



CITY OF LOWELL, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

CITY OF LOWELL

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INDEPENDENT AUDITORS' REPORT

November xx, 2020

Honorable Mayor and Members of the City Council
City of Lowell, Michigan

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lowell, Michigan (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lowell, Michigan, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 47 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lowell, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

City of Lowell, Michigan

Management's Discussion and Analysis

As management of the City of Lowell (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 fiscal year ended June 30, 2020.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2020 fiscal year as follows:

- No new debt was issued and principal payments of \$935,146 were made on outstanding debt.
- Completed the SAW grant funded sewer system infrastructure assessment project.
- Began construction of the new showboat.

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 comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include wastewater, water, light and power and airport operations.

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and designated contributions funds which are considered major funds. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison schedules have been provided for the general and special revenue funds to demonstrate legal compliance.

Proprietary funds The City maintains four separate enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, and light and power activity, as well as nonmajor airport operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City utilizes internal service funds to account for its data processing and equipment usage. Because these services primarily benefit the City's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water, and light and power operations, which are considered to be major funds of the City. Conversely, nonmajor enterprise funds and internal service funds are combined into single, aggregate presentations in the proprietary fund financial statements.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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. This is limited to this discussion and analysis, required pension and OPEB schedules and the general fund budget and actual presentation. Supplemental information follows the required OPEB schedules and includes combining and individual fund statements and schedules.

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$24,023,961 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

City of Lowell Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 5,554,236	\$ 5,007,040	\$ 9,168,407	\$10,099,304	\$14,722,643	\$15,106,344
Capital assets	9,360,492	8,780,601	18,474,044	17,668,973	27,834,536	26,449,574
Total assets	14,914,728	13,787,641	27,642,451	27,768,277	42,557,179	41,555,918
Deferred outflows	382,211	593,787	408,238	539,450	790,449	1,133,237
Liabilities						
Current liabilities	526,212	251,586	1,392,722	1,128,218	1,918,934	1,379,804
Long-term liabilities	7,046,838	7,777,388	10,357,895	11,358,245	17,404,733	19,135,633
Total liabilities	7,573,050	8,028,974	11,750,617	12,486,463	19,323,667	20,515,437
Net position						
Net investment in capital						
Assets	5,997,148	5,067,630	11,403,605	11,593,506	17,400,753	16,661,136
Restricted	3,827,964	3,381,304	259,253	259,253	4,087,217	3,640,557
Unrestricted	(2,101,223)	(2,096,480)	4,637,214	3,968,505	2,535,991	1,872,025
Total net position	\$ 7,723,889	\$ 6,352,454	\$16,300,072	\$15,821,264	\$24,023,961	\$22,173,718

The largest portion of the City's net position in the amount of 72% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position in the amount of 17% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$2,535,991 or 11%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, and the business-type activities. Governmental activities unrestricted net position reports a deficit of \$2,101,223.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2020, was \$15,234,675 while total cost of all programs and services was \$13,251,690. This results in an increase in net position of \$1,982,985. The increase is lower than the 2019 increase as a result of lower grants and contributions received for the showboat project which is in the construction phase. The following table presents a summary of the changes in net position for the years ended June 30.

City of Lowell Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 232,525	\$ 282,113	\$10,840,554	\$10,884,913	\$11,073,079	\$11,167,026
Operating grants and contributions	1,315,300	811,483	-	-	1,315,300	811,483
Capital grants and contributions	528,749	1,741,909	165,010	296,307	693,759	2,038,216
General revenues						
Property taxes	1,641,286	1,580,774	-	-	1,641,286	1,580,774
State shared revenues	387,851	402,241	-	-	387,851	402,241
Investment earnings	20,434	18,124	54,771	62,579	75,205	80,703
Other	38,653	63,611	9,542	14,650	48,195	78,261
Total revenues	4,164,798	4,900,255	11,069,877	11,258,449	15,234,675	16,158,704
Expenses						
General government	863,440	989,910	-	-	863,440	989,910
Public safety	1,215,303	1,169,334	-	-	1,215,303	1,169,334
Public works	266,768	656,319	-	-	266,768	656,319
Culture and recreation	365,750	318,953	-	-	365,750	318,953
Highways and streets	244,023	308,509	-	-	244,023	308,509
LCTV endowment	89,629	79,371	-	-	89,629	79,371
Interest on long-term debt	113,022	119,177	-	-	113,022	119,177
Wastewater	-	-	1,296,653	1,355,849	1,296,653	1,355,849
Water	-	-	1,332,276	1,141,723	1,332,276	1,141,723
Light and power	-	-	7,391,762	7,587,710	7,391,762	7,587,710
Airport	-	-	73,064	78,816	73,064	78,816
Total expenses	3,157,935	3,641,573	10,093,755	10,164,098	13,251,690	13,805,671
Increase (decrease) before transfers	1,006,863	1,258,682	976,122	1,094,351	1,982,985	2,353,033
Transfers in (out)	364,572	364,152	(364,572)	(364,152)	-	-
Increase (decrease) in net position	1,371,435	1,622,834	611,550	730,199	1,982,985	2,353,033
Net position – beginning	6,352,454	4,729,620	15,688,522	15,091,065	22,040,976	19,820,685
Net position – ending	\$7,723,889	\$6,352,454	\$16,300,072	\$15,821,264	\$24,023,961	\$22,173,718

Governmental Activities During the year the City invested \$1,215,303 or 38% in public safety. General government expenses were \$863,440 or 27% of governmental activities, while public works, culture and recreation, highways and streets, LCTV endowment, and interest on long-term debt made up the remaining 35% of governmental activities. The preceding table shows that the governmental activities increased the City's net position by \$1,371,435 during this fiscal year. The increase is primarily the result of capital grants related to the showboat.

Business type activities net position at 7/1/19 was restated downward by \$132,742 to reflect the City's share of the purchase power asset retirement obligation as required by GASB Statement No. 83.

Business-type Activities Business-type activities increased the City's net position by \$611,550 during the year. This increase is primarily the result of reduced revenue and costs.

Financial Analysis of the Government's Funds

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

Governmental funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,179,596 an increase of \$614,892 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$1,187,676. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 41% of total general fund expenditures including transfers out.

Fund balance of the designated contributions fund was \$1,922,545 an increase of \$149,040 primarily due to grant funding.

Proprietary funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City of Lowell's enterprise operations consist of four separate and distinct activities. The wastewater, water, light and power, and airport funds provide service to most residents and businesses of the City. The wastewater and water funds reported decreased net position of \$85,882 and \$125,316 respectively while the light and power fund increased net position by \$820,578. The airport fund experienced an increase in net position of \$2,170. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

- The general fund budgeted revenues were increased slightly for unexpected revenue sources and the City Manager budget was increased to reflect the extent of environmental and engineering costs associated with the Ware Road project.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounted to \$27,834,536 (net of accumulated depreciation). Of this amount, \$9,360,492 was for its governmental activities and \$18,474,044 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant current year additions included upgrades to the electric systems, and showboat construction costs.

Additional information on the City's capital assets can be found in Note 5 to these financial statements.

Long-term debt At the end of the current fiscal year, the City had total long-term debt outstanding of \$17,404,733. Of this amount, \$7,046,838 was for governmental activities while \$10,357,895 was for business-type activities. The balance of noncurrent bonds payable at year end was \$8,242,987. Principal payments during the year were \$935,146.

Additional information on the City's long-term debt can be found in Note 7 to these financial statements.

Additional information on the City's long-term debt can be found in Note 7 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2020-2021 fiscal year:

- Modest increase in property values and property taxes
- Reduced state shared sales tax, state gas and weight tax and Lowell Light & Power PILOT revenue.
- Slight inflation in expenditures.
- Retirement unfunded liabilities are a continued concern for the administration.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Lowell, 301 East Main Street, Lowell, MI 49331.

CITY OF LOWELL
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Downtown
	Activities	Activities		Development
				Authority
Assets				
Cash and pooled investments	\$ 4,320,335	\$ 4,782,385	\$ 9,102,720	\$ 427,462
Investments	988,022	1,046,337	2,034,359	-
Accounts receivable	78,749	1,350,967	1,429,716	-
Special assessments receivable	-	29,227	29,227	-
Prepaid items	5,919	678,728	684,647	-
Due from other governments	120,398	-	120,398	-
Advance to MPPA	-	278,063	278,063	-
Advance to City DDA	-	165,000	165,000	-
Internal balances	32,336	(32,336)	-	-
Inventory	8,477	444,880	453,357	-
Restricted assets				
Cash and pooled investments	-	425,156	425,156	-
Capital assets				
Land	568,460	432,618	1,001,078	452,306
Construction in progress	32,579	1,161,132	1,193,711	-
Depreciable capital assets, net	8,759,453	16,880,294	25,639,747	1,027,634
Total assets	14,914,728	27,642,451	42,557,179	1,907,402
Deferred outflows of resources				
Pension related	335,527	408,238	743,765	-
Deferred charge on refunding	46,684	-	46,684	-
Total deferred outflows of resources	382,211	408,238	790,449	-
Liabilities				
Accounts payable	130,812	431,932	562,744	2,902
Accrued liabilities	99,549	120,345	219,894	7,514
Customer deposits	-	196,670	196,670	-
Due to other governments	7,086	-	7,086	-
Unearned revenue	-	9,326	9,326	-
Due within one year	288,765	634,449	923,214	-
Noncurrent liabilities				
Premium on bonds	-	171,586	171,586	-
OPEB obligation	871,416	1,460,571	2,331,987	-
Advance from City	-	-	-	165,000
Compensated absences	41,779	36,400	78,179	2,068
Net pension liability	3,012,380	3,434,872	6,447,252	-
Asset retirement obligation	-	132,742	132,742	-
Due in more than one year	3,121,263	5,121,724	8,242,987	-
Total liabilities	7,573,050	11,750,617	19,323,667	177,484
Net position				
Net investment in capital assets	5,997,148	11,403,605	17,400,753	1,314,940
Restricted for				
Highways and streets	837,299	-	837,299	-
Historic District Commission	82,201	-	82,201	-
Look and Lee memorials	477,070	-	477,070	-
Other purposes	1,922,545	-	1,922,545	-
Debt service	2,855	259,253	262,108	-
Permanent trust				
Expendable portion	38,094	-	38,094	-
Nonexpendable portion	467,900	-	467,900	-
Unrestricted	(2,101,223)	4,637,214	2,535,991	414,978
Total net position	\$ 7,723,889	\$ 16,300,072	\$ 24,023,961	\$ 1,729,918

