738
Total capital contributions	<u>41,123</u>	<u>407,674</u>	<u>268,738</u>
Changes in net position	(577,595)	655,038	253,092
Net position, beginning of year	<u>10,757,571</u>	<u>7,466,566</u>	<u>2,540,508</u>
Net position, end of year	<u>\$ 10,179,976</u>	<u>\$ 8,121,604</u>	<u>\$ 2,793,600</u>

continued

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION, CONTINUED**
 Year Ended December 31, 2022

	<i>Enterprise Funds</i>		<i>Internal Service Funds</i>
	<i>Nonmajor Funds</i>	<i>Total</i>	
Operating revenues:			
Charges for services	\$ 1,227,209	\$ 7,859,580	\$ -
Equipment rental	-	-	1,299,623
Other	22,765	35,686	49,272
Total operating revenues	1,249,974	7,895,266	1,348,895
Operating expenses:			
Personal services	334,066	2,531,221	438,550
Contracted services	121,043	423,432	122,842
Administrative expense	64,900	351,000	41,300
Insurance	17,088	76,896	59,808
Utilities	80,244	764,748	39,255
Repairs and maintenance	20,215	122,820	99,860
Other services and expenses	408,289	1,488,180	242,555
Depreciation	11,330	1,687,506	367,393
Total operating expenses	1,057,175	7,445,803	1,411,563
Operating income (loss)	192,799	449,463	(62,668)
Non-operating revenues (expenses):			
Interest income	6,621	31,911	846
Rental income	-	132,866	-
Other income	9,847	22,620	-
Interest expense	-	(814,593)	-
Net non-operating revenues (expenses)	16,468	(627,196)	846
Changes in net position before capital contributions	209,267	(177,733)	(61,822)
Capital contributions:			
Federal grants	-	448,797	-
State grants	340,054	608,792	-
Total capital contributions	340,054	1,057,589	-
Changes in net position	549,321	879,856	(61,822)
Net position, beginning of year	943,679		2,652,052
Net position, end of year	\$ 1,493,000		\$ 2,590,230
Adjustment to reflect the allocation of internal service fund activities to business-type activities.		(11,084)	
Changes in net position of business-type activities		\$ 868,772	

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

CITY OF LUDINGTON

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
 Year Ended December 31, 2022

	<i>Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>
Cash flows from operating activities:			
Cash received from customers	\$ 2,683,356	\$ 2,892,592	\$ 1,103,773
Cash received (paid) for interfund services	(78,693)	(119,176)	(6,000)
Cash payments to and on behalf of employees	(705,049)	(1,033,041)	(210,024)
Cash payments to suppliers for goods and services	(901,040)	(705,742)	(786,811)
Net cash provided by operating activities	<u>998,574</u>	<u>1,034,633</u>	<u>100,938</u>
Cash flows from non-capital financing activities:			
Other income	6,591	5,644	538
Reimbursements	<u>340,000</u>	<u>-</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>346,591</u>	<u>5,644</u>	<u>538</u>
Cash flows from capital and related financing activities:			
Advance from (to) other funds	-	-	265,000
Capital contributions	41,123	407,674	225,146
Acquisition and construction of capital assets	(505,350)	(1,126,556)	(823,209)
Proceeds from bonds	404,000	-	-
Principal payments	(522,000)	(267,000)	-
Interest paid	(630,570)	(188,067)	-
Net cash used by capital and related financing activities	<u>(1,212,797)</u>	<u>(1,173,949)</u>	<u>(333,063)</u>
Cash flows from investing activities:			
Interest received	22,883	6,537	1,275
Rent received	<u>-</u>	<u>132,866</u>	<u>-</u>
Net cash provided by investing activities	<u>22,883</u>	<u>139,403</u>	<u>1,275</u>
Change in cash and cash equivalents	155,251	5,731	(230,312)
Cash and cash equivalents, beginning of year	<u>2,502,224</u>	<u>1,178,404</u>	<u>240,071</u>
Cash and cash equivalents, end of year	<u>\$ 2,657,475</u>	<u>\$ 1,184,135</u>	<u>\$ 9,759</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, 2022

	<i>Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Municipal Marina Fund</i>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (15,165)	\$ 289,263	\$ (17,434)
Adjustments:			
Depreciation	1,013,313	549,670	113,193
Change in assets and liabilities:			
Utility bills receivable	(13,553)	39,105	-
Accounts receivable	(1,480)	240	-
Due from other governments	-	-	-
Inventory	(7,359)	(29,739)	(20,262)
Prepaid expenses	(18,509)	16,041	(1,781)
Accounts payable	(68,620)	34,297	11,517
Deposits payable	-	2,250	-
Accrued wages payable	8,185	(5,073)	(98)
Unearned revenue	-	-	10,117
Compensated absences payable	5,326	2,058	(743)
Net pension liability and related deferred amounts	96,436	147,869	6,429
Net OPEB liability and related deferred amounts	-	(11,348)	-
Net cash provided by operating activities	<u>\$ 998,574</u>	<u>\$ 1,034,633</u>	<u>\$ 100,938</u>

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, 2022

	<i>Nonmajor Funds</i>	<i>Total</i>	<i>Internal Service Funds</i>
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,265,021	\$ 7,944,742	\$ 48,362
Cash received (paid) for interfund services	(25,998)	(229,867)	1,299,623
Cash payments to and on behalf of employees	(334,578)	(2,282,692)	(396,189)
Cash payments to suppliers for goods and services	(709,271)	(3,102,864)	(640,384)
Net cash provided by operating activities	<u>195,174</u>	<u>2,329,319</u>	<u>311,412</u>
Cash flows from non-capital financing activities:			
Other income	9,847	22,620	-
Reimbursements	-	340,000	-
Net cash provided by non-capital financing activities	<u>9,847</u>	<u>362,620</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Advance from (to) other funds	135,000	400,000	-
Capital contributions	160,000	833,943	-
Acquisition and construction of capital assets	(569,160)	(3,024,275)	(421,273)
Proceeds from bonds	-	404,000	-
Principal payments	-	(789,000)	-
Interest paid	-	(818,637)	-
Net cash used by capital and related financing activities	<u>(274,160)</u>	<u>(2,993,969)</u>	<u>(421,273)</u>
Cash flows from investing activities:			
Interest received	6,534	37,229	836
Rent received	-	132,866	-
Net cash provided by investing activities	<u>6,534</u>	<u>170,095</u>	<u>836</u>
Change in cash and cash equivalents	(62,605)	(131,935)	(109,025)
Cash and cash equivalents, beginning of year	<u>835,446</u>	<u>4,756,145</u>	<u>301,221</u>
Cash and cash equivalents, end of year	<u>\$ 772,841</u>	<u>\$ 4,624,210</u>	<u>\$ 192,196</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, 2022

	<u><i>Enterprise Funds</i></u>		<i>Internal Service Funds</i>
	<u><i>Nonmajor Funds</i></u>	<u><i>Total</i></u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 192,799	\$ 449,463	\$ (62,668)
Adjustments:			
Depreciation	11,330	1,687,506	367,393
Change in assets and liabilities:			
Utility bills receivable	-	25,552	-
Accounts receivable	(3,776)	(5,016)	-
Due from other governments	-	-	(910)
Inventory	(22,146)	(79,506)	(13,260)
Prepaid expenses	(5,473)	(9,722)	(13,607)
Accounts payable	4,129	(18,677)	(7,897)
Deposits payable	(250)	2,000	-
Accrued wages payable	105	3,119	1,432
Unearned revenue	19,073	29,190	-
Compensated absences	(617)	6,024	2,354
Net pension liability and related deferred amounts	-	250,734	38,575
Net OPEB liability and related deferred amounts	-	(11,348)	-
Net cash provided by operating activities	<u>\$ 195,174</u>	<u>\$ 2,329,319</u>	<u>\$ 311,412</u>

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

CITY OF LUDINGTON

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2022

	<i>Pension (and Other Employee Benefit) Trust Funds</i>	<i>Custodial Funds</i>
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 658,841	\$ 405,458
Investments at fair value		
Mutual funds	6,316,906	-
Other	2,113	-
Taxes receivable	29,499	-
Accrued interest receivable	37	-
	<u>7,007,396</u>	<u>405,458</u>
Total assets		
	<u>7,007,396</u>	<u>405,458</u>
Liabilities:		
Accounts payable	-	502
Due to local governments	-	329,762
	<u>-</u>	<u>329,762</u>
Total liabilities		
	<u>-</u>	<u>330,264</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	511,411	-
	<u>511,411</u>	<u>-</u>
Net position:		
Restricted for:		
Pension benefits	6,493,872	-
Retiree healthcare benefits	2,113	-
Individuals, organizations and other governments	-	75,194
	<u>-</u>	<u>75,194</u>
Total net position	<u>\$ 6,495,985</u>	<u>\$ 75,194</u>

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

CITY OF LUDINGTON

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2022

	<i>Pension (and Other Employee Benefit) Trust Funds</i>	<i>Custodial Funds</i>
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 488,918	\$ -
Employee	73,523	-
Federal grants	-	-
Gifts and bequests	-	11,512
Total contributions	<u>562,441</u>	<u>11,512</u>
Investment earnings:		
Interest	175,725	-
Net increase (decrease) in fair value of investments	<u>(900,535)</u>	<u>-</u>
Net investment earnings	<u>(724,810)</u>	<u>-</u>
Property tax collections for other governments	<u>-</u>	<u>9,892,527</u>
Total additions	<u>(162,369)</u>	<u>9,904,039</u>
Deductions:		
Benefits - pension	565,204	-
Refunds - pension	35,786	-
Administrative fees	27,317	-
Payments on behalf of organizations	-	-
Property tax collections to other governments	<u>-</u>	<u>9,892,527</u>
Total deductions	<u>628,307</u>	<u>9,892,527</u>
Net increase (decrease)	(790,676)	11,512
Net position, beginning of year	<u>7,286,661</u>	<u>63,790</u>
Net position, end of year	<u>\$ 6,495,985</u>	<u>\$ 75,302</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity:

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

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

Blended Component Unit:

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Report Presentation:

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

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

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

Basis of Accounting:

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

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

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting:

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

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

The City reports the following major and nonmajor governmental funds:

Major Governmental Funds:

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

Nonmajor Governmental Funds:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund, Water Fund, Municipal Marina Fund, Cartier Park Fund, Harbor View Fund, and the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds focus on limitations on the use of net position, rather than on the source of those assets.

The City reports the following proprietary funds:

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

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

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

Municipal Marina Fund accounts for the operation and maintenance of the City-owned marina.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, Splash Pad Fund and Starfish Buyback 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 2022 include property taxes levied in 2021 but appropriated by a City ordinance to finance 2022 operations. Property taxes levied in 2022 for the operations of 2023 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, 2022. In 2021, the City levied property taxes on an assessed property tax value of \$280,229,682 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 14.3120 mills per the City's charter, with 11.5420 mills allocated for operating purposes and 2.7700 mills allocated for refuse services. There were also 1.7500 mills levied for police pension. The DDA levied property taxes on an assessed property tax value of \$27,200,351 (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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, 2022		\$	-
Current year building permit revenue			47,503
Related expenses:			
Direct costs	45,117		
Indirect costs	29,658		74,775
Cumulative surplus at December 31, 2022		\$	-

NOTE 3: DEPOSITS AND INVESTMENTS

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

The 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, 2022

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, 2022:

Statement of Net Position:

Cash and cash equivalents (including restricted):

Primary Government	\$ 10,222,237
Component Unit	271,869

Investments:

Primary Government	2,583,642
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Statement of Fiduciary Net Position:

Cash and cash equivalents

Investments

Total

Deposits and Investments:

Bank deposits

Investments:

Mutual funds

Equity funds

Fixed-income funds

Money market

Pooled investments - Michigan CLASS

Treasury bonds

Other

Cash on hand

Total

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 \$12,198,988 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,045,585 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, 2022

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 6 Years</i>	<i>7 to 9 Years</i>
Mutual funds					
Equity funds	\$ 3,668,167	\$ 3,668,167	\$ -	\$ -	\$ -
Fixed-income funds	2,545,596	-	637,689	192,247	1,715,660
Money market	218,472	218,472	-	-	-
Investment Trust Funds	2,346,233	2,346,233	-	-	-
Treasury bonds	122,080	101,180	128,355	-	-
Interest in Pooled Investments	2,113	2,113	-	-	-
Total	<u>\$ 8,902,661</u>	<u>\$ 6,336,165</u>	<u>\$ 766,044</u>	<u>\$ 192,247</u>	<u>\$ 1,715,660</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	\$ 3,668,167	Not rated	N/A
Fixed-income funds	316,088	AAA	S&P
Fixed-income funds	631,530	AA+	S&P
Fixed-income funds	124,819	A+	S&P
Fixed-income funds	959,311	AA-	S&P
Fixed-income funds	321,601	A-	S&P
Fixed-income funds	192,247	BB	S&P
Money market	218,472	Not rated	N/A
Investment Trust Funds	2,346,233	AAAm	S&P
Treasury bonds	122,080	Aaa	Moody's
Interest in Pooled Investments	2,113	Not rated	N/A
Total	<u>\$ 8,902,661</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, 2022

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, 2022:

<u>Investment Type</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Market Value</u>
Mutual funds				
Equity funds	\$ 3,668,167	\$ -	\$ -	\$ 3,668,167
Fixed-income funds	2,545,596	-	-	2,545,596
Money market	218,472	-	-	218,472
Treasury bonds	-	122,080	-	122,080
Total	<u>\$ 6,432,235</u>	<u>\$ 122,080</u>	<u>\$ -</u>	<u>\$ 6,554,315</u>
Investment Trust Funds				2,346,233
Interest in Pooled Investments				<u>2,113</u>
				<u>\$ 8,902,661</u>

The City has \$2,346,233 invested with the Michigan Cooperative Liquid Assets Security System (Michigan CLASS). Michigan CLASS is a participant-controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperation Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150. Michigan CLASS funds are authorized to invest in U.S. Treasuries, U.S. Agencies, commercial paper, bankers' acceptances, repurchase agreements, certificates of deposit, and mutual funds. Michigan CLASS is not subject to regulatory oversight and is not registered with the SEC, however, does issue a separate audited financial statement. Michigan CLASS operates like a money market mutual fund, with each share valued at \$1.00. Fair value of the City's position in the government investment pool is the same as the value of the Michigan CLASS pool shares.

The City's investment in the MERS Total Market Portfolio of \$2,113 are valued at net asset value. At December 31, 2022, there were no unfunded commitments or redemption restrictions. The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers.

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.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5: RESTRICTED ASSETS AND BOND RESERVES, CONTINUED

At December 31, 2022 the City had these accounts established and had restricted cash and cash equivalents as follows:

	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Restricted cash and cash equivalents:			
USDA Bond reserve	\$ 564,100	\$ 314,460	\$ 878,560
USDA RRI reserve	510,800	101,038	611,838
Equipment replacement and other reserves	<u>687,005</u>	<u>503,073</u>	<u>1,190,078</u>
	<u>\$ 1,761,905</u>	<u>\$ 918,571</u>	<u>\$ 2,680,476</u>

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	<i>January 1, 2022</i>	<i>Additions</i>	<i>Retirements</i>	<i>December 31, 2022</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 213,254	\$ -	\$ -	\$ 213,254
Construction in progress	<u>78,108</u>	<u>-</u>	<u>(78,108)</u>	<u>-</u>
Total capital assets not being depreciated	<u>291,362</u>	<u>-</u>	<u>(78,108)</u>	<u>213,254</u>
Capital assets being depreciated:				
Buildings and improvements	8,554,436	77,749	-	8,632,185
Furniture and equipment	227,767	-	-	227,767
Infrastructure	11,075,448	1,242,165	-	12,317,613
Land and site improvements	1,635,752	-	-	1,635,752
Machinery and equipment	<u>2,806,743</u>	<u>480,842</u>	<u>(351,879)</u>	<u>2,935,706</u>
Total capital assets being depreciated	<u>24,300,146</u>	<u>1,800,756</u>	<u>(351,879)</u>	<u>25,749,023</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,219,067)	(207,388)	-	(2,426,455)
Furniture and equipment	(87,400)	(27,566)	-	(114,966)
Infrastructure	(3,035,021)	(408,202)	-	(3,443,223)
Land and site improvements	(462,882)	(59,786)	-	(522,668)
Machinery and equipment	<u>(1,632,005)</u>	<u>(354,825)</u>	<u>351,879</u>	<u>(1,634,951)</u>
Total accumulated depreciation	<u>(7,436,375)</u>	<u>(1,057,767)</u>	<u>351,879</u>	<u>(8,142,263)</u>
Capital assets being depreciated, net	<u>16,863,771</u>	<u>742,989</u>	<u>-</u>	<u>17,606,760</u>
Governmental activities, capital assets, net	<u>\$ 17,155,133</u>	<u>\$ 742,989</u>	<u>\$ (78,108)</u>	<u>\$ 17,820,014</u>

continued

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6: CAPITAL ASSETS, CONTINUED

	<u>January 1,</u> <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31,</u> <u>2022</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 880,826	\$ -	\$ -	\$ 880,826
Construction in progress	205,971	67,615	(205,971)	67,615
Total capital assets not being depreciated	<u>1,086,797</u>	<u>67,615</u>	<u>(205,971)</u>	<u>948,441</u>
Capital assets being depreciated:				
Buildings and improvements	4,301,368	13,533	-	4,314,901
Furniture and equipment	24,760	-	(24,760)	-
Infrastructure	148,601	-	-	148,601
Land improvements	2,112,531	1,399,978	-	3,512,509
Machinery and equipment	715,993	5,791	(5,035)	716,749
Sewer systems and plants	41,184,026	393,796	(16,383)	41,561,439
Water systems and plants	23,162,076	1,079,767	(556,747)	23,685,096
Total capital assets being depreciated	<u>71,649,355</u>	<u>2,892,865</u>	<u>(602,925)</u>	<u>73,939,295</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,766,025)	(87,084)	-	(2,853,109)
Furniture and equipment	(24,760)	-	24,760	-
Infrastructure	(48,446)	(3,822)	-	(52,268)
Land improvements	(893,433)	(79,405)	-	(972,838)
Machinery and equipment	(369,063)	(80,707)	5,035	(444,735)
Sewer systems and plants	(7,100,983)	(944,162)	16,383	(8,028,762)
Water systems and plants	(4,836,037)	(492,326)	556,747	(4,771,616)
Total accumulated depreciation	<u>(16,038,747)</u>	<u>(1,687,506)</u>	<u>602,925</u>	<u>(17,123,328)</u>
Capital assets being depreciated, net	<u>55,610,608</u>	<u>1,205,359</u>	<u>-</u>	<u>56,815,967</u>
Business-type activities, capital assets, net	<u>\$ 56,697,405</u>	<u>\$ 1,272,974</u>	<u>\$ (205,971)</u>	<u>\$ 57,764,408</u>

continued

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6: CAPITAL ASSETS, CONTINUED

	<i>January 1,</i> <u>2022</u>	<i>Additions</i>	<i>Retirements</i>	<i>December 31,</i> <u>2022</u>
Component unit:				
Capital assets not being depreciated:				
Land	\$ 32,916	\$ -	\$ -	\$ 32,916
Capital assets being depreciated:				
Buildings and improvements	2,386,575	49,232	-	2,435,807
Land improvements	10,672	-	-	10,672
Machinery and equipment	7,385	47,096	-	54,481
Total capital assets being depreciated	<u>2,404,632</u>	<u>96,328</u>	<u>-</u>	<u>2,500,960</u>
Less accumulated depreciation for:				
Buildings and improvements	(71,690)	(96,284)	-	(167,974)
Land improvements	(2,043)	(213)	-	(2,256)
Machinery and equipment	(2,278)	(3,093)	-	(5,371)
Total accumulated depreciation	<u>(76,011)</u>	<u>(99,590)</u>	<u>-</u>	<u>(175,601)</u>
Capital assets being depreciated, net	<u>2,328,621</u>	<u>(3,262)</u>	<u>-</u>	<u>2,325,359</u>
Component unit, capital assets, net	<u>\$ 2,361,537</u>	<u>\$ (3,262)</u>	<u>\$ -</u>	<u>\$ 2,358,275</u>

Depreciation expense was charged to various functions as follows:

	<i>Governmental</i> <u>Activities</u>	<i>Business-type</i> <u>Activities</u>	<i>Component</i> <u>Unit</u>
General government	\$ 99,081	\$ -	\$ -
Public safety	63,021	-	-
Public works	341,693	-	-
Health and welfare	2,045	-	-
Community and economic development	-	-	99,590
Recreation and culture	184,534	-	-
Internal service funds	367,393	-	-
Sewer	-	1,013,313	-
Water	-	549,670	-
Municipal Marina	-	113,193	-
Harbor View Marina	-	8,745	-
Cartier Park Campground	-	2,585	-
	<u>\$ 1,057,767</u>	<u>\$ 1,687,506</u>	<u>\$ 99,590</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.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 7: LONG-TERM LIABILITIES, CONTINUED

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2022:

	<u>January 1,</u> <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2022</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 1,093,000	\$ -	\$ (17,000)	\$ 1,076,000	\$ 18,000
Notes from direct borrowings	31,110	-	(31,110)	-	-
Compensated absences	123,942	14,314	-	138,256	-
Total governmental activities	<u>\$ 1,248,052</u>	<u>\$ 14,314</u>	<u>\$ (48,110)</u>	<u>\$ 1,214,256</u>	<u>\$ 18,000</u>
Business-type Activities:					
Revenue bonds	\$ 38,073,000	\$ 292,000	\$ (789,000)	\$ 37,576,000	\$ 803,000
Compensated absences	55,819	6,024	-	61,843	-
Total business-type activities	<u>\$ 38,128,819</u>	<u>\$ 298,024</u>	<u>\$ (789,000)</u>	<u>\$ 37,637,843</u>	<u>\$ 803,000</u>

Debt issues outstanding are as follows:

	<u>Maturity</u> <u>Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Amount</u> <u>Outstanding</u>
Governmental Activities:				
<i>General obligation bond:</i>				
2018 General Obligation Limited Tax				
Capital Improvement Bonds	2056	\$ 1,200,000	3.25%	\$ 1,076,000
<i>Notes from direct borrowings:</i>				
2018 Copier/Printer Contract	2026	125,511	0.00%	-
Business-type activities:				
<i>Revenue Bonds:</i>				
2007 Sewage Disposal System Junior Lien Revenue Bonds	2027	1,500,000	1.625%	420,000
2016 Water Supply System Junior Lien Revenue Bonds	2056	9,817,000	1.375%	8,650,000
2017 Sewage Disposal System Junior Lien Revenue Bonds	2056	2,146,000	2.500%	1,938,000
2017 Water Supply System Junior Lien Revenue Bonds	2056	2,330,000	1.875%	2,080,000
2018 Sewage Disposal System Revenue Bonds	2056	2,020,000	2.750%	1,737,000
2018 Water Supply System Revenue Bonds	2056	1,351,000	2.250%	1,157,000
2019 Sewage Disposal System Revenue Bonds (Junior Lien)	2058	9,000,000	2.375%	8,413,000
2019 Sewage Disposal System Revenue Bonds (Junior Lien)	2058	8,079,000	2.375%	7,552,000
2019 Sewage Disposal System Revenue Bonds (Junior Lien)	2058	6,014,000	2.500%	5,629,000

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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>General Obligation Bonds</i>		
<i>December 31,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 18,000	\$ 34,970	\$ 52,970
2024	18,000	34,386	52,386
2025	19,000	33,800	52,800
2026	19,000	33,182	52,182
2027	20,000	32,566	52,566
2028-2032	110,000	152,622	262,622
2033-2037	130,000	133,576	263,576
2038-2042	150,000	111,152	261,152
2043-2047	178,000	85,052	263,052
2048-2052	208,000	54,180	262,180
2053-2057	206,000	18,070	224,070
	<u>\$ 1,076,000</u>	<u>\$ 723,556</u>	<u>\$ 1,799,556</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>December 31,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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	872,000	738,726	1,610,726
2028-2032	4,181,000	3,430,472	7,611,472
2033-2037	4,647,000	2,967,788	7,614,788
2038-2042	5,162,000	2,450,802	7,612,802
2043-2047	5,738,000	1,873,644	7,611,644
2048-2052	6,379,000	1,228,828	7,607,828
2053-2057	6,400,000	510,200	6,910,200
2058	882,000	21,238	903,238
	<u>\$ 37,576,000</u>	<u>\$ 16,348,820</u>	<u>\$ 53,924,820</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivable and payable balances for the year ended December 31, 2022 were as follows:

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Receivables:				
Property taxes	\$ 238,440	\$ -	\$ 238,440	\$ 2,501
Utility bills	-	1,332,447	1,332,447	-
Accounts	144,446	16,735	161,181	21,642
Special assessments	1,090	-	1,090	-
Notes - long term	5,207	-	5,207	-
Accrued interest	970	880	1,850	27
Intergovernmental	372,933	242,266	615,199	-
Total receivables	<u>\$ 763,086</u>	<u>\$ 1,592,328</u>	<u>\$ 2,355,414</u>	<u>\$ 24,170</u>
Accounts payable and accrued expenses:				
Accounts	\$ 400,766	\$ 172,134	\$ 572,900	\$ 2,011
Payroll liabilities	101,113	48,201	149,314	-
Deposits payable	38,263	13,850	52,113	-
Accrued interest	8,743	201,727	210,470	-
Intergovernmental	20,360	-	20,360	-
Total accounts payable and accrued expenses	<u>\$ 569,245</u>	<u>\$ 435,912</u>	<u>\$ 1,005,157</u>	<u>\$ 2,011</u>

NOTE 9: ADVANCES BETWEEN FUNDS

During the year, the City approved interfund loans between the General Fund and the Cartier Park Fund and the Harbor View Marina Fund and the Municipal Marina Fund. Amounts owed by the Cartier Park Fund and the Municipal Marina Fund will be paid annually in amounts determined by the City Manager at 0% interest.

<i>Advance Receivables</i>	<i>Advance Payables</i>	<i>Amount</i>
General Fund	Cartier Park Fund	\$ 400,000
Harbor View Marina Fund	Municipal Marina Fund	265,000
		<u>\$ 665,000</u>

The Cartier Park Fund made no repayment to the General Fund during the year and the Municipal Marina Fund made a payment of \$190,000 to the Harbor View Marina Fund.

NOTE 10: INTERFUND TRANSFERS

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:

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 10: INTERFUND TRANSFERS, CONTINUED

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Nonmajor Governmental Funds	
	Recreation Fund	\$ 42,000
	Major Street Fund	163,800
	Local Street Fund	200,000
	Fire Station Debt Fund	52,523
Nonmajor Governmental Fund	General Fund	
Cemetery Capital Improvement Fund		2,071
		<u>\$ 460,394</u>

NOTE 11: RISK MANAGEMENT

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

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

NOTE 12: DEFINED BENEFIT PENSION PLANS – GENERAL

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

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.

Employees covered by benefit terms – At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits (including refunds)	11
Active employees	<u>50</u>
Total	<u>127</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 12: DEFINED BENEFIT PENSION PLANS – GENERAL, CONTINUED

Benefits Provided – The following are the benefits provided from the December 31, 2021 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 \$69,097 monthly based on valuation payroll for Division 01 and 8.15% as a percentage of payroll for Division 02. Amounts are based on the valuation payroll from the December 31, 2020 actuarial valuation.

Net Pension Liability – The City's net pension liability reported at December 31, 2022 was measured as of December 31, 2022. The total pension liability as of December 31, 2022 was calculated by the roll-forward method based on the December 31, 2021 actuarial valuation.

Actuarial assumptions – The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.50%; Salary Increases: 3.00% in the long-term; Investment rate of return: 7.00%, net of investment and administrative expenses including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 12: DEFINED BENEFIT PENSION PLANS – GENERAL, CONTINUED

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%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.0%		7.00%		4.50%

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.

Projected Cash Flows – 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 12/31/21	\$ 22,810,211	\$ 16,288,795	\$ 6,521,416
Service cost	287,729	-	287,729
Interest on total pension liability	1,689,596	-	1,689,596
Difference between expected and actual experience	(301,745)	-	(301,745)
Changes in assumptions	845,545	-	845,545
Employer contributions	-	1,070,566	(1,070,566)
Employee contributions	-	70,387	(70,387)
Net investment income	-	(1,698,681)	1,698,681
Benefit payments, including employee refunds	(1,445,090)	(1,445,090)	-
Administrative expenses	-	(30,057)	30,057
Other changes	(26,546)	-	(26,546)
Net changes	1,049,489	(2,032,875)	3,082,364
Balances at 12/31/22	<u>\$ 23,859,700</u>	<u>\$ 14,255,920</u>	<u>\$ 9,603,780</u>

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

Governmental activities	\$ 5,717,463
Business-type activities	<u>3,886,317</u>
	<u>\$ 9,603,780</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 12: DEFINED BENEFIT PENSION PLANS – GENERAL, CONTINUED

Sensitivity of the net pension liability to changes in the discount rate – The following presents the change in net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City’s change in net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	<u>1% Decrease Rate 6.25%</u>	<u>Current Rate 7.25%</u>	<u>1% Increase Rate 8.25%</u>
Change in net pension liability as of 12/31/22	\$ 2,722,981	\$ -	\$ (2,287,668)

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, 2022, the City recognized a negative pension expense of \$1,713,475. 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	\$ -	\$ 174,353
Changes in assumptions	1,069,933	-
Net difference between projected and actual earnings on pension plan investments	<u>1,377,438</u>	<u>-</u>
	<u>\$ 2,447,371</u>	<u>\$ 174,353</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	\$ 1,479,945	\$ 104,234
Business-type activities	<u>967,426</u>	<u>70,119</u>
	<u>\$ 2,447,371</u>	<u>\$ 174,353</u>

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

<u>Year Ended</u>	<u>Amount</u>
2023	\$ 509,808
2024	648,482
2025	529,942
2026	584,786

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 12: DEFINED BENEFIT PENSION PLANS – GENERAL, CONTINUED

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

NOTE 13: DEFINED BENEFIT PENSION PLANS – POLICE

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

Summary of Significant Accounting Policies:

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

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, 2022, pension plan membership consisted of the following:

Inactives currently receiving benefits	19
Inactives not yet receiving benefits	2
Active plan members	13
Total	<u>34</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.

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, 2022, the City made contributions of \$488,918 and the police employees contributed \$73,523.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 13: DEFINED BENEFIT PENSION PLANS – POLICE

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, 2022:

<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, 2022, the recognized rate of investment return based on the smoothed market value was 5.22% (lower than the assumed 7.00%).