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

CITY OF LOWELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 863,440	\$ 138,779	\$ 403,075	\$ -	\$ (321,586)
Public safety	1,215,303	72,196	-	-	(1,143,107)
Public works	266,768	6,500	4,699	-	(255,569)
Culture and recreation	365,750	6,105	340,722	528,749	509,826
Highways and streets	244,023	8,945	457,004	-	221,926
LCTV endowment	89,629	-	109,800	-	20,171
Interest on long-term debt	113,022	-	-	-	(113,022)
Total governmental activities	3,157,935	232,525	1,315,300	528,749	(1,081,361)
Business-type activities					
Wastewater	1,296,653	1,051,990	-	165,010	(79,653)
Water	1,332,276	1,184,635	-	-	(147,641)
Light and power	7,391,762	8,528,929	-	-	1,137,167
Airport	73,064	75,000	-	-	1,936
Total business-type activities	10,093,755	10,840,554	-	165,010	911,809
Total primary government	\$ 13,251,690	\$ 11,073,079	\$ 1,315,300	\$ 693,759	\$ (169,552)
Component unit					
Downtown Development Authority	\$ 549,422	\$ -	\$ -	\$ -	\$ (549,422)
Total component unit	\$ 549,422	\$ -	\$ -	\$ -	\$ (549,422)

(Continued)

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

CITY OF LOWELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Changes in net assets				
Net (expense) revenue	\$ (1,081,361)	\$ 911,809	\$ (169,552)	\$ (549,422)
General revenues				
Property taxes	1,641,286	-	1,641,286	549,129
Franchise fees	38,153	-	38,153	-
State shared revenues - unrestricted	387,851	-	387,851	-
Unrestricted investment earnings	20,434	54,771	75,205	7,268
Other general revenues	500	9,542	10,042	-
Transfers - internal activities	364,572	(364,572)	-	-
Total general revenues and transfers	<u>2,452,796</u>	<u>(300,259)</u>	<u>2,152,537</u>	<u>556,397</u>
Change in net position	1,371,435	611,550	1,982,985	6,975
Net position, beginning of year, as restated	<u>6,352,454</u>	<u>15,688,522</u>	<u>22,040,976</u>	<u>1,722,943</u>
Net position, end of year	<u>\$ 7,723,889</u>	<u>\$ 16,300,072</u>	<u>\$ 24,023,961</u>	<u>\$ 1,729,918</u>

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

CITY OF LOWELL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	<u>General</u>	<u>Designated Contributions</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,297,506	\$ 1,873,137	\$ 1,008,353	\$ 4,178,996
Investments	-	-	988,022	988,022
Accounts receivable	-	78,749	-	78,749
Prepaid items	5,919	-	-	5,919
Due from other funds	32,336	-	-	32,336
Due from other governments	55,648	-	64,750	120,398
Total assets	<u>\$ 1,391,409</u>	<u>\$ 1,951,886</u>	<u>\$ 2,061,125</u>	<u>\$ 5,404,420</u>
Liabilities, deferred inflows and fund balances				
Liabilities				
Accounts payable	\$ 84,471	\$ 29,341	\$ 9,859	\$ 123,671
Accrued liabilities	85,979	-	3,932	89,911
Due to other governments	7,086	-	-	7,086
Total liabilities	<u>177,536</u>	<u>29,341</u>	<u>13,791</u>	<u>220,668</u>
Deferred inflows of resources				
Unavailable receivables	4,156	-	-	4,156
Fund balances				
Nonspendable				
Permanent fund corpus	-	-	467,900	467,900
Prepaid items	5,919	-	-	5,919
Restricted				
Streets	-	-	837,299	837,299
Historic District Commission	-	-	82,201	82,201
Cemetery operations and maintenance	-	-	33,910	33,910
City enhancement	-	1,922,545	481,254	2,403,799
Police seizures	16,122	-	-	16,122
Debt service	-	-	2,855	2,855
Committed				
City enhancement	-	-	105,392	105,392
Assigned	-	-	36,523	36,523
Unassigned	1,187,676	-	-	1,187,676
Total fund balances	<u>1,209,717</u>	<u>1,922,545</u>	<u>2,047,334</u>	<u>5,179,596</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,391,409</u>	<u>\$ 1,951,886</u>	<u>\$ 2,061,125</u>	<u>\$ 5,404,420</u>

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

CITY OF LOWELL

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2020

Fund balances - total governmental funds

\$ 5,179,596

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - land	568,460
Add - construction in progress	32,579
Add - capital assets (net of accumulated depreciation)	8,338,263

Pension contributions, deferred outflows and deferred charges not reported in the funds.

Add - pension deferred outflows	332,903
Add - deferred charge on refunding	46,684

Certain assets are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.

Add - long-term receivables	4,156
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An internal service fund is used by management to charge the costs of centralized costs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service funds	370,098
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(41,162)
Deduct - OPEB obligation	(864,601)
Deduct - long-term debt payable	(3,245,000)
Deduct - net pension liability	(2,988,820)
Deduct - accrued interest on bonds payable	(9,267)

Net position of governmental activities

\$ 7,723,889

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

CITY OF LOWELL

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Designated Contributions</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 1,708,925	\$ -	\$ -	\$ 1,708,925
Intergovernmental revenues				
State	387,851	500,000	518,577	1,406,428
Local	316,123	-	-	316,123
Licenses and permits	77,903	-	-	77,903
Charges for services	108,985	-	6,500	115,485
Investment earnings	19,272	22,017	27,158	68,447
Contributions and donations	3,911	284,567	162,186	450,664
Miscellaneous	3,570	-	14,984	18,554
Total revenues	<u>2,626,540</u>	<u>806,584</u>	<u>729,405</u>	<u>4,162,529</u>
Expenditures				
Current				
General government	799,778	16,259	94,687	910,724
Public safety	1,034,858	-	-	1,034,858
Public works	207,915	-	-	207,915
Culture and recreation	256,204	681,456	28,302	965,962
Highways and streets	-	-	405,273	405,273
Other functions	3,364	-	-	3,364
Debt service				
Principal	-	-	215,000	215,000
Interest	-	-	114,113	114,113
Total expenditures	<u>2,302,119</u>	<u>697,715</u>	<u>857,375</u>	<u>3,857,209</u>
Revenues over (under) expenditures	<u>324,421</u>	<u>108,869</u>	<u>(127,970)</u>	<u>305,320</u>
Other financing sources (uses)				
Transfers in	412,956	40,171	483,382	936,509
Transfers out	(538,382)	-	(88,555)	(626,937)
Total other financing sources (uses)	<u>(125,426)</u>	<u>40,171</u>	<u>394,827</u>	<u>309,572</u>
Net changes in fund balances	198,995	149,040	266,857	614,892
Fund balances, beginning of year	<u>1,010,722</u>	<u>1,773,505</u>	<u>1,780,477</u>	<u>4,564,704</u>
Fund balances, end of year	<u>\$ 1,209,717</u>	<u>\$ 1,922,545</u>	<u>\$ 2,047,334</u>	<u>\$ 5,179,596</u>

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

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2020

Net changes in fund balances - total governmental funds

\$ 614,892

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	934,975
Deduct - depreciation expense	(340,982)

Some receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.

Add - change in personal property tax receivable	1,232
--	-------

Issuance of bonds or notes provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	215,000
Deduct - amortization of deferred charge on refunding	(6,614)

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 funds.

Add - decrease in compensated absences	6,715
Deduct - increase in OPEB obligation	(73,595)
Add - decrease in net pension liability	130,024
Deduct - decrease in deferred outflows for pension	(192,349)
Add - decrease in accrued interest	1,091

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - increase in net position from the internal service funds	81,046
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Change in net position of governmental activities

\$ 1,371,435

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

CITY OF LOWELL
PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Light and Power	Non-major (Airport)		
Assets						
Current assets						
Cash and pooled investments	\$ 1,958,199	\$ 1,516,364	\$ 1,277,486	\$ 30,336	\$ 4,782,385	\$ 141,339
Investments	-	-	1,046,337	-	1,046,337	-
Restricted cash and pooled investments	-	-	190,830	-	190,830	-
Accounts receivable	138,057	184,457	1,025,998	2,455	1,350,967	-
Prepaid items	-	-	674,953	3,775	678,728	-
Inventory	-	94,301	350,579	-	444,880	8,477
Total current assets	2,096,256	1,795,122	4,566,183	36,566	8,494,127	149,816
Noncurrent assets						
Restricted cash and pooled investments	-	-	234,326	-	234,326	-
Special assessments long-term	29,227	-	-	-	29,227	-
Advance to MPPA	-	-	278,063	-	278,063	-
Advance to DDA	-	-	165,000	-	165,000	-
Capital assets						
Land	4,500	109,908	259,157	59,053	432,618	-
Construction in progress	-	-	1,161,132	-	1,161,132	-
Capital assets, net	3,387,167	3,557,979	9,709,883	225,265	16,880,294	421,190
Total noncurrent assets	3,420,894	3,667,887	11,807,561	284,318	19,180,660	421,190
Total assets	5,517,150	5,463,009	16,373,744	320,884	27,674,787	571,006
Deferred outflows of resources						
Pension related	25,774	100,672	281,792	-	408,238	2,624
Liabilities						
Current liabilities						
Accounts payable	20,861	26,349	383,535	1,187	431,932	7,141
Accrued liabilities	18,680	26,392	75,273	-	120,345	371
Due to other funds	-	-	32,336	-	32,336	-
Customer deposits	-	8,285	188,385	-	196,670	-
Unearned revenue	-	-	-	9,326	9,326	-
Current portion of long-term debt	70,000	30,000	534,449	-	634,449	88,765
Total current liabilities	109,541	91,026	1,213,978	10,513	1,425,058	96,277
Long-term liabilities						
Premium on bonds	117,571	54,015	-	-	171,586	-
Net pension liability	231,396	903,839	2,299,637	-	3,434,872	23,560
Net OPEB obligation	66,938	261,461	1,132,172	-	1,460,571	6,815
Asset retirement obligation	-	-	132,742	-	132,742	-
Compensated absences	2,454	11,504	22,442	-	36,400	617
Bonds payable, net of current portion	2,016,000	864,000	2,241,724	-	5,121,724	76,263
Total long-term liabilities	2,434,359	2,094,819	5,828,717	-	10,357,895	107,255
Total liabilities	2,543,900	2,185,845	7,042,695	10,513	11,782,953	203,532
Net position						
Net investment in capital assets	1,188,096	2,719,872	7,211,319	284,318	11,403,605	256,162
Restricted for revenue bond retirement	-	-	259,253	-	259,253	-
Unrestricted	1,810,928	657,964	2,142,269	26,053	4,637,214	113,936
Total net position	\$ 2,999,024	\$ 3,377,836	\$ 9,612,841	\$ 310,371	\$ 16,300,072	\$ 370,098

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

CITY OF LOWELL
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Light and Power	Non-major (Airport)		
Operating revenue						
Charges for services	\$ 1,051,990	\$ 1,184,635	\$ 8,408,965	\$ 75,000	\$ 10,720,590	\$ 306,723
Other	4,026	5,516	119,964	-	129,506	-
Total operating revenue	<u>1,056,016</u>	<u>1,190,151</u>	<u>8,528,929</u>	<u>75,000</u>	<u>10,850,096</u>	<u>306,723</u>
Operating expense						
Treatment	718,398	427,014	-	-	1,145,412	-
Transmission and distribution	113,596	294,099	6,684,949	-	7,092,644	-
Customer accounts	82,809	86,071	-	-	168,880	-
Administrative and general	124,399	150,522	-	56,350	331,271	195,195
Change in benefit liability	89,557	164,160	-	-	253,717	(61,116)
Depreciation	92,388	178,083	655,015	16,714	942,200	143,494
Total operating expense	<u>1,221,147</u>	<u>1,299,949</u>	<u>7,339,964</u>	<u>73,064</u>	<u>9,934,124</u>	<u>277,573</u>
Operating income (loss)	<u>(165,131)</u>	<u>(109,798)</u>	<u>1,188,965</u>	<u>1,936</u>	<u>915,972</u>	<u>29,150</u>
Non-operating revenue (expense)						
Loss on disposal of capital assets	-	-	28,007	-	28,007	-
Investment earnings	(10,255)	16,809	47,983	234	54,771	1,162
Interest expense	(75,506)	(32,327)	(79,805)	-	(187,638)	(4,266)
Total non-operating revenue (expense)	<u>(85,761)</u>	<u>(15,518)</u>	<u>(3,815)</u>	<u>234</u>	<u>(104,860)</u>	<u>(3,104)</u>
Income (loss) before transfers and capital items	<u>(250,892)</u>	<u>(125,316)</u>	<u>1,185,150</u>	<u>2,170</u>	<u>811,112</u>	<u>26,046</u>
Transfers and capital						
Capital grants	165,010	-	-	-	165,010	-
Transfers in	-	-	-	-	-	55,000
Transfers out	-	-	(364,572)	-	(364,572)	-
Total transfers and capital	<u>165,010</u>	<u>-</u>	<u>(364,572)</u>	<u>-</u>	<u>(199,562)</u>	<u>55,000</u>
Changes in net assets	<u>(85,882)</u>	<u>(125,316)</u>	<u>820,578</u>	<u>2,170</u>	<u>611,550</u>	<u>81,046</u>
Net assets, beginning of year, as restated	<u>3,084,906</u>	<u>3,503,152</u>	<u>8,792,263</u>	<u>308,201</u>	<u>15,688,522</u>	<u>289,052</u>
Net assets, end of year	<u>\$ 2,999,024</u>	<u>\$ 3,377,836</u>	<u>\$ 9,612,841</u>	<u>\$ 310,371</u>	<u>\$ 16,300,072</u>	<u>\$ 370,098</u>

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

CITY OF LOWELL
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Light and Power	Non-major (Airport)		
Cash flows from operating activities						
Receipts from customers and users	\$ 1,405,580	\$ 1,165,848	\$ 8,387,151	\$ 76,527	\$ 11,035,106	\$ -
Receipts from internal services provided	-	-	-	-	-	306,723
Payments to employees	88,377	(301,728)	(1,657,107)	-	(1,870,458)	(87,742)
Payments to suppliers	(1,209,152)	(774,167)	(4,959,500)	(58,189)	(7,001,008)	(107,532)
Net cash provided by (used in) operating activities	284,805	89,953	1,770,544	18,338	2,163,640	111,449
Cash flows from non-capital financing activities						
Transfers in	-	-	-	-	-	55,000
Transfers out	-	-	(364,572)	-	(364,572)	-
Net cash provided by (used in) non-capital financing activities	-	-	(364,572)	-	(364,572)	55,000
Cash flows from capital and related financing activities						
Principal paid on long-term debt	(70,000)	(30,000)	(532,203)	-	(632,203)	(87,943)
Interest expense	(84,688)	(36,438)	(76,064)	-	(197,190)	(4,266)
Proceeds on sale of capital assets	47,406	-	43,511	-	90,917	-
Capital grants	165,010	-	-	-	165,010	-
Acquisitions of capital assets	(19,168)	(12,463)	(1,778,550)	-	(1,810,181)	(129,392)
Net cash provided by (used in) capital and related financing activities	38,560	(78,901)	(2,343,306)	-	(2,383,647)	(221,601)
Cash flows from investing activities						
Purchase of investments	-	-	(22,431)	-	(22,431)	-
Interest income	(10,255)	16,809	47,982	235	54,771	1,162
Net cash provided by (used in) investing activities	(10,255)	16,809	25,551	235	32,340	1,162
Net increase (decrease) in cash and pooled investments	313,110	27,861	(911,783)	18,573	(552,239)	(53,990)
Cash and pooled investments, beginning of year	1,645,089	1,488,503	2,614,425	11,763	5,759,780	195,329
Cash and pooled investments, end of year	\$ 1,958,199	\$ 1,516,364	\$ 1,702,642	\$ 30,336	\$ 5,207,541	\$ 141,339
Cash flows from operating activities						
Operating income (loss)	\$ (165,131)	\$ (109,798)	\$ 1,188,965	\$ 1,936	\$ 915,972	\$ 29,150
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	92,388	178,083	655,015	16,714	942,200	143,494
Deferred outflows of resources	(4,822)	34,735	101,299	-	131,212	12,613
Change in net OPEB obligation	(12,610)	29,619	(205,726)	-	(188,717)	(6,816)
Change in net pension liability	106,989	99,806	121,595	-	328,390	(66,913)
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	127,171	(26,103)	(65,040)	1,975	38,003	-
Due from other governmental units	125,579	-	-	-	125,579	-
Inventory	-	3,339	23,528	-	26,867	(1,181)
Prepaid assets and other items	-	-	112,748	(649)	112,099	-
Special assessments long-term	96,814	-	-	-	96,814	-
Customer deposits	-	1,800	(76,738)	-	(74,938)	-
Accounts payable	(80,393)	(124,656)	(85,545)	(1,190)	(291,784)	2,804
Due to other governmental units	-	-	-	-	-	-
Accrued liabilities	(545)	1,228	(5,238)	-	(4,555)	267
Unearned revenue	-	-	-	(448)	(448)	-
Compensated absences	(635)	1,900	5,681	-	6,946	(1,969)
Net cash provided by (used in) operating activities	\$ 284,805	\$ 89,953	\$ 1,770,544	\$ 18,338	\$ 2,163,640	\$ 111,449

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

CITY OF LOWELL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2020

**Agency
Fund**

Assets

Cash and pooled investments

\$ _____ -

Total assets

\$ _____ -

Liabilities

Accounts payable

\$ _____ -

Total liabilities

\$ _____ -

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

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Lowell, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The discretely presented component unit is reported in a separate column in the financial statements to emphasize it is legally separate from the City.

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the financial data of the Downtown Development Authority (DDA). This component unit provides improvement to the downtown district. It is reported in a separate column to emphasize that it is legally separate from the City.

The DDA was created to correct and prevent deterioration and to promote economic growth within the downtown area. The DDA governing body consists of individuals that are appointed by the City's Council. The City Council approves the DDA's budget and has the ability to significantly influence operations of the DDA. Financial statements are not separately issued for the DDA.

Blended Component Unit

The Building Authority is an entity legally separated from the City. For financial reporting purposes, the Building Authority is reported as if it were part of the City's operations because its purpose is to acquire, construct, and equip public buildings on behalf of the City. The Building Authority is presented as a nonmajor debt service fund.

Government-wide and Fund Financial Statements

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 units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants, state shared revenue and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Taxes, state revenue, licenses, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for data processing and equipment. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Designated Contributions Fund* is used to account for the collection of restricted grants and contributions and the expenditure of these balance for their restricted purposes. At year end the primary balance in this fund was restricted for the showboat project.

The City reports the following major proprietary funds:

The *Wastewater Enterprise Fund* is used to account for the operations of the City's wastewater department that provides sewer services on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services on a user charge basis.