Net Pension Liability:

The components of the net pension liability at December 31, 2022, were as follows:

Total pension liability	\$ 9,061,470
Plan fiduciary net position	<u>(6,469,704)</u>
Net pension liability	<u>\$ 2,591,766</u>
Plan fiduciary net position as a percentage percentage of the total pension liability	71.40%
Covered payroll	\$ 975,089
Net pension liability as a percentage of of covered payroll	265.80%

Actuarial assumptions – The total pension liability was determined based on the annual actuarial valuation as of December 31, 2022. 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 Pub-2010 with MP-2020.

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.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 13: DEFINED BENEFIT PENSION PLANS – POLICE

Projected Cash Flows – 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 4.31% (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%.

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 12/31/21	\$ 9,041,298	\$ 7,254,215	\$ 1,787,083
Service cost	178,788	-	178,788
Interest on total pension liability	624,580	-	624,580
Difference between expected and actual experience	(188,156)	-	(188,156)
Changes in assumptions	-	-	-
Employer contributions	-	488,918	(488,918)
Employee contributions	-	73,523	(73,523)
Net investment income	-	(724,599)	724,599
Benefit payments, including employee refunds	(595,040)	(595,040)	-
Administrative expenses	-	(27,313)	27,313
Other changes	-	-	-
Net changes	20,172	(784,511)	804,683
Balances at 12/31/22	<u>\$ 9,061,470</u>	<u>\$ 6,469,704</u>	<u>\$ 2,591,766</u>

The Police net pension liability is recorded as follows:

Governmental activities	<u>\$ 2,591,766</u>
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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:

	<i>1% Decrease Rate 6.00%</i>	<i>Current Rate 7.00%</i>	<i>1% Increase Rate 8.00%</i>
Net pension liability	\$ 3,642,691	\$ 2,591,766	\$ 1,711,558

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2022, the City recognized pension expense of \$502,709. The City reported deferred outflows and inflows of resources related to pensions are from the following sources:

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 13: DEFINED BENEFIT PENSION PLANS – POLICE

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ -	\$ 36,113
Net difference between projected and actual earnings on pension plan investments	<u>783,331</u>	<u>-</u>
	<u>\$ 783,331</u>	<u>\$ 36,113</u>

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Governmental activities	<u>\$ 783,331</u>	<u>\$ 36,113</u>

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

<i>Year Ended</i>	<i>Amount</i>
2023	\$ 166,690
2024	268,354
2025	156,314
2026	187,219
2027	(31,359)
Thereafter	-

NOTE 14: 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, 2020. 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, 2020). 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.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 14: RETIREE HEALTHCARE TRUST (OPEB), CONTINUED

Police Union – Retiree healthcare benefits no longer apply to any current Police Union Employees who are currently employed or retired after December 31, 2020. 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, 2022, 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, 2022.

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. 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	4.31% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement scale	MP-2021

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%	4.50%
Global Fixed Income	20.0%	2.00%
Private Assets	20.0%	7.00%

The sum of each target allocation times its long-term expected real rate, plus inflation is 7.00%.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 14: RETIREE HEALTHCARE TRUST (OPEB), CONTINUED

Discount rate – The discount rate used to measure the total OPEB liability was 4.31%. 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 2022, 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, 2021, the discount rate used to value OPEB liabilities was 2.25%.

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 12/31/21	\$ 666,086	\$ 2,363	\$ 663,723
Service cost	-	-	-
Interest	14,526	-	14,526
Change in plan terms	-	-	-
Experience (gains)/losses	(3,325)	-	(3,325)
Change in actuarial assumptions	(111,927)	-	(111,927)
Contributions to OPEB trust	-	-	-
Contributions/benefit paid from general operating funds	-	41,000	(41,000)
Net investment income	-	(246)	246
Benefit payments, including employee refunds	(41,000)	(41,000)	-
Administrative expenses	-	(4)	4
Net changes	(141,726)	(250)	(141,476)
Balance at 12/31/22	<u>\$ 524,360</u>	<u>\$ 2,113</u>	<u>\$ 522,247</u>

The net OPEB liability is recorded as follows:

Governmental activities	\$ 480,467
Business-type activities	<u>41,780</u>
	<u>\$ 522,247</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>
Discount			
Total OPEB liability	\$ 573,691	\$ 524,360	\$ 482,515
Plan fiduciary net position	<u>2,113</u>	<u>2,113</u>	<u>2,113</u>
Net OPEB liability	<u>\$ 571,578</u>	<u>\$ 522,247</u>	<u>\$ 480,402</u>

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 14: RETIREE HEALTHCARE TRUST (OPEB), CONTINUED

OPEB Expense

Components of the City's OPEB expense for the fiscal year ended December 31, 2022 – Below are the components of the total OPEB expense:

Interest	\$ 14,526
Experience (gains)/losses	(3,325)
Changes in assumptions	(111,927)
Projected earnings on OPEB plan investments	(174)
Investment earnings (gains)/losses	25
Administrative expenses	<u>4</u>
Total OPEB expense	<u>\$ (100,871)</u>

Net OPEB Liability

OPEB plan fiduciary net position – The OPEB plan fiduciary net position as of December 31, 2022 is \$2,113.

Deferred inflows and outflows of resources related to OPEB plan

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Investment earnings (gains)/losses	\$ 198	\$ -

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

	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Governmental activities	\$ 184	\$ -
Business-type activities	<u>14</u>	<u>-</u>
	<u>\$ 198</u>	<u>\$ -</u>

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

<u><i>Year Ended</i></u>	<u><i>Amount</i></u>
2023	\$ 23
2024	36
2025	55
2026	84
2027	-
Thereafter	-

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 14: RETIREE HEALTHCARE TRUST (OPEB), CONTINUED

Reconciliation of the net OPEB liability

Net OPEB liability 12/31/21	\$ 663,723
Total OPEB expense	(100,871)
Contributions	(41,000)
Change in deferred outflows of resources	198
Change in deferred inflows of resources	197
Net OPEB liability 12/31/22	<u>\$ 522,247</u>

Total OPEB liability by participant status

Active participants	\$ -
Inactive participants	-
Retirees and beneficiaries	<u>524,360</u>
Total OPEB liability	<u>\$ 524,360</u>

NOTE 15: TAX ABATEMENTS

City Abatements – Industrial Facilities Exemption:

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. PA 198 of 1974, as amended is designed to maintain existing jobs and create new job opportunities for residents by providing substantial property tax incentives to industry to renovate and expand aging manufacturing plants or to build new plants.

An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the City. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

The City Council evaluates all PA 198 applications to determine that a good public purpose for the City would be served, that is, an economic growth, expanded tax base, and job creation. The City has the right to revoke the exemption and the recipient would be responsible to pay to the affecting taxing units an amount equal to those taxes it would have paid had the abatement not been in effect if the recipient is determined to be in violation of the provisions of the written agreement, such as insufficient job creation and/or investment. For the year ended December 31, 2022, the City abated property tax revenues totaling \$8,685 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, 2022 there was \$36,837 of property tax revenue abated under this program.

CITY OF LUDINGTON

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 16: 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.

	<i>General Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Fund balances:			
Nonspendable:			
Inventory	\$ 31,543	\$ 64,947	\$ 96,490
Prepaid expenditures	98,919	10,051	108,970
Long-term receivables	-	5,207	5,207
Total nonspendable	<u>130,462</u>	<u>80,205</u>	<u>210,667</u>
Restricted for:			
Streets	-	780,428	780,428
Recreation activities	-	45,729	45,729
Senior center activities	-	109,650	109,650
Downtown building rehab	-	86,086	86,086
Rental inspection	-	105,854	105,854
Site assessment	-	10	10
Cemetery capital improvements	-	308,516	308,516
Capital projects	-	22,055	22,055
Total restricted	<u>-</u>	<u>1,458,328</u>	<u>1,458,328</u>
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>67,137</u>
Assigned to:			
Fire department	56,960	-	56,960
Unassigned	<u>2,095,139</u>	<u>-</u>	<u>2,095,139</u>
Total fund balances	<u>\$ 2,349,698</u>	<u>\$ 1,538,533</u>	<u>\$ 3,888,231</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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 287,729	\$ 269,724	\$ 242,770	\$ 264,449
Interest on total pension liability	1,689,596	1,594,644	1,596,703	1,556,892
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(301,745)	103,914	(205,668)	132,966
Changes in assumptions	845,545	871,549	718,740	-
Benefit payments, including employee refunds	(1,445,090)	(1,393,129)	(1,412,329)	(1,373,240)
Other changes	(26,546)	(90,349)	(29,923)	(53,046)
Net change in total pension liability	1,049,489	1,356,353	910,293	528,021
Total pension liability - beginning	<u>22,810,211</u>	<u>21,453,858</u>	<u>20,543,565</u>	<u>20,015,544</u>
Total pension liability - ending	<u>\$ 23,859,700</u>	<u>\$ 22,810,211</u>	<u>\$ 21,453,858</u>	<u>\$ 20,543,565</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,070,566	\$ 953,972	\$ 856,399	\$ 779,955
Contributions - employee	70,387	62,951	57,702	49,399
Net investment income (loss)	(1,698,681)	2,051,213	1,683,905	1,661,628
Benefit payments, including employee refunds	(1,445,090)	(1,393,129)	(1,412,329)	(1,373,240)
Administrative expenses	(30,057)	(23,538)	(26,865)	(28,612)
Net change in plan fiduciary net position	(2,032,875)	1,651,469	1,158,812	1,089,130
Total plan fiduciary net position - beginning	<u>16,288,795</u>	<u>14,637,326</u>	<u>13,478,514</u>	<u>12,389,384</u>
Total plan fiduciary net position - ending	<u>\$ 14,255,920</u>	<u>\$ 16,288,795</u>	<u>\$ 14,637,326</u>	<u>\$ 13,478,514</u>
City's net pension liability	\$ 9,603,780	\$ 6,521,416	\$ 6,816,532	\$ 7,065,051
Plan fiduciary net position as a percentage of the total pension liability	59.75%	71.41%	68.23%	65.61%
Covered employee payroll	\$ 2,411,695	\$ 2,444,162	\$ 2,242,349	\$ 2,264,199
City's net pension liability as a percentage of covered employee payroll	398.22%	266.82%	303.99%	312.03%