The *Light and Power Fund* is used to account for the operations of the City's electrical utility on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Permanent Funds* are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Enterprise Funds* are used to account for operations of the City that are financed by charges for the services provided.

The *Internal Service Funds* are used to account for data processing services and equipment usage provided to the City departments and funds on a cost reimbursement basis.

The *Agency Fund* is used to account for the collection and disbursement of property taxes that are collected on behalf of outside governments or other parties.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general and special revenue funds. General and select special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to make budget transfers within an activity. The legal level of budgetary control is the activity level.
5. Formal budgetary integration is employed for the governmental fund types as a management control device. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budgets of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any activity must be approved by the City Council. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal at any time similar to a demand deposit account.

Restricted Cash and Pooled Investments

Certain bond and deposit agreements require assets to be set aside for principal, interest repayment, and other purposes. These assets are classified as restricted assets on the balance sheet because their use is limited by applicable agreement requirements. Certain assets of the Light and Power enterprise fund are held in trust with the Michigan Public Power Agency (MPPA) and can only be distributed to the MPPA for purchased power or specified MPPA payment purposes.

Investments

Investments are stated at fair value at the balance sheet date.

City investment policy allows for all investment authorized by State statutes. State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables/Due From Other Governments

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The light and power enterprise fund has established a reserve for uncollectible customer receivables in the amount of \$8,000 at June 30, 2020.

Special Assessments Receivable

Special assessments receivable consist of long-term receivables from customers and benefited parties for various infrastructure improvement projects.

Prepaid items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for utilizing the consumption method.

Inventory

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Inventory represents parts, supplies for the repair and maintenance of system infrastructure, and equipment. Inventory is accounted for utilizing the consumption method.

Capital Assets

Capital assets, which include land, construction in progress, buildings, vehicles and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial as well as in the proprietary fund statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30-50
Equipment	5-50
Improvements	30-50
Public domain and system infrastructure	40

Unearned Revenue

Funds report *unearned revenue* in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the funds were as follows:

Hangar rentals	\$9,326
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Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the property funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, regardless of fund or activity, are reported as expenditures.

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(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category which are related to deferred charges on bond refunding and the net pension liability which is discussed in Note 6.

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(s) and so will not be recognized

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the governmental funds report unavailable revenues from unpaid personal property taxes. In the fund financial statements, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes 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 Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the City Council. The City Council has delegated the authority to assign fund balance to the City Manager.

Net Position and Fund Balance Flow Assumptions

Sometimes the government 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/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed, except for the LCTV endowment, Lee Memorial, and Look Memorial special revenue funds which spend unrestricted resources first, then restricted resources as necessary. 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.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 31. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collected on behalf of other taxing units are accounted for in the agency funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as due from other governments and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

Charges between enterprise funds and other functions of the City are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

2. STATUTORY COMPLIANCE

Excess of expenditures over appropriations in budgetary funds

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2020, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
City Manager	156,325	191,169	(34,844)
Treasurer	115,789	125,963	(10,174)
Planning	68,161	72,623	(4,462)
Police Department	762,688	780,122	(17,434)
Fire Department	118,155	123,783	(5,628)
Emergency management	3,200	12,605	(9,405)
Library	180	181	(1)

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
Designated Contributions Fund	611,100	697,715	(86,615)
Major Streets	178,057	199,161	(21,104)
LCTV Fund	-	70,171	(70,171)

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Cash and pooled investments	\$ 9,102,720	\$427,462	\$ 9,530,182
Investments	2,034,359	-	2,034,359
Restricted cash and pooled investments	425,156	-	425,156
	<u>\$11,562,235</u>	<u>\$427,462</u>	<u>\$11,989,697</u>

The cash and investments making up the above balances are as follows:

Deposits	\$ 10,801,657
Investments	<u>1,188,040</u>
Total	<u>\$11,989,697</u>

The deposits are in financial institutions in varying amounts. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

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. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$9,355,872 of the City's bank balance of \$11,187,512 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

The City chooses to disclose its investments by type. As of year-end, the City had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Governmental agency pools	1-22 years	\$ 4,336	Not rated
GNMA bonds	1-29 years	431,447	Not rated
Kent County Pool	N/A	752,257	Not rated
Total		<u>\$1,188,040</u>	

The City categorizes its fair value measurements of investments 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.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The City has the following recurring fair value measurements as of year-end.

- The City does not have any investments that are valued using quoted market prices (Level 1 inputs).
- All securities are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

At June 30, 2020, the balance of the Kent County Investment Pool consisted of the following:

<u>Investment</u>	<u>Percentage of Pool Total</u>	<u>Maturity in Years</u>
Government agency securities	13%	0-3
Certificates of deposits	53%	0-3
Deposits, money markets and other pools	34%	Not applicable

Investment and deposit risk

Interest Rate Risk. State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity range of dates for each type of investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits 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 as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable are reported above.

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. Of the above \$1,188,040 of investments, the City has a custodial credit risk of \$435,783 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investments \$752,257 represents the City's investment in the Kent County Pool, the City's custodial credit risk exposure cannot be determined because the pools do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

4. INTERFUND/ENTITY TRANSACTIONS

Transfers in and out for the year ended June 30, 2020 are as follows:

Transfers out	Transfers in				Total
	General fund	Designated contributions Fund	Internal service funds	Nonmajor governmental	
General fund	\$ -	\$ -	\$55,000	\$483,382	\$538,382
Light and power	364,572	-	-	-	364,572
Nonmajor governmental	48,384	40,171	-	-	88,555
Total	\$412,956	\$40,171	\$55,000	\$483,382	\$991,509

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

Interfund balances reflect short-term balances due from/to other funds which occur in the normal course of operations. At year-end the light and power fund owed the general fund \$32,336. At year end the light & power fund had advanced the DDA \$165,000 to be repaid in future years.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 568,460	\$ -	\$ -	\$ 568,460
Construction in progress	32,579	-	-	32,579
Total capital assets, not being depreciated	601,039	-	-	601,039
Capital assets, being depreciated				
Land improvements	4,332,542	256,668	-	4,589,210
Buildings	7,085,968	639,190	-	7,725,158
Equipment	1,614,340	161,187	-	1,775,527
Other improvements	368,546	7,322	-	375,868
Total capital assets, being depreciated	13,401,396	1,064,367	-	14,465,763
Less accumulated depreciation for				
Land improvements	1,179,802	155,008	-	1,334,810
Buildings	2,807,668	138,773	-	2,946,441
Equipment	1,153,869	174,996	-	1,328,865
Other improvements	80,495	15,699	-	96,194
Total accumulated depreciation	5,221,834	484,476	-	5,706,310
Net capital assets, being depreciated	8,179,562	579,891	-	8,759,453
Governmental Activities capital assets, net	\$8,780,601	\$579,891	\$ -	\$9,360,492

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 432,618	\$ -	\$ -	\$ 432,618
Construction in progress	433,097	1,632,253	904,218	1,161,132
Total capital assets, not being depreciated	865,715	1,632,253	904,218	1,593,750
Capital assets being depreciated				
Land improvements	1,569,844	12,463	-	1,582,307
Buildings	6,373,653	-	-	6,373,653
Plant and equipment	20,596,090	1,050,515	107,194	21,539,411
Other improvements	8,715,257	19,168	-	8,734,425
Total capital assets, being depreciated	37,254,844	1,082,146	107,194	38,229,796
Less accumulated depreciation for				
Land improvements	295,629	36,301	-	331,930
Buildings	6,005,447	48,945	-	6,054,392
Plant and equipment	11,044,158	652,092	16,495	11,679,755
Other improvements	3,078,563	204,862	-	3,283,425
Total accumulated depreciation	20,423,797	942,200	16,495	21,349,502
Net capital assets, being depreciated	16,831,047	139,946	90,699	16,880,294
Business-type Activities capital assets, net	\$17,696,762	\$1,772,199	\$994,917	\$18,474,044
Component Unit				
Capital assets, not being depreciated				
Land	\$ 225,520	\$ 226,786	\$ -	\$ 452,306
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	225,520	226,786	-	452,306
Capital assets being depreciated				
Land improvements	1,515,236	30,066	-	1,545,302
Plant and equipment	30,253	-	-	30,253
Other improvements	176,945	-	-	176,945
Total capital assets, being depreciated	1,722,434	30,066	-	1,752,500
Less accumulated depreciation for				
Land improvements	582,707	52,978	-	635,685
Plant and equipment	21,241	1,008	-	22,249
Other improvements	61,467	5,465	-	66,932
Total accumulated depreciation	665,415	59,451	-	724,866
Net capital assets, being depreciated	1,057,019	(29,385)	-	1,027,634
Component Unit capital assets, net	\$1,282,539	\$197,401	\$ -	\$1,479,940

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 68,142
Public safety	68,142
Public works and streets	188,203
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>159,989</u>
Total depreciation expense - governmental activities	<u>\$484,476</u>
Business-type Activities	
Sewer	\$ 92,388
Water	178,083
Light and power	655,015
Nonmajor enterprise funds	<u>16,714</u>
Total depreciation expense - business- type activities	<u>\$942,200</u>

6. PENSION PLANS

MERS Defined Benefit Plan

Plan Description

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.

Benefits Provided

Pension benefits approved by the City Council are provided to all full-time employees based on division/bargaining unit and hire date. Eligible employees hired before 9/1/12 participate in a defined benefit plan which includes a multiplier of 2.50 times final average compensation, vesting period from 6 to 10 years, normal retirement age is 60, early retirement at 55 with 15 or 25 years of service, benefits are calculated using final 3 years of average compensation. Eligible employees hired on or after 9/1/12 participate in a hybrid defined benefit/contribution plan which includes a multiplier of 1.5 times final average compensation, vesting period of 6 years, normal retirement age is 60, early retirement at 55 and 25 years of service, benefits are calculated using final 3 years of average compensation.

Membership of the defined benefit plans consisted of the following at the date of the latest actuarial valuation (December 31, 2019):

Active plan members	33
Inactive employees entitled but not yet receiving benefits	16
Inactive employees or beneficiaries currently receiving benefits	<u>38</u>
Total	<u>87</u>

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was from 7.99% to 31.24% of annual covered payroll depending on position and classification. Participating employees are required to contribute at a rate of 0 to 7% of covered payroll. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age)

Investment rate of return: 7.35%, net of investment expense, including inflation

Mortality rates used were based on the RP-2014 Annuity Mortality Table with a 50% Male and 50% Female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50% Male and 50% Female blend.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	0.25%
Private investments	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			7.60%

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Discount rate. The discount rate used to measure the total pension liability is 7.6%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. 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 the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2018	\$15,263,628	\$8,947,829	\$6,315,799
Changes for the Year:			
Service cost	253,182	-	253,182
Interest	1,193,992	-	1,193,992
Change in benefits	-	-	-
Differences between expected and actual experience	60,445	-	60,445
Change in assumptions	455,772	-	455,772
Contributions: employer	-	532,507	(532,507)
Contributions: employee	-	118,205	(118,205)
Net investment income	-	1,201,925	(1,201,925)
Benefit payments, including refunds	(930,631)	(930,631)	-
Administrative expense	-	(20,700)	20,700
Other changes	(1)	-	(1)
Net changes	1,032,759	901,306	131,453
Balance at December 31, 2019	\$16,296,387	\$9,849,135	\$6,447,252

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rate of 7.6%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1% higher (8.6%) than the current rate.

	1% Decrease	Current Discount rate	1 % Increase
Total Pension Liability	\$18,084,228	\$16,296,389	\$14,792,940
Fiduciary Net Position	9,849,137	9,849,137	9,849,137
Net Pension Liability	\$ 8,235,091	\$ 6,447,252	\$ 4,943,803

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2020 the employer recognized pension expense of \$976,775. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ 107,740
Differences in assumptions	303,848
(Excess) deficit investment returns	40,885
Contributions subsequent to the measurement date*	<u>291,292</u>
Total	<u>\$743,765</u>

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2021.

Amounts reported as deferred outflows and inflows of resources related to pensions (excluding contributions subsequent to the measurement date) will be recognized in pension expense as follows:

2020	\$186,424
2021	240,279
2022	125,395
2023	(99,625)
2024	-
Thereafter	<u>-</u>
Total	<u>\$452,473</u>

Defined Contribution Plan

The Lowell Light and Power defined contribution pension plan (the Plan) provides pension benefits for all full-time employees exclusive of those participating in the defined benefit plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employees are eligible to participate immediately upon employment. LLP contributes 9 – 12% of each participant's compensation to the Plan. LLP's contributions are completely vested with the employee after a five year period of employment. The Plan provisions and contribution amounts were established by the LLP Board, and may be amended by the LLP Board. During the year, the LLP contributed \$1,724 to the plan.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities					
Public Offerings:					
\$300,000 2006 Transportation Improvement Bonds; due in annual installments of \$15,000 to \$20,000 through August 2019; plus interest at 3.5% to 4.25%	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
\$4,545,000 2012 Building Authority Bonds; due in annual installments of \$120,000 to \$355,000 through 2032; plus interest at 2.0% to 3.70%	3,435,000	-	190,000	3,245,000	200,000
Total Public Offerings	3,460,000	-	215,000	3,245,000	200,000

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Private Placement:					
2015 Act 99 installment purchase with annual payments of \$9,460 through May 1, 2024, including interest at 2.55%	\$ 47,300	\$ -	\$ 9,460	\$ 37,840	\$ 9,460
2016 Act 99 installment purchase with annual payments of \$19,113 through April 1, 2021, plus interest at 1.55%	38,226	-	19,113	19,113	19,113
2016 Act 99 installment purchase with annual payments of \$14,674 through April 1, 2021, plus interest at 1.55%	29,348	-	14,677	14,671	14,674
2017 Act 99 installment purchase with annual payments of \$34,147 to \$37,210 through June 30, 2022, plus interest at 1.80%	109,623	-	35,874	73,749	36,539
2017 Act 99 installment purchase with annual payments of \$7,898 to \$9,142 through June 30, 2022, plus interest at 1.80%	28,474	-	8,819	19,655	8,979
Total Private Placement:	252,971	-	87,943	165,028	88,765
Total long-term debt	3,712,971	-	302,943	3,410,028	288,765
Unamortized refunding charge	(53,298)	-	(6,614)	(46,684)	-
Accrued employee benefits	50,463	-	8,684	41,779	-
Total Governmental Activities	\$3,710,136	\$ -	\$305,013	\$3,405,123	\$288,765
Business-type Activities					
Public Offerings:					
\$3,805,000 2012 Electric Supply System Refunding Bonds, due in annual installments of \$215,000 to \$305,000 through August 2027; plus interest at 2-3%	\$2,440,000	\$ -	\$245,000	\$2,195,000	\$245,000
\$3,280,000 2016 General Obligation Capital Improvement Bonds, due in annual installments of \$100,000 to \$200,000 through November 2041; plus interest at 2% to 4.5%	3,080,000	-	100,000	2,980,000	100,000
Total Public Offerings	5,520,000	-	345,000	5,175,000	345,000

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Private Placement:					
2017 Act 99 installment purchase with monthly payments of \$10,594 through June 2022, including interest at 1.80%	\$ 370,822	\$ -	\$121,352	\$ 249,470	\$123,598
2019 Act 99 installment purchase of a control panel with annual payments of \$165,851 through June 2022, including interest at 2.15%	497,554	-	165,851	331,703	165,851
Total Private Placement	868,376	-	287,203	581,173	289,449
Total bonds	6,388,376	-	632,203	5,756,173	634,449
Bond premium	184,645	-	13,059	171,586	-
Accrued employee benefits	29,454	6,946	-	36,400	-
Total Business-type Activities	\$6,602,475	\$ 6,946	\$ 645,262	\$5,964,159	\$634,449
Component Units					
Accrued employee benefits	\$1,259	\$809	\$ -	\$2,068	\$ -

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits and unamortized refunding charge) as of June 30, 2020 are as follows:

Year Ending June 30	Governmental Activities			
	Public Offering		Private Placement	
	Principal	Interest	Principal	Interest
2021	\$200,000	\$108,632	\$88,765	\$2,791
2022	210,000	102,632	57,343	1,186
2023	225,000	96,332	9,460	482
2024	235,000	89,582	9,460	241
2025	245,000	82,532	-	-
2026-2030	1,440,000	284,030	-	-
2031-2035	690,000	38,666	-	-
2036-2040	-	-	-	-
Total	\$3,245,000	\$802,406	\$165,028	\$4,700
Year Ending June 30	Business-type Activities			
	Public Offering		Private Placement	
	Principal	Interest	Principal	Interest
2021	\$345,000	\$182,614	\$289,449	\$10,656
2022	355,000	173,987	291,724	4,827
2023	360,000	163,975	-	-
2024	370,000	153,175	-	-
2025	380,000	141,574	-	-
2026-2030	1,440,000	522,925	-	-
2031-2035	535,000	288,200	-	-
2036-2040	810,000	223,013	-	-
2041	580,000	39,826	-	-
Total	\$5,175,000	\$1,889,289	\$581,173	\$15,482

Installment purchase: the City has pledged its limited full faith and credit.

Revenue bonds: the City has pledged future electric utility system specific revenues, net of specified operating expenses, to repay the bonds outstanding. Utility rates will be set within regulatory limits to meet future debt service and operation cost requirements. Annual principal and interest payments on these bonds are expected to require less than 15 percent of gross revenues.

Transportation improvement bonds: The City has pledged future Act 51 funds for the repayment of these bonds.

General obligation and Building Authority bonds: The City has pledged its full faith and credit for the repayment of these bonds.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no changes in insurance coverage from the prior year.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

9. OTHER POST-EMPLOYMENT BENEFITS

Primary government (excluding Light and Power Enterprise Fund)

Plan Description

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has not been established for the plan. The City prepares the actuarial valuation utilizing the alternative method as provided for by accounting standards.

Benefits provided

In accordance with the City policy and agreements, retirees receive an employer-paid benefit of 100% of health insurance premiums for the retiree and spouse less affordable care act taxes. The employer's contributions cease 5 years after retirement or when the employee becomes eligible for Medicare benefits whichever occurs first.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2020):

Retirees and beneficiaries receiving benefits	3
Active plan members	20
Total	23

Contributions

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The City's contributions are based on pay-as-you-go financing requirements.

Net OPEB Liability

The employer's net OPEB liability was measured as of June 30, 2020 by rolling forward the June 30, 2019 liability which was prepared using the alternative measurement method, and the total OPEB liability used to calculate the net OPEB liability was determined by an annual actuarial valuation as of that date.

The total OPEB liability in the June 30, 2019 annual actuarial valuation was determined using the alternative method with the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: implicit in expected payroll increases

Salary Increases: 3.5%

Discount rate: 3.0%

Healthcare cost trend rates: 8.5% initially going down .25% per year, reaching a long term rate of 4.5%

Mortality rates were based on the 2014 life tables for males or females, as appropriate, from the Centers for Disease Control.

The actuarial assumptions used in valuation were based on requirements guidance provide by the Michigan Department of Treasury.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Discount rate. The discount rate used to measure the total OPEB liability is 3.0% which did not change from the prior year. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets (\$0), the long-term expected rate would be used to discount the projected benefits. From the year projected benefits are not projected to be covered by the projected assets (the "depletion date"), projected benefits would be discounted at a discount rate reflecting a 20 year AA/Aa tax exempt municipal bond yield (3.0%). A single equivalent discount rate that yields the same present value of benefits is calculated (3.0%). This discount rate is used to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2019	\$1,116,027
Changes for the Year:	
Service cost	70,729
Interest	34,225
Change in benefits	-
Differences between expected and actual experience	-
Change in assumptions	-
Contributions : employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(21,166)
Administrative expense	-
Other changes	-
Net changes	83,788
Balance at June 30, 2020	\$1,199,815

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the net OPEB liability of the employer, calculated using the discount rate of 3%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (2%) or 1% higher (4%) than the current rate.