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

CITY OF LUDINGTON

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability					
Service cost	\$ 178,788	\$ 176,268	\$ 194,879	\$ 176,889	\$ 179,221
Interest	624,580	622,016	580,536	538,072	529,004
Changes in benefit terms	-	-	2,691	-	-
Differences between expected and actual experience	(188,156)	(164,883)	394,116	255,356	(172,490)
Changes of assumptions	-	-	-	-	-
Benefit payments, including refunds of member contributions	(595,040)	(603,551)	(518,532)	(421,724)	(388,306)
Net change in total pension liability	20,172	29,850	653,690	548,593	147,429
Total pension liability - beginning	<u>9,041,298</u>	<u>9,011,448</u>	<u>8,357,758</u>	<u>7,809,165</u>	<u>7,661,736</u>
Total pension liability - ending	<u>\$ 9,061,470</u>	<u>\$ 9,041,298</u>	<u>\$ 9,011,448</u>	<u>\$ 8,357,758</u>	<u>\$ 7,809,165</u>
Plan fiduciary net position					
Contributions - employer	\$ 488,918	\$ 452,026	\$ 396,690	\$ 358,729	\$ 320,219
Contributions - member	73,523	70,818	72,394	60,155	58,091
Net investment income (loss)	(724,599)	622,552	416,084	979,324	(149,752)
Benefit payments, including refunds of member contributions	(595,040)	(603,551)	(518,532)	(421,724)	(388,306)
Administrative expense	(27,313)	(28,130)	(25,950)	(7,609)	(7,500)
Other	-	-	(227)	-	-
Net change in plan fiduciary net position	(784,511)	513,715	340,459	968,875	(167,248)
Plan fiduciary net position - beginning	<u>7,254,215</u>	<u>6,740,500</u>	<u>6,400,041</u>	<u>5,431,166</u>	<u>5,598,414</u>
Plan fiduciary net position - ending	<u>\$ 6,469,704</u>	<u>\$ 7,254,215</u>	<u>\$ 6,740,500</u>	<u>\$ 6,400,041</u>	<u>\$ 5,431,166</u>
City's police net pension liability	<u>\$ 2,591,766</u>	<u>\$ 1,787,083</u>	<u>\$ 2,270,948</u>	<u>\$ 1,957,717</u>	<u>\$ 2,377,999</u>
Plan fiduciary net position as a percentage of total pension liability	71.40%	80.23%	74.80%	76.58%	69.55%
Covered-employee payroll	\$ 975,089	\$ 947,503	\$ 965,468	\$ 992,362	\$ 906,667
City's police net pension liability as a percentage of covered- employee payroll	265.80%	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>
Total pension liability				
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)
Net change in total pension liability	406,475	(1,051,129)	1,625,846	583,059
Total pension liability - beginning	<u>7,255,261</u>	<u>8,306,390</u>	<u>6,680,544</u>	<u>6,097,485</u>
Total pension liability - ending	<u>\$ 7,661,736</u>	<u>\$ 7,255,261</u>	<u>\$ 8,306,390</u>	<u>\$ 6,680,544</u>
Plan fiduciary net position				
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)	-	-
Net change in plan fiduciary net position	540,284	237,257	(84,378)	311,284
Plan fiduciary net position - beginning	<u>5,058,130</u>	<u>4,820,873</u>	<u>4,905,251</u>	<u>4,593,967</u>
Plan fiduciary net position - ending	<u>\$ 5,598,414</u>	<u>\$ 5,058,130</u>	<u>\$ 4,820,873</u>	<u>\$ 4,905,251</u>
City's police net pension liability	<u>\$ 2,063,322</u>	<u>\$ 2,197,131</u>	<u>\$ 3,485,517</u>	<u>\$ 1,775,293</u>
Plan fiduciary net position as a percentage of total pension liability	73.07%	69.72%	58.04%	73.43%
Covered-employee payroll	\$ 933,791	\$ 885,272	\$ 852,255	\$ 888,155
City's police net pension liability as a percentage of covered- employee payroll	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>
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%
2022	944,076	1,070,952	(126,876)	2,411,695	39.15%

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	17 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Rate of wage inflation	3.00%
Investment rate of return	7.00%, net of investment and administrative expenses including inflation
Retirement age	50-60 years of age depending on years of credited services
Mortality	Based on a version of Pub-2010 and fully generational MP-2019

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>
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%
2022	488,918	488,918	-	975,089	50.14%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Calculation timing	Actuarially determined contribution is calculated using a December 31, 2021 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	14 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 CITY POLICE DEFINED BENEFIT PENSION
INVESTMENT RETURNS**

<i><u>Year Ended December 31,</u></i>	<i><u>Annual Return</u></i>
2022	5.22%
2021	7.66%
2020	6.75%

CITY OF LUDINGTON

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ -	\$ -	\$ -	\$ 21,509	\$ 20,883
Interest	14,526	13,337	20,146	31,537	31,288
Changes in plan terms	-	-	-	(369,454)	-
Differences between expected and actual experience	(3,325)	(2,999)	(1,890)	(37,409)	-
Changes in assumptions	(111,927)	(13,724)	97,998	(13,971)	-
Benefit payments (including refunds of employee contributions)	(41,000)	(43,182)	(43,135)	(44,808)	(44,158)
Net change in total OPEB liability	(141,726)	(46,568)	73,119	(412,596)	8,013
Total OPEB liability - beginning	666,086	712,654	639,535	1,052,131	1,044,118
Total OPEB liability - ending	<u>\$ 524,360</u>	<u>\$ 666,086</u>	<u>\$ 712,654</u>	<u>\$ 639,535</u>	<u>\$ 1,052,131</u>
Plan fiduciary net position					
Contributions to OPEB trust	\$ -	\$ -	\$ -	\$ 1,100	\$ 600
Contributions/benefit paid from general operating funds	41,000	43,182	43,135	44,808	44,158
Net investment income	(246)	293	243	137	-
Benefit payments (including refunds of employee contributions)	(41,000)	(43,182)	(43,135)	(44,808)	(44,158)
Administrative expense	(4)	(4)	(4)	(2)	-
Net change in plan fiduciary net position	(250)	289	239	1,235	600
Plan fiduciary net position - beginning	2,363	2,074	1,835	600	-
Plan fiduciary net position - ending	<u>\$ 2,113</u>	<u>\$ 2,363</u>	<u>\$ 2,074</u>	<u>\$ 1,835</u>	<u>\$ 600</u>
City's net OPEB liability	<u>\$ 522,247</u>	<u>\$ 663,723</u>	<u>\$ 710,580</u>	<u>\$ 637,700</u>	<u>\$ 1,051,531</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.40%	0.35%	0.29%	0.29%	0.06%
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -	\$ 2,239,812
City's net OPEB liability as a percentage of covered-employee payroll	N/A	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

SCHEDULE OF CITY OPEB CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 47,416	\$ 47,106	\$ 45,551	\$ 92,833	\$ 170,250
Employer contribution	<u>41,000</u>	<u>43,182</u>	<u>43,135</u>	<u>45,908</u>	<u>44,758</u>
Contribution (excess) deficiency	<u>\$ 6,416</u>	<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>\$ -</u>	<u>\$ 2,239,812</u>
Actuarially determined contributions as a percentage of covered- employee payroll	N/A	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

SCHEDULE OF CITY OPEB INVESTMENT RETURNS

<i>Year Ended December 31,</i>	<i>Annual Return</i>
2022	-10.36%
2021	13.46%

CITY OF LUDINGTON

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
Property taxes	\$ 4,085,100	\$ 4,085,100	\$ 4,070,988	\$ (14,112)
Licenses and permits	145,600	145,600	133,371	(12,229)
Federal grants	427,000	427,000	131,520	(295,480)
State grants	1,690,900	1,657,500	1,945,175	287,675
Contributions from other units	29,900	29,900	34,571	4,671
Charges for services	689,500	689,500	692,711	3,211
Fines and forfeits	24,400	24,400	19,727	(4,673)
Interest and rents	30,800	30,800	31,102	302
Other revenue	136,200	138,091	162,143	24,052
Total revenues	<u>7,259,400</u>	<u>7,227,891</u>	<u>7,221,308</u>	<u>(6,583)</u>
Expenditures:				
Current				
General government				
Council and Mayor	56,200	50,000	49,501	499
Manager	332,700	326,700	324,672	2,028
Clerk	435,500	400,500	396,523	3,977
Board of review	3,600	3,000	2,898	102
Treasurer	186,700	219,700	218,607	1,093
Assessor and Building inspector	294,500	308,391	308,391	-
Elections	49,900	76,900	75,912	988
Hall and grounds	193,600	193,600	192,495	1,105
Attorney	88,800	112,800	111,339	1,461
Downtown property	156,600	176,600	175,415	1,185
Other property	8,600	14,600	13,993	607
Board of ethics	200	200	-	200
Total general government	<u>1,806,900</u>	<u>1,882,991</u>	<u>1,869,746</u>	<u>13,245</u>
Public safety				
Police	1,894,300	1,776,350	1,774,843	1,507
Special police	90,900	94,400	91,825	2,575
Fire	273,400	243,400	242,743	657
Total public safety	<u>2,258,600</u>	<u>2,114,150</u>	<u>2,109,411</u>	<u>4,739</u>
Public works				
Department of public works	548,100	523,100	519,543	3,557
Sidewalk construction	144,100	86,100	84,043	2,057
Street lighting	115,100	81,100	78,219	2,881
Garbage and rubbish	850,700	938,200	933,962	4,238
Cemetery	262,600	276,054	271,220	4,834
Total public works	<u>1,920,600</u>	<u>1,904,554</u>	<u>1,886,987</u>	<u>17,567</u>

continued

CITY OF LUDINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended December 31, 2022