	1% Decrease	Current Discount rate	1 % increase
Total OPEB liability	\$1,333,531	\$1,199,815	\$1,079,363

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate, as well as what the employer's net OPEB liability would be using a rate that is 1 percentage point lower or 1% higher than the current rate.

	1% Decrease	Current Healthcare rate	1 % increase
Total OPEB liability	\$1,112,719	\$1,199,815	\$1,305,731

For the year ended June 30, 2020 the employer recognized OPEB expense of \$104,954.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Light and Power Enterprise Fund

Plan Description

The LLP administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health insurance premiums for full time employees that retire and their spouses. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has not been established for the plan. The LLP prepares the actuarial valuation utilizing the alternative method as provided for by accounting standards.

Benefits provided

In accordance with the LLP policy, retirees receive an employer-paid benefit of 80 to 90% of health insurance premiums for the retiree and spouse. For employees hired after September 1, 2012 the employer's contributions cease 5 years after retirement or when the employee becomes eligible for Medicare benefits whichever occurs first. For employees hired before September 1, 2012 the employer contributions are for life. Benefit provisions are established by the Board.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2020):

Retirees and beneficiaries receiving benefits	9
Active plan members	23
Total	32

Contributions

The contribution requirements of Plan members and LLP are established and may be amended by the Board of LLP. LLP's contributions are based on pay-as-you-go financing requirements.

Net OPEB Liability

The employer's net OPEB liability was measured as of June 30, 2020 using the alternative measurement method, and the total OPEB liability used to calculate the net OPEB liability was determined by an annual actuarial valuation as of that date.

The total OPEB liability in the June 30, 2020 annual actuarial valuation was determined using the alternative method with the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: implicit in expected payroll increases

Salary Increases: 3.0%

Discount rate: 2.7%

Healthcare cost trend rates: 3%

Mortality rates were based on the 2017 life tables for males or females, as appropriate, from the Centers for Disease Control.

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

Discount rate. The discount rate used to measure the total OPEB liability is 2.7% which changed from the prior year (3%). Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

projected benefits that are covered by projected assets (\$0), the long-term expected rate would be used to discount the projected benefits. From the year projected benefits are not projected to be covered by the projected assets (the "depletion date"), projected benefits would be discounted at a discount rate reflecting a 20 year AA/Aa tax exempt municipal bond yield (2.7%). A single equivalent discount rate that yields the same present value of benefits is calculated (2.7%). This discount rate is used to determine the total OPEB liability. A discount rate is used of determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2019	\$1,337,898
Changes for the year:	
Service cost	53,669
Interest	36,111
Change in benefits	-
Differences between expected and actual experience	(240,948)
Change in assumptions	-
Contributions: employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(54,558)
Administrative expense	-
Other changes	-
Net changes	(205,726)
Balance at June 30, 2020	\$1,132,172

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the net OPEB liability of the employer, calculated using the discount rate of 2.7%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (1.7%) or 1% higher (3.7%) than the current rate.

	1% Decrease	Current Discount rate	1 % increase
Total OPEB liability	\$1,243,097	\$1,132,172	\$1,028,594

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or 1% higher than the current rate.

	1% Decrease	Current Discount rate	1 % increase
Total OPEB liability	\$1,005,442	\$1,132,172	\$1,283,672

For the year ended June 30, 2020 the employer recognized OPEB expense of \$151,168.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

10. JOINT VENTURE

Lowell Light and Power (the "Utility") is a member of a joint venture, the Michigan Public Power Agency (MPPA), with 13 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. Effective April 2009 the Utility along with other MPPA members entered into an Energy Services Agreement for the sale and purchase of power with the MPPA. The MPPA has entered into three year power purchase agreement on the behalf of participants. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

Under the joint venture, the LLP has entered into Power Sales Contracts and Project Support Contracts. These contracts provide for the LLP to purchase from MPPA 1.24% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Unit No. 1, which became operational in August 1984; 11.86% of MPPA's 4.80% ownership in Consumers Energy's Campbell Unit No. 3, which became operational in September 1980; 5.63% of the energy generated by MPPA's 100% ownership in Combustion Turbine Project No. 1 (50 MW rated simple cycle combustion turbine generating unit and ancillary support facilities located in Kalkaska, Michigan) which became operational in 2004, and 0.88% of MPPA's 5.16% ownership of the AFEC Project (675 MW facility located in Fremont, Ohio). These contracts require the LLP to purchase approximately 3, 4.5, 2.8, and .209 megawatts of power annually, respectively.

For the year ended June 30, 2020, the LLP recognized expenses totaling \$3,203,874 under the terms of the contracts, which represented approximately \$778,482 for fixed operating costs, \$656,352 for debt service and \$1,769,040 for the purchase of power. Accounts payable to MPPA totaled \$304,293 at June 30, 2020. Under the terms of its contracts, the LLP must make minimum annual payments equal to its share of debt service and its share of the operating costs of Detroit Edison's Belle River No. 1, Consumers Energy's Campbell Unit No. 3, Combustion Turbine Project No. 1, and the AFEC project. Future operating costs are estimated based on MPPA 2019 calendar year costs adjusted for inflation. Debt service costs are the LLP's known share of debt service requirements associated with each contract.

Debt Service requirements expire in the years 2021, 2027, and 2043 for the Campbell, Combustion Turbine and AFEC Project, respectively. The following amounts include estimated operating costs for the same period as the Debt Service. The contracts for the LLP's commitments for operating costs to extend beyond these dates are dependent upon the use of the facilities.

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

A summary of projected future contract payments with the MPPA are as follows:

	Debt		
	Campbell	Combustion Turbine	AFEC Project
2020	\$ 500,545	\$ 135,204	\$ 18,080
2021	499,674	135,416	18,344
2022	248,913	135,387	18,351
2023	-	135,120	18,342
2024	-	135,176	18,362
2025-2029	-	405,937	91,742
2030-2034	-	-	91,740
2035-2039	-	-	91,718
2040-2044	-	-	73,359
Total	\$1,249,132	\$1,082,240	\$440,038

	Operating		
	Campbell	Combustion Turbine	AFEC Project
2020	\$ 412,127	\$ 147,812	\$ 41,191
2021	424,491	152,247	42,427
2022	437,226	156,814	43,700
2023	-	161,518	45,011
2024	-	166,364	46,361
2025-2029	-	529,641	253,522
2030-2034	-	-	293,903
2035-2039	-	-	340,713
2040-2044	-	-	311,246
Total	\$1,273,844	\$1,314,396	\$1,418,074

The joint venture is a result of an ongoing financial responsibility. The Utility did not have an initial equity interest and does not participate in net income or losses.

11. ASSET RETIREMENT OBLIGATION

LLP's participation in various MPPA projects includes a responsibility to fund asset retirement obligations. As of December 31, 2019, the MPPA has two project that have identified asset retirement obligation totaling \$1,251,294. The LLP began recognizes their portion of these asset retirement obligations beginning in fiscal year 2020. LLP has calculated their portion of MPPA's asset retirement obligations to be \$132,742 based on LLP's participation percentage in each project.

12. RESTATEMENT

GASB Statement Number 83 "Certain Asset Retirement Obligations" was implemented during 2020 which resulted in an asset retirement obligation of \$132,742 and a corresponding reduction in net position of the Light & Power fund and business-type activities at July 1, 2019.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13. LITIGATION

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. No reserves for losses related to legal actions have been included as a liability in the City's financial statements.

14. COMMITMENTS

The LLP has agreements with the MPPA committing it to the purchase up to .854 MW of renewable energy from Granger Electric of Michigan, LLC, .273 MW of renewable energy from North American Natural Resources, Inc, 1.4 MW of renewable energy from Assembly Solar, LLC, and 3.8 MW of renewable energy from Pegasus Wind.

CITY OF LOWELL

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	Original	Final	Amount	Positive (Negative)
Revenues				
Taxes				
Property taxes	\$ 1,700,728	\$ 1,700,728	\$ 1,708,925	\$ 8,197
Intergovernmental revenues				
State	413,759	413,759	387,851	(25,908)
Local	315,740	315,740	316,123	383
Licenses and permits	42,300	62,300	77,903	15,603
Charges for services	156,600	173,725	108,985	(64,740)
Investment earnings	8,000	15,100	19,272	4,172
Contributions and donations	-	4,000	3,911	(89)
Miscellaneous	2,400	2,400	3,570	1,170
Total revenues	<u>2,639,527</u>	<u>2,687,752</u>	<u>2,626,540</u>	<u>(61,212)</u>
Expenditures				
Current				
General government	684,495	818,613	799,778	18,835
Public safety	1,077,859	1,087,059	1,034,858	52,201
Public works	353,626	293,626	207,915	85,711
Culture and recreation	295,873	296,603	256,204	40,399
Other functions	5,100	5,100	3,364	1,736
Total expenditures	<u>2,416,953</u>	<u>2,501,001</u>	<u>2,302,119</u>	<u>198,882</u>
Revenues over (under) expenditures	<u>222,574</u>	<u>186,751</u>	<u>324,421</u>	<u>137,670</u>
Other financing sources (uses)				
Transfers in	382,023	382,023	412,956	30,933
Transfers out	(538,382)	(538,382)	(538,382)	-
Total other financing sources (uses)	<u>(156,359)</u>	<u>(156,359)</u>	<u>(125,426)</u>	<u>30,933</u>
Net changes in fund balance	<u>66,215</u>	<u>30,392</u>	<u>198,995</u>	<u>168,603</u>
Fund balance, beginning of year	<u>1,010,722</u>	<u>1,010,722</u>	<u>1,010,722</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,076,937</u>	<u>\$ 1,041,114</u>	<u>\$ 1,209,717</u>	<u>\$ 168,603</u>

Basis of Accounting

Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principals (GAAP).