	<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	56,300	16,300	14,151	2,149
Economic and community development	144,600	164,600	163,234	1,366
Total community and economic development	200,900	180,900	177,385	3,515
Recreation and culture				
Parks	564,900	603,331	601,902	1,429
Beach safety	33,300	40,300	39,010	1,290
Launching ramps	84,700	88,906	88,906	-
Total recreation and culture	682,900	732,537	729,818	2,719
Other				
Insurance and bonds	48,200	35,200	34,176	1,024
Capital outlay	162,000	403,909	400,164	3,745
Debt service	33,000	40,000	38,655	1,345
Total expenditures	7,113,100	7,294,241	7,246,342	47,899
Excess (deficiency) of revenues over (under) expenditures	146,300	(66,350)	(25,034)	41,316
Other financing sources (uses):				
Sale of capital assets	-	-	4,320	4,320
Interfund transfers in	1,600	1,600	2,071	471
Interfund transfers out	(458,400)	(458,400)	(458,323)	77
Net other financing sources (uses)	(456,800)	(456,800)	(451,932)	4,868
Change in fund balance	(310,500)	(523,150)	(476,966)	46,184
Fund balance, beginning of year	2,826,664	2,826,664	2,826,664	-
Fund balance, end of year	<u>\$ 2,516,164</u>	<u>\$ 2,303,514</u>	<u>\$ 2,349,698</u>	<u>\$ 46,184</u>

SUPPLEMENTARY INFORMATION

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

December 31, 2022

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>
Assets:				
Cash and cash equivalents	\$ 253,177	\$ 371,723	\$ 69,943	\$ 118,440
Accounts receivable	145	-	-	-
Accrued interest receivable	59	88	16	28
Notes receivable	-	-	-	-
Due from other governments	140,914	56,437	-	-
Inventory	64,947	-	-	-
Prepaid expenditures	174	3,992	1,659	3,290
Total assets	<u>\$ 459,416</u>	<u>\$ 432,240</u>	<u>\$ 71,618</u>	<u>\$ 121,758</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 30,050	\$ 4,565	\$ 22,560	\$ 4,937
Accrued expenses	-	-	-	-
Due to other governments	-	-	-	-
Accrued wages payable	2,277	5,223	640	3,881
Unearned revenue	-	-	1,030	-
Total liabilities	<u>32,327</u>	<u>9,788</u>	<u>24,230</u>	<u>8,818</u>
Fund balances:				
Nonspendable	65,121	3,992	1,659	3,290
Restricted	361,968	418,460	45,729	109,650
Total fund balances	<u>427,089</u>	<u>422,452</u>	<u>47,388</u>	<u>112,940</u>
Total liabilities and fund balances	<u>\$ 459,416</u>	<u>\$ 432,240</u>	<u>\$ 71,618</u>	<u>\$ 121,758</u>

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, CONTINUED
 December 31, 2022

	<i>Special Revenue Funds</i>			
	<i>Building Rehab Fund</i>	<i>Rental Inspection Fund</i>	<i>Site Assessment Fund</i>	<i>Cemetery Capital Improvement Fund</i>
Assets:				
Cash and cash equivalents	\$ 109,889	\$ 100,816	\$ 95	\$ 308,443
Accounts receivable	-	7,575	-	-
Accrued interest receivable	-	24	-	73
Notes receivable	5,207	-	-	-
Due from other governments	-	-	43	-
Inventory	-	-	-	-
Prepaid expenditures	-	936	-	-
	<u>\$ 115,096</u>	<u>\$ 109,351</u>	<u>\$ 138</u>	<u>\$ 308,516</u>
Total assets	<u>\$ 115,096</u>	<u>\$ 109,351</u>	<u>\$ 138</u>	<u>\$ 308,516</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 3,443	\$ -	\$ 128	\$ -
Accrued expenses	-	1,604	-	-
Due to other governments	20,360	-	-	-
Accrued wages payable	-	957	-	-
Unearned revenue	-	-	-	-
	<u>23,803</u>	<u>2,561</u>	<u>128</u>	<u>-</u>
Total liabilities	<u>23,803</u>	<u>2,561</u>	<u>128</u>	<u>-</u>
Fund balances:				
Nonspendable	5,207	936	-	-
Restricted	86,086	105,854	10	308,516
	<u>91,293</u>	<u>106,790</u>	<u>10</u>	<u>308,516</u>
Total fund balances	<u>91,293</u>	<u>106,790</u>	<u>10</u>	<u>308,516</u>
Total liabilities and fund balances	<u>\$ 115,096</u>	<u>\$ 109,351</u>	<u>\$ 138</u>	<u>\$ 308,516</u>

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, CONTINUED
 December 31, 2022

	<i>Capital Projects Fund</i>	
	<u><i>W. Ludington Avenue Project Fund</i></u>	<u><i>Total</i></u>
Assets:		
Cash and cash equivalents	\$ 22,055	\$ 1,354,581
Accounts receivable	-	7,720
Accrued interest receivable	-	288
Notes receivable	-	5,207
Due from other governments	-	197,394
Inventory	-	64,947
Prepaid expenditures	-	10,051
	<u> -</u>	<u> -</u>
Total assets	<u>\$ 22,055</u>	<u>\$ 1,640,188</u>
Liabilities and Fund Balances:		
<i>Liabilities:</i>		
Accounts payable	\$ -	\$ 65,683
Accrued expenses	-	1,604
Due to other governments	-	20,360
Accrued wages payable	-	12,978
Unearned revenue	-	1,030
	<u> -</u>	<u> -</u>
Total liabilities	<u>-</u>	<u>101,655</u>
<i>Fund balances:</i>		
Nonspendable	-	80,205
Restricted	22,055	1,458,328
	<u> -</u>	<u> -</u>
Total fund balances	<u>22,055</u>	<u>1,538,533</u>
Total liabilities and fund balances	<u>\$ 22,055</u>	<u>\$ 1,640,188</u>

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES**
 Year Ended December 31, 2022

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Recreation Fund</i>	<i>Senior Center Fund</i>
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$ 14,428
State grants	755,809	348,372	-	-
Contributions from other units	-	-	-	223,536
Charges for services	31,211	-	38,729	51,416
Interest and rents	795	4,005	556	3,062
Other revenue	2,049	5,200	1,255	11,385
Total revenues	789,864	357,577	40,540	303,827
Expenditures:				
Current				
Public safety	-	-	-	-
Public works	398,079	540,629	-	-
Health and welfare	-	-	-	276,773
Community and economic development	-	-	-	-
Recreation and culture	-	-	117,809	-
Capital outlay	311,463	206,199	-	-
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	709,542	746,828	117,809	276,773
Excess (deficiency) of revenues over expenditures	80,322	(389,251)	(77,269)	27,054
Other financing sources (uses):				
Interfund transfers in	163,800	200,000	42,000	-
Interfund transfers out	-	-	-	-
Net other financing sources (uses)	163,800	200,000	42,000	-
Changes in fund balances	244,122	(189,251)	(35,269)	27,054
Fund balances, beginning of year	182,967	611,703	82,657	85,886
Fund balances, end of year	\$ 427,089	\$ 422,452	\$ 47,388	\$ 112,940

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES, CONTINUED**
 Year Ended December 31, 2022

	<i>Special Revenue Funds</i>			
	<i>Building Rehab Fund</i>	<i>Rental Inspection Fund</i>	<i>Site Assessment Fund</i>	<i>Cemetery Capital Improvement Fund</i>
Revenues:				
Federal grants	\$ 351,254	\$ -	\$ -	\$ -
State grants	-	-	505	-
Contributions from other units	-	-	-	-
Charges for services	-	102,415	-	15,050
Interest and rents	-	639	-	2,071
Other revenue	-	-	-	-
Total revenues	<u>351,254</u>	<u>103,054</u>	<u>505</u>	<u>17,121</u>
Expenditures:				
Current				
Public safety	-	52,554	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community and economic development	352,439	-	506	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	<u>352,439</u>	<u>52,554</u>	<u>506</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,185)</u>	<u>50,500</u>	<u>(1)</u>	<u>17,121</u>
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	(2,071)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,071)</u>
Changes in fund balances	(1,185)	50,500	(1)	15,050
Fund balances, beginning of year	<u>92,478</u>	<u>56,290</u>	<u>11</u>	<u>293,466</u>
Fund balances, end of year	<u>\$ 91,293</u>	<u>\$ 106,790</u>	<u>\$ 10</u>	<u>\$ 308,516</u>

continued

CITY OF LUDINGTON

NONMAJOR GOVERNMENTAL FUNDS
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES, CONTINUED**
 Year Ended December 31, 2022

	<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>
Revenues:			
Federal grants	\$ -	\$ -	\$ 365,682
State grants	-	-	1,104,686
Contributions from other units	-	-	223,536
Charges for services	-	-	238,821
Interest and rents	-	-	11,128
Other revenue	-	-	19,889
Total revenues	<u>-</u>	<u>-</u>	<u>1,963,742</u>
Expenditures:			
Current			
Public safety	-	-	52,554
Public works	-	-	938,708
Health and welfare	-	-	276,773
Community and economic development	-	-	352,945
Recreation and culture	-	-	117,809
Capital outlay	-	-	517,662
Debt service			
Principal	17,000	-	17,000
Interest and fees	<u>35,523</u>	<u>-</u>	<u>35,523</u>
Total expenditures	<u>52,523</u>	<u>-</u>	<u>2,308,974</u>
Excess (deficiency) of revenues over expenditures	<u>(52,523)</u>	<u>-</u>	<u>(345,232)</u>
Other financing sources (uses):			
Interfund transfers in	52,523	-	458,323
Interfund transfers out	<u>-</u>	<u>-</u>	<u>(2,071)</u>
Net other financing sources (uses)	<u>52,523</u>	<u>-</u>	<u>456,252</u>
Changes in fund balances	-	-	111,020
Fund balances, beginning of year	<u>-</u>	<u>22,055</u>	<u>1,427,513</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 22,055</u>	<u>\$ 1,538,533</u>

CITY OF LUDINGTON

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
 December 31, 2022

	<i>Cartier Park Campground Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 770,123	\$ 2,718	\$ 772,841
Accounts receivable	-	3,776	3,776
Accrued interest receivable	181	1	182
Due from other governments	-	190,000	190,000
Inventory	-	67,787	67,787
Prepaid expenses	7,693	11,126	18,819
	<u>777,997</u>	<u>275,408</u>	<u>1,053,405</u>
Total current assets			
<i>Noncurrent assets:</i>			
Capital assets			
Not being depreciated	-	-	-
Being depreciated, net	262,029	546,978	809,007
Advance receivable from other fund	-	265,000	265,000
	<u>262,029</u>	<u>811,978</u>	<u>1,074,007</u>
Total noncurrent assets			
Total assets	<u>1,040,026</u>	<u>1,087,386</u>	<u>2,127,412</u>
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	4,689	15,695	20,384
Deposits payable	-	350	350
Accrued wages payable	1,810	1,116	2,926
Unearned revenue	-	202,702	202,702
	<u>6,499</u>	<u>219,863</u>	<u>226,362</u>
Total current liabilities			
<i>Noncurrent liabilities:</i>			
Advance payable to other fund	400,000	-	400,000
Compensated absences payable	3,001	3,337	6,338
Net pension liability	1,712	-	1,712
	<u>404,713</u>	<u>3,337</u>	<u>408,050</u>
Total noncurrent liabilities			
Total liabilities	<u>411,212</u>	<u>223,200</u>	<u>634,412</u>
Net position:			
Investment in capital assets	262,029	546,978	809,007
Unrestricted	366,785	317,208	683,993
	<u>628,814</u>	<u>864,186</u>	<u>1,493,000</u>
Total net position	<u>\$ 628,814</u>	<u>\$ 864,186</u>	<u>\$ 1,493,000</u>