CITY OF LOWELL

DESIGNATED CONTRIBUTIONS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ -	\$ -	\$ 500,000	\$ 500,000
Investment earnings	-	-	22,017	22,017
Contributions and donations	<u>1,500</u>	<u>1,500</u>	<u>284,567</u>	<u>283,067</u>
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>806,584</u>	<u>805,084</u>
Expenditures				
Current				
General government	1,500	1,500	16,259	(14,759)
Culture and recreation	<u>582,000</u>	<u>609,600</u>	<u>681,456</u>	<u>(71,856)</u>
Total expenditures	<u>583,500</u>	<u>611,100</u>	<u>697,715</u>	<u>(86,615)</u>
Revenues over (under) expenditures	(582,000)	(609,600)	108,869	718,469
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>40,171</u>	<u>40,171</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>40,171</u>	<u>40,171</u>
Net changes in fund balance	(582,000)	(609,600)	149,040	758,640
Fund balance, beginning of year	<u>1,773,505</u>	<u>1,773,505</u>	<u>1,773,505</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,191,505</u>	<u>\$ 1,163,905</u>	<u>\$ 1,922,545</u>	<u>\$ 758,640</u>

CITY OF LOWELL

DEFINED BENEFIT PENSION PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2020

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 211,215	\$ 226,719	\$ 221,995	\$ 226,646	\$ 241,911	\$ 253,182
Interest	968,262	973,757	1,084,670	1,111,041	1,146,666	1,193,992
Changes in benefit terms	-	(3,794)	-	-	(10,024)	-
Difference between expected and actual experience	-	382,316	(76,607)	7,653	131,060	60,445
Changes in assumptions	-	632,698	-	-	-	455,772
Benefit payments including employee refunds	(703,688)	(799,852)	(906,870)	(898,605)	(916,716)	(930,631)
Other	-	30,429	1	-	(1)	(1)
Net change in total pension liability	475,789	1,442,273	323,189	446,735	592,896	1,032,759
Total pension liability, beginning of year	11,982,746	12,458,535	13,900,808	14,223,997	14,670,732	15,263,628
Total pension liability, ending of year	\$ 12,458,535	\$ 13,900,808	\$ 14,223,997	\$ 14,670,732	\$ 15,263,628	\$ 16,296,387
Plan Fiduciary Net Position						
Contributions-employer	\$ 360,904	\$ 390,446	\$ 339,082	\$ 478,711	\$ 482,925	\$ 532,507
Contributions-employee	95,994	99,696	86,729	88,435	239,360	118,205
Net investment income	532,437	(129,061)	924,514	1,135,449	(371,069)	1,201,925
Benefit payments including employee refunds	(703,688)	(799,853)	(906,870)	(898,605)	(916,716)	(930,631)
Administrative expense	(19,532)	(18,997)	(18,271)	(18,000)	(18,455)	(20,700)
Net change in plan fiduciary net position	266,115	(457,769)	425,184	785,990	(583,955)	901,306
Plan fiduciary net position, beginning of year	8,512,264	8,778,379	8,320,610	8,745,794	9,531,784	8,947,829
Plan fiduciary net position, ending of year	\$ 8,778,379	\$ 8,320,610	\$ 8,745,794	\$ 9,531,784	\$ 8,947,829	\$ 9,849,135
Total net pension liability	\$ 3,680,156	\$ 5,580,198	\$ 5,478,203	\$ 5,138,948	\$ 6,315,799	\$ 6,447,252
Plan fiduciary net position as a percentage of the total pension liability	70%	60%	61%	65%	59%	60%
Covered employee payroll	\$ 1,892,987	\$ 2,048,657	\$ 2,050,553	\$ 2,164,938	\$ 2,277,076	\$ 2,380,001
Employer's net pension liability as a percentage of covered employee payroll	194%	272%	267%	237%	277%	271%

Notes to schedule:

Above information is based on measurement date of December 31

The schedule is being accumulated prospectively until 10 years of information is presented

CITY OF LOWELL
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2015	\$ 400,161	\$ 400,161	\$ -	\$ 1,892,987	21%
6/30/2016	364,270	364,270	-	2,048,657	18%
6/30/2017	336,384	339,082	(2,698)	2,050,553	17%
6/30/2018	526,138	523,138	3,000	2,164,938	24%
6/30/2019	590,877	590,877	-	2,277,076	26%
6/30/2020	509,149	509,149	-	2,380,001	21%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed (10 year smoothing 2014)
Inflation	2.5% (3.5% 2014)
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.35% (7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

Notes to schedule:

The schedule is being accumulated prospectively until 10 years of information is presented

CITY OF LOWELL

DEFINED BENEFIT OPEB PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2020

	2018	2019	2020
Total OPEB liability			
Service cost	\$ 54,970	\$ 70,729	\$ 70,729
Interest	26,232	29,526	34,225
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	41,650	79,691	-
Benefit payments including employee refunds	(16,432)	(25,473)	(21,166)
Other	-	-	-
Net change in total OPEB liability	<u>106,420</u>	<u>154,473</u>	<u>83,788</u>
Total OPEB liability, beginning of year	<u>855,134</u>	<u>961,554</u>	<u>1,116,027</u>
Total OPEB liability, end of year	<u>\$ 961,554</u>	<u>\$ 1,116,027</u>	<u>\$ 1,199,815</u>
Plan Fiduciary Net Position			
Contributions-employer	\$ -	\$ -	\$ -
Contributions/benefit payments made from general operating funds	-	-	-
Net investment income	-	-	-
Benefit payments including employee refunds	-	-	-
Administrative expense	-	-	-
Other	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer net OPEB liability	<u>\$ 961,554</u>	<u>\$ 1,116,027</u>	<u>\$ 1,199,815</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered employee payroll	\$ 1,303,483	\$ 1,202,712	\$ 1,202,712
Employer's net OPEB liability as a percentage of covered employee payroll	74%	93%	100%

Notes to schedule:

Above information is based on measurement date of June 30

The schedule is being accumulated prospectively until 10 years of information is presented

CITY OF LOWELL
DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2018	\$ 87,367	\$ 16,432	\$ 70,935	\$ 1,303,483	1%
6/30/2019	108,538	25,473	83,065	1,202,712	2%
6/30/2020	108,538	21,166	87,372	1,202,712	2%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percent, closed
Remaining amortization period	30 years
Asset valuation method	N/A
Inflation	3.00%
Healthcare cost trend rates	8.5% going down .25% per year to 4.5% long-term
Salary increases	3.50%
Investment rate of return	3.00%
Retirement age	Varies depending on plan adoption
Mortality	RP-2000 tables with Scale AA

Notes to schedule:

The actuarially determined contribution for fiscal year 2020 based on assumptions required by Michigan Public Act 202 of 2017 rolled forward from 2019 is \$108,538. Contributions to the OPEB internal service fund exceeded normal costs for employees hired after June 30, 2018.

The schedule is being accumulated prospectively until 10 years of information is presented

CITY OF LOWELL

LOWELL LIGHT AND POWER DEFINED BENEFIT OPEB PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2020

	2018	2019	2020
Total OPEB liability			
Service cost	\$ 60,317	\$ 63,075	\$ 53,669
Interest	37,328	34,355	36,111
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(126,352)	27,409	(240,948)
Changes in assumptions	-	-	-
Benefit payments including employee refunds	(55,025)	(55,586)	(54,558)
Other	-	-	-
Net change in total OPEB liability	(83,732)	69,253	(205,726)
Total OPEB liability, beginning of year	1,352,377	1,268,645	1,337,898
Total OPEB liability, end of year	\$ 1,268,645	\$ 1,337,898	\$ 1,132,172
Plan Fiduciary Net Position			
Contributions-employer	\$ -	\$ -	\$ -
Contributions/benefit payments made from general operating funds	-	-	-
Net investment income	-	-	-
Benefit payments including employee refunds	-	-	-
Administrative expense	-	-	-
Other	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position, beginning of year	-	-	-
Plan fiduciary net position, end of year	\$ -	\$ -	\$ -
Employer net OPEB liability	\$ 1,268,645	\$ 1,337,898	\$ 1,132,172
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered employee payroll	\$ 960,003	\$ 996,957	\$ 1,116,306
Employer's net OPEB liability as a percentage of covered employee payroll	132%	134%	101%

Notes to schedule:

Above data is based on a June 30 measurement date.

The schedule is being accumulated prospectively until 10 years of information is presented

CITY OF LOWELL

LOWELL LIGHT AND POWER DEFINED BENEFIT OPEB PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2020

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2018	\$ 101,935	\$ 55,025	\$ 46,910	\$ 960,003	6%
6/30/2019	106,965	55,586	51,379	996,957	6%
6/30/2020	92,259	54,558	37,701	1,116,306	5%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percent, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	3.00%
Healthcare cost trend rates	3.00%
Salary increases	3.00%
Investment rate of return	2.70%
Retirement age	MERS
Mortality	2017 CDC life tables

Notes to schedule:

The actuarially determined contribution for fiscal year 2020 based on assumptions required by Michigan Public Act 202 of 2017 is \$150,388. There were no normal costs for employees hired after June 30, 2018. The schedule is being accumulated prospectively until 10 years of information is presented.

CITY OF LOWELL

GENERAL FUND SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual	Variance
	Original	Final	Amount	Positive (Negative)
Expenditures				
Current				
General government				
Council	\$ 21,675	\$ 21,675	\$ 15,697	\$ 5,978
City Manager	71,325	156,325	191,169	(34,844)
Elections	15,525	15,525	5,775	9,750
Assessor	60,600	60,600	54,359	6,241
City attorney	60,000	95,000	82,456	12,544
Clerk	130,930	130,930	122,600	8,330
Treasurer	115,789	115,789	125,963	(10,174)
City hall	148,664	149,164	123,693	25,471
Other	5,000	5,443	5,443	-
Planning	54,986	68,161	72,623	(4,462)
	<u>684,495</u>	<u>818,613</u>	<u>799,778</u>	<u>18,835</u>
Public safety				
Police department	756,688	762,688	780,122	(17,434)
Code enforcement	113,017	113,017	88,814	24,203
Building inspections	90,000	90,000	29,534	60,466
Fire department	118,155	118,155	123,783	(5,628)
Emergency management	-	3,200	12,605	(9,405)
	<u>1,077,859</u>	<u>1,087,059</u>	<u>1,034,858</u>	<u>52,201</u>
Public works				
Cemetery	128,197	128,197	99,009	29,188
Department of public works	221,641	161,641	106,910	54,731
Sidewalks	3,789	3,789	1,996	1,793
	<u>353,626</u>	<u>293,626</u>	<u>207,915</u>	<u>85,711</u>
Culture and recreation				
Parks	162,832	162,832	148,159	14,673
Showboat	-	550	550	-
Recreation contributions	5,000	5,000	5,000	-
Library	78,874	78,874	61,647	17,227
Historical district commission	-	180	181	(1)
Museum	49,166	49,166	40,667	8,499
	<u>295,873</u>	<u>296,603</u>	<u>256,204</u>	<u>40,399</u>
Other functions				
Economic development	1,100	1,100	-	1,100
Chamber/riverwalk	4,000	4,000	3,364	636
	<u>5,100</u>	<u>5,100</u>	<u>3,364</u>	<u>1,736</u>
Total expenditures	<u>2,416,953</u>	<u>2,501,001</u>	<u>2,302,119</u>	<u>198,882</u>
Revenues over (under) expenditures	<u>222,574</u>	<u>186,751</u>	<u>324,421</u>	<u>137,670</u>
Other financing sources (uses)				
Transfers in	382,023	382,023	412,956	30,933
Transfers out	(538,382)	(538,382)	(538,382)	-
Total other financing sources (uses)	<u>(156,359)</u>	<u>(156,359)</u>	<u>(125,426)</u>	<u>30,933</u>
Net changes in fund balances	66,215	30,392	198,995	168,603
Fund balances, beginning of year	<u>1,010,722</u>	<u>1,010,722</u>	<u>1,010,722</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,076,937</u>	<u>\$ 1,041,114</u>	<u>\$ 1,209,717</u>	<u>\$ 168,603</u>
				(concluded)

CITY OF LOWELL

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2020

	Special Revenue				
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Historic District Commission</u>	<u>LCTV Endowment</u>	<u>Lee Memorial</u>
Assets					
Cash and pooled investments	\$ 486,898	\$ 299,442	\$ 82,201	\$ -	\$ -
Investments	-	-	-	-	222,121
Due from other governments	48,425	16,325	-	-	-
Total assets	<u>\$ 535,323</u>	<u>\$ 315,767</u>	<u>\$ 82,201</u>	<u>\$ -</u>	<u>\$ 222,121</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 6,178	\$ 3,681	\$ -	\$ -	\$ -
Accrued liabilities	2,648	1,284	-	-	-
Total liabilities	<u>8,826</u>	<u>4,965</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable					
Permanent fund corpus	-	-	-	-	-
Restricted					
Streets	526,497	310,802	-	-	-
Historic District Commission	-	-	82,201	-	-
Cemetery operations and maintenance	-	-	-	-	-
City enhancement	-	-	-	-	201,194
Debt service	-	-	-	-	-
Committed					
City enhancement	-	-	-	-	11,030
Assigned					
City enhancement	-	-	-	-	9,897
Total fund balances	<u>526,497</u>	<u>310,802</u>	<u>82,201</u>	<u>-</u>	<u>222,121</u>
Total liabilities and fund balances	<u>\$ 535,323</u>	<u>\$ 315,767</u>	<u>\$ 82,201</u>	<u>\$ -</u>	<u>\$ 222,121</u>

Debt Service		Permanent			
Look Memorial	Building Authority	Cemetery Perpetual Care	Carr I Memorial	Carr II Memorial	Total
\$ 100,098	\$ 2,855	\$ 14,307	\$ 20,836	\$ 1,716	\$ 1,008,353
296,766	-	397,745	-	71,390	988,022
-	-	-	-	-	64,750
<u>\$ 396,864</u>	<u>\$ 2,855</u>	<u>\$ 412,052</u>	<u>\$ 20,836</u>	<u>\$ 73,106</u>	<u>\$ 2,061,125</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,859
-	-	-	-	-	3,932
-	-	-	-	-	13,791
-	-	378,142	20,000	69,758	467,900
-	-	-	-	-	837,299
-	-	-	-	-	82,201
-	-	33,910	-	-	33,910
275,876	-	-	836	3,348	481,254
-	2,855	-	-	-	2,855
94,362	-	-	-	-	105,392
<u>26,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,523</u>
<u>396,864</u>	<u>2,855</u>	<u>412,052</u>	<u>20,836</u>	<u>73,106</u>	<u>2,047,334</u>
<u>\$ 396,864</u>	<u>\$ 2,855</u>	<u>\$ 412,052</u>	<u>\$ 20,836</u>	<u>\$ 73,106</u>	<u>\$ 2,061,125</u>

CITY OF LOWELL

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue				
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Historic District Commission</u>	<u>LCTV Endowment</u>	<u>Lee Memorial</u>
Revenues					
State	\$ 315,695	\$ 127,882	\$ 75,000	\$ -	\$ -
Charges for services	-	-	-	-	-
Investment earnings	5,010	2,378	476	-	2,720
Contributions and donations	-	-	-	109,800	-
Miscellaneous	7,492	7,492	-	-	-
Total revenues	<u>328,197</u>	<u>137,752</u>	<u>75,476</u>	<u>109,800</u>	<u>2,720</u>
Expenditures					
Current					
General government	-	-	5,058	89,629	-
Culture and recreation	-	-	-	-	-
Highways and streets	199,161	206,112	-	-	-
Debt Service					
Principal	-	25,000	-	-	-
Interest	-	531	-	-	-
Total expenditures	<u>199,161</u>	<u>231,643</u>	<u>5,058</u>	<u>89,629</u>	<u>-</u>
Revenues over (under) expenditures	129,036	(93,891)	70,418	20,171	2,720
Other financing sources (uses)					
Transfers in	-	180,000	-	-	-
Transfers out	-	-	-	(70,171)	-
Total other financing sources (uses)	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>(70,171)</u>	<u>-</u>
Net changes in fund balances	129,036	86,109	70,418	(50,000)	2,720
Fund balances, beginning of year	<u>397,461</u>	<u>224,693</u>	<u>11,783</u>	<u>50,000</u>	<u>219,401</u>
Fund balances, end of year	<u>\$ 526,497</u>	<u>\$ 310,802</u>	<u>\$ 82,201</u>	<u>\$ -</u>	<u>\$ 222,121</u>

<u>Debt Service</u>		<u>Permanent</u>			
<u>Look Memorial</u>	<u>Building Authority</u>	<u>Cemetery Perpetual Care</u>	<u>Carr I Memorial</u>	<u>Carr II Memorial</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,577
-	-	6,500	-	-	6,500
10,817	-	4,699	222	836	27,158
52,386	-	-	-	-	162,186
-	-	-	-	-	14,984
<u>63,203</u>	<u>-</u>	<u>11,199</u>	<u>222</u>	<u>836</u>	<u>729,405</u>
-	-	-	-	-	94,687
28,302	-	-	-	-	28,302
-	-	-	-	-	405,273
-	190,000	-	-	-	215,000
-	113,582	-	-	-	114,113
<u>28,302</u>	<u>303,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>857,375</u>
34,901	(303,582)	11,199	222	836	(127,970)
-	303,382	-	-	-	483,382
(18,384)	-	-	-	-	(88,555)
<u>(18,384)</u>	<u>303,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,827</u>
16,517	(200)	11,199	222	836	266,857
<u>380,347</u>	<u>3,055</u>	<u>400,853</u>	<u>20,614</u>	<u>72,270</u>	<u>1,780,477</u>
<u>\$ 396,864</u>	<u>\$ 2,855</u>	<u>\$ 412,052</u>	<u>\$ 20,836</u>	<u>\$ 73,106</u>	<u>\$ 2,047,334</u>

CITY OF LOWELL

MAJOR STREETS FUND

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 340,284	\$ 340,284	\$ 315,695	\$ (24,589)
Investment earnings	1,500	1,500	5,010	3,510
Miscellaneous	5,000	5,000	7,492	2,492
Total revenues	<u>346,784</u>	<u>346,784</u>	<u>328,197</u>	<u>(18,587)</u>
Expenditures				
Current				
Highways and streets	<u>149,657</u>	<u>178,057</u>	<u>199,161</u>	<u>(21,104)</u>
Total expenditures	<u>149,657</u>	<u>178,057</u>	<u>199,161</u>	<u>(21,104)</u>
Net changes in fund balance	197,127	168,727	129,036	(39,691)
Fund balance, beginning of year	<u>397,461</u>	<u>397,461</u>	<u>397,461</u>	<u>-</u>
Fund balance, end of year	<u>\$ 594,588</u>	<u>\$ 566,188</u>	<u>\$ 526,497</u>	<u>\$ (39,691)</u>

CITY OF LOWELL

LOCAL STREETS FUND

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 143,602	\$ 143,602	\$ 127,882	\$ (15,720)
Investment earnings	700	700	2,378	1,678
Miscellaneous	5,000	5,000	7,492	2,492
Total revenues	<u>149,302</u>	<u>149,302</u>	<u>137,752</u>	<u>(11,550)</u>
Expenditures				
Current				
Highways and streets	322,768	328,587	206,112	122,475
Debt service				
Principal	25,000	25,000	25,000	-
Interest