CITY OF LUDINGTON

NONMAJOR ENTERPRISE FUNDS
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION**
 Year Ended December 31, 2022

	<i>Cartier Park Campground Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
Operating revenues:			
Charges for services	\$ 331,528	\$ 895,681	\$ 1,227,209
Other	16,165	6,600	22,765
	<u>347,693</u>	<u>902,281</u>	<u>1,249,974</u>
Total operating revenues			
Operating expenses:			
Personal services	148,509	185,557	334,066
Contracted services	31,230	89,813	121,043
Administrative expense	37,500	27,400	64,900
Insurance	8,544	8,544	17,088
Utilities	33,681	46,563	80,244
Repairs and maintenance	3,031	17,184	20,215
Other services and expenses	39,841	368,448	408,289
Depreciation	8,745	2,585	11,330
	<u>311,081</u>	<u>746,094</u>	<u>1,057,175</u>
Total operating expenses			
Operating income (loss)	<u>36,612</u>	<u>156,187</u>	<u>192,799</u>
Non-operating revenues (expenses):			
Interest income	4,652	1,969	6,621
Other income	1,071	8,776	9,847
	<u>5,723</u>	<u>10,745</u>	<u>16,468</u>
Net non-operating revenues (expenses)			
Changes in net position before capital contributions	42,335	166,932	209,267
Capital contributions:			
State grants	-	340,054	340,054
	<u>42,335</u>	<u>506,986</u>	<u>549,321</u>
Changes in net position			
Net position, beginning of year	<u>586,479</u>	<u>357,200</u>	<u>943,679</u>
Net position, end of year	<u>\$ 628,814</u>	<u>\$ 864,186</u>	<u>\$ 1,493,000</u>

CITY OF LUDINGTON

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
 Year Ended December 31, 2022

	<i>Cartier Park Campground Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
Cash flows from operating activities:			
Cash received from customers	\$ 347,693	\$ 917,328	\$ 1,265,021
Other cash received (paid)	-	-	-
Cash paid for interfund services	(16,649)	(9,349)	(25,998)
Cash payments to employees and on behalf of employees	(148,318)	(186,260)	(334,578)
Cash payments to suppliers for goods and services	(139,042)	(570,229)	(709,271)
Net cash provided by operating activities	<u>43,684</u>	<u>151,490</u>	<u>195,174</u>
Cash flows from non-capital financing activities:			
Other income	<u>1,071</u>	<u>8,776</u>	<u>9,847</u>
Cash flows from capital and related financing activities:			
Advances from (to) other funds	400,000	(265,000)	135,000
Capital contributions	-	160,000	160,000
Acquisition of capital assets	(67,615)	(501,545)	(569,160)
Net cash provided (used) by capital and related financing activities	<u>332,385</u>	<u>(606,545)</u>	<u>(274,160)</u>
Cash flows from investing activities:			
Interest received	<u>4,515</u>	<u>2,019</u>	<u>6,534</u>
Change in cash and cash equivalents	381,655	(444,260)	(62,605)
Cash and cash equivalents, beginning of year	<u>388,468</u>	<u>446,978</u>	<u>835,446</u>
Cash and cash equivalents, end of year	<u>\$ 770,123</u>	<u>\$ 2,718</u>	<u>\$ 772,841</u>

continued

CITY OF LUDINGTON

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS, CONTINUED
 Year Ended December 31, 2022

	<i>Cartier Park Campground Fund</i>	<i>Harbor View Marina Fund</i>	<i>Total</i>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 36,612	\$ 156,187	\$ 192,799
Adjustments:			
Depreciation	8,745	2,585	11,330
Change in assets and liabilities:			
Accounts receivable	-	(3,776)	(3,776)
Inventory	-	(22,146)	(22,146)
Prepaid expenses	(1,045)	(4,428)	(5,473)
Accounts payable	(819)	4,948	4,129
Deposits payable	-	(250)	(250)
Accrued wages payable	65	40	105
Unearned revenue	-	19,073	19,073
Compensated absences payable	126	(743)	(617)
	<u>\$ 43,684</u>	<u>\$ 151,490</u>	<u>\$ 195,174</u>
Net cash provided by operating activities	<u>\$ 43,684</u>	<u>\$ 151,490</u>	<u>\$ 195,174</u>

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET POSITION December 31, 2022

	<u>Motor Pool</u> <u>Fund</u>	<u>Technology</u> <u>Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 174,407	\$ 17,789	\$ 192,196
Accrued interest receivable	41	-	41
Due from other governments	2,399	-	2,399
Inventory	92,668	-	92,668
Prepaid expenses	38,811	19,785	58,596
Total current assets	<u>308,326</u>	<u>37,574</u>	<u>345,900</u>
Noncurrent assets:			
Capital assets not being depreciated	4,250	-	4,250
Capital assets being depreciated, net	2,670,752	12,249	2,683,001
Total noncurrent assets	<u>2,675,002</u>	<u>12,249</u>	<u>2,687,251</u>
Total assets	<u>2,983,328</u>	<u>49,823</u>	<u>3,033,151</u>
Deferred outflows of resources:			
Related to pension	<u>145,427</u>	<u>-</u>	<u>145,427</u>
Liabilities:			
Current liabilities:			
Accounts payable	16,767	2,270	19,037
Accrued wages payable	7,655	-	7,655
Total current liabilities	<u>24,422</u>	<u>2,270</u>	<u>26,692</u>
Noncurrent liabilities:			
Compensated absences payable	6,806	-	6,806
Net pension liability	545,034	-	545,034
Total noncurrent liabilities	<u>551,840</u>	<u>-</u>	<u>551,840</u>
Total liabilities	<u>576,262</u>	<u>2,270</u>	<u>578,532</u>
Deferred inflows of resources:			
Related to pension	<u>9,816</u>	<u>-</u>	<u>9,816</u>
Net position:			
Investment in capital assets	2,675,002	12,249	2,687,251
Unrestricted (deficit)	<u>(132,325)</u>	<u>35,304</u>	<u>(97,021)</u>
Total net position	<u>\$ 2,542,677</u>	<u>\$ 47,553</u>	<u>\$ 2,590,230</u>

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION**
Year Ended December 31, 2022

	<i><u>Motor Pool</u></i> <i><u>Fund</u></i>	<i><u>Technology</u></i> <i><u>Fund</u></i>	<i><u>Total</u></i>
Operating revenues:			
Equipment rental - interfund charges	\$ 1,167,312	\$ 132,311	\$ 1,299,623
Other	<u>49,272</u>	<u>-</u>	<u>49,272</u>
Total operating revenues	<u>1,216,584</u>	<u>132,311</u>	<u>1,348,895</u>
Operating expenses:			
Personal services	438,550	-	438,550
Contracted services	27,866	94,976	122,842
Administrative expense	41,300	-	41,300
Insurance	59,808	-	59,808
Utilities	39,255	-	39,255
Repairs and maintenance	99,860	-	99,860
Other services and expenses	211,688	30,867	242,555
Depreciation	<u>363,749</u>	<u>3,644</u>	<u>367,393</u>
Total operating expenses	<u>1,282,076</u>	<u>129,487</u>	<u>1,411,563</u>
Operating income (loss)	<u>(65,492)</u>	<u>2,824</u>	<u>(62,668)</u>
Non-operating revenues (expenses):			
Interest income	<u>846</u>	<u>-</u>	<u>846</u>
Changes in net position	(64,646)	2,824	(61,822)
Net position, beginning of year	<u>2,607,323</u>	<u>44,729</u>	<u>2,652,052</u>
Net position, end of year	<u>\$ 2,542,677</u>	<u>\$ 47,553</u>	<u>\$ 2,590,230</u>

CITY OF LUDINGTON

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
 Year Ended December 31, 2022

	<i>Motor Pool</i>	<i>Technology</i>	<i>Total</i>
	<i>Fund</i>	<i>Fund</i>	
Cash flows from operating activities:			
Cash received from customers	\$ 48,362	\$ -	\$ 48,362
Cash received from interfund services	1,167,312	132,311	1,299,623
Cash payments to employees and on behalf of employees	(396,189)	-	(396,189)
Cash payments to suppliers for goods and services	(497,509)	(142,875)	(640,384)
	<u>321,976</u>	<u>(10,564)</u>	<u>311,412</u>
Net cash provided (used) by operating activities			
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(421,273)	-	(421,273)
Cash flows from investing activities:			
Interest received	836	-	836
	<u>836</u>	<u>-</u>	<u>836</u>
Change in cash and cash equivalents	(98,461)	(10,564)	(109,025)
Cash and cash equivalents, beginning of year	272,868	28,353	301,221
Cash and cash equivalents, end of year	<u>\$ 174,407</u>	<u>\$ 17,789</u>	<u>\$ 192,196</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income	\$ (65,492)	\$ 2,824	\$ (62,668)
Adjustments:			
Depreciation	363,749	3,644	367,393
Change in assets and liabilities:			
Due from other governments	(910)	-	(910)
Inventory	(13,260)	-	(13,260)
Prepaid expenses	(1,910)	(11,697)	(13,607)
Accounts payable	(2,562)	(5,335)	(7,897)
Accrued wages payable	1,432	-	1,432
Compensated absences payable	2,354	-	2,354
Net pension liability and related deferred amounts	38,575	-	38,575
	<u>321,976</u>	<u>(10,564)</u>	<u>311,412</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, 2022

	<i>Police Pension Trust Fund</i>	<i>Police Greenwood Fund</i>	<i>OPEB Fund</i>	<i>Total</i>
Assets:				
Cash and cash equivalents	\$ 634,673	\$ 24,168	\$ -	\$ 658,841
Investments at fair value				
Equity securities	6,316,906	-	-	6,316,906
Money market	-	-	2,113	2,113
Taxes receivable	29,499	-	-	29,499
Accrued interest receivable	37	-	-	37
	<u>6,981,115</u>	<u>24,168</u>	<u>2,113</u>	<u>7,007,396</u>
Total assets				
Deferred inflows of resources:				
Unavailable revenue - property taxes	<u>511,411</u>	<u>-</u>	<u>-</u>	<u>511,411</u>
Net position:				
Restricted for:				
Pension benefits	6,469,704	24,168	-	6,493,872
Retiree healthcare benefits	<u>-</u>	<u>-</u>	<u>2,113</u>	<u>2,113</u>
	<u>\$ 6,469,704</u>	<u>\$ 24,168</u>	<u>\$ 2,113</u>	<u>\$ 6,495,985</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, 2022

	<i>Police Pension Trust Fund</i>	<i>Police Greenwood Fund</i>	<i>OPEB Fund</i>	<i>Total</i>
Additions:				
Contributions:				
Employer	\$ 488,918	\$ -	\$ -	\$ 488,918
Employee	73,523	-	-	73,523
Total contributions	562,441	-	-	562,441
Investment earnings:				
Interest	175,690	35		175,725
Net increase in fair value of investments	(900,289)	-	(246)	(900,535)
Net investment earnings	(724,599)	35	(246)	(724,810)
Total additions	(162,158)	35	(246)	(162,369)
Deductions:				
Benefits - pension	559,254	5,950	-	565,204
Refunds - pension	35,786	-	-	35,786
Administrative fees	27,313	-	4	27,317
Total deductions	622,353	5,950	4	628,307
Net increase (decrease)	(784,511)	(5,915)	(250)	(790,676)
Net position, beginning of year	7,254,215	30,083	2,363	7,286,661
Net position, end of year	<u>\$ 6,469,704</u>	<u>\$ 24,168</u>	<u>\$ 2,113</u>	<u>\$ 6,495,985</u>

CITY OF LUDINGTON

FIDUCIARY FUNDS – CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
 December 31, 2022

	<i>Tax Collection Fund</i>	<i>Cultural Economic Development Fund</i>	<i>Splash Pad Fund</i>	<i>Starfish Buy Back Fund</i>	<i>Total</i>
Assets:					
Cash and cash equivalents	\$ 330,264	\$ 33,088	\$ 37,950	\$ 4,156	\$ 405,458
Total assets	330,264	33,088	37,950	4,156	405,458
Liabilities:					
Accounts payable	502	-	-	-	502
Undistributed tax collections	329,762	-	-	-	329,762
Total liabilities	330,264	-	-	-	330,264
Net position:					
Restricted for:					
Individuals, organizations, and other governments	-	33,088	37,950	4,156	75,194
Total net position	\$ -	\$ 33,088	\$ 37,950	\$ 4,156	\$ 75,194

CITY OF LUDINGTON

FIDUCIARY FUNDS – CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended December 31, 2022

	<i>Tax Collection Fund</i>	<i>Cultural Economic Development Fund</i>	<i>Splash Pad Fund</i>	<i>Starfish Buy Back Fund</i>	<i>Total</i>
Additions:					
Contributions:					
Gifts and bequests	\$ -	\$ 7,356	\$ -	\$ 4,156	\$ 11,512
Property tax collections for other governments	<u>9,892,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,892,527</u>
Total additions	<u>9,892,527</u>	<u>7,356</u>	<u>-</u>	<u>4,156</u>	<u>9,904,039</u>
Deductions:					
Payments on behalf of organizations					
	-	108	-	-	108
Property tax collections to other governments	<u>9,892,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,892,527</u>
Total deductions	<u>9,892,527</u>	<u>108</u>	<u>-</u>	<u>-</u>	<u>9,892,635</u>
Net increase (decrease)	-	7,248	-	4,156	11,404
Net position, beginning of year	<u>-</u>	<u>25,840</u>	<u>37,950</u>	<u>-</u>	<u>63,790</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 33,088</u>	<u>\$ 37,950</u>	<u>\$ 4,156</u>	<u>\$ 75,194</u>

CITY OF LUDINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET

December 31, 2022

Assets:

Cash and cash equivalents	\$ 271,869
Taxes receivable	2,501
Accounts receivable	21,642
Accrued interest receivable	<u>27</u>
Total assets	<u>\$ 296,039</u>

Liabilities:

Accounts payable	\$ 2,011
Unearned revenue	<u>45,438</u>
Total liabilities	<u>47,449</u>

Deferred inflows of resources:

Unavailable revenue - property taxes	<u>126,683</u>
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Fund balance:

Unassigned	<u>121,907</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 296,039</u>

RECONCILIATION OF FUND BALANCE TO NET POSITION:

Fund balance for component unit	\$ 121,907
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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>2,325,359</u>
Net position of component unit	<u>\$ 2,480,182</u>

CITY OF LUDINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended December 31, 2022

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
Property taxes	\$ 108,300	\$ 108,300	\$ 106,965	\$ (1,335)
Federal grants	-	39,500	39,213	-
State grants	9,000	9,000	11,664	2,664
Charges for services	1,000	1,000	300	(700)
Interest and rents	400	400	820	420
Other revenue	79,000	79,000	78,311	(689)
Total revenues	197,700	237,200	237,273	360
Expenditures:				
Current				
Community and economic development	160,100	123,772	123,655	117
Capital outlay	-	96,328	96,328	-
Total expenditures	160,100	220,100	219,983	117
Change in fund balance	37,600	17,100	17,290	477
Fund balance, beginning of year	104,617	104,617	104,617	-
Fund balance, end of year	\$ 142,217	\$ 121,717	\$ 121,907	\$ 477

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

Change in fund balance \$ 17,290

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	96,328
Depreciation expense	(99,590)
Change in net position	\$ 14,028

CITY OF LUDINGTON

GOVERNMENTAL ACTIVITIES
SCHEDULE OF INDEBTEDNESS
December 31, 2022

2018 COPIER/PRINTER CAPITAL LEASE AGREEMENT

Issue in the amount of	\$ 125,511
Less: Principal paid in prior years	(94,401)
Principal paid in current year	<u>(31,110)</u>
Balance payable at December 31, 2022	<u>\$ -</u>

CITY OF LUDINGTON

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

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	(107,000)
Principal paid in current year	<u>(17,000)</u>
Balance payable at December 31, 2022	<u>\$ 1,076,000</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Interest Rate</u>	<u>Interest due April 1</u>	<u>Interest due October 1</u>	<u>Principal due October 1</u>	<u>Total Annual Requirement</u>
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
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>\$ 361,778</u>	<u>\$ 361,778</u>	<u>\$ 1,076,000</u>	<u>\$ 1,799,556</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 December 31, 2022

2007 SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS

Issue in the amount of	\$ 1,500,000
Less: Principal paid in prior years	(1,000,000)
Principal paid in current year	<u>(80,000)</u>
Balance payable at December 31, 2022	<u>\$ 420,000</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>
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>\$ 10,319</u>	<u>\$ 10,319</u>	<u>\$ 420,000</u>	<u>\$ 440,638</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

2016 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated October 18, 2016 in the amount of	\$ 9,817,000
Less: Principal paid in prior years	(968,000)
Principal paid in current year	<u>(199,000)</u>
Balance payable at December 31, 2022	<u>\$ 8,650,000</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>
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
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>\$ 1,117,604</u>	<u>\$ 1,117,604</u>	<u>\$ 8,650,000</u>	<u>\$ 10,885,208</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

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	(172,000)
Principal paid in current year	<u>(36,000)</u>
Balance payable at December 31, 2022	<u>\$ 1,938,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
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
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>\$ 480,196</u>	<u>\$ 480,196</u>	<u>\$ 1,938,000</u>	<u>\$ 2,898,392</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

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	(205,000)
Principal paid in current year	<u>(45,000)</u>
Balance payable at December 31, 2022	<u>\$ 2,080,000</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>
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
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>\$ 375,471</u>	<u>\$ 375,471</u>	<u>\$ 2,080,000</u>	<u>\$ 2,830,942</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

2018 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

Issue dated March 7, 2018 in the amount of	\$ 2,020,000
Less: Principal paid in prior years	(252,000)
Principal paid in current year	<u>(31,000)</u>
Balance payable at December 31, 2022	<u>\$ 1,737,000</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>
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
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>\$ 471,409</u>	<u>\$ 471,409</u>	<u>\$ 1,737,000</u>	<u>\$ 2,679,818</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

2018 WATER SUPPLY SYSTEM REVENUE BONDS

Issue dated March 7, 2018 in the amount of	\$ 1,351,000
Less: Principal paid in prior years	(171,000)
Principal paid in current year	<u>(23,000)</u>
Balance payable at December 31, 2022	<u>\$ 1,157,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
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
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>\$ 250,673</u>	<u>\$ 250,673</u>	<u>\$ 1,157,000</u>	<u>\$ 1,658,346</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

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	(440,000)
Principal paid in current year	<u>(147,000)</u>
Balance payable at December 31, 2022	<u>\$ 8,413,000</u>

Balance payable as follows:

<i>Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
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
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>\$ 2,098,445</u>	<u>\$ 2,098,445</u>	<u>\$ 8,413,000</u>	<u>\$ 12,609,890</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

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	(395,000)
Principal paid in current year	<u>(132,000)</u>
Balance payable at December 31, 2022	<u>\$ 7,552,000</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>
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
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%	<u>3,646</u>	<u>3,646</u>	<u>307,000</u>	<u>314,292</u>
		<u>\$ 1,883,642</u>	<u>\$ 1,883,642</u>	<u>\$ 7,552,000</u>	<u>\$ 11,319,284</u>

CITY OF LUDINGTON

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

December 31, 2022

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

Issue dated March 11, 2019 in the amount of	\$ 6,014,000
Less: Principal paid in prior years	(289,000)
Principal paid in current year	<u>(96,000)</u>
Balance payable at December 31, 2022	<u>\$ 5,629,000</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>
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
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>\$ 1,486,651</u>	<u>\$ 1,486,651</u>	<u>\$ 5,629,000</u>	<u>\$ 8,602,302</u>



**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, 2022, 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 26, 2023.

Report on 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.

Report on 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 26, 2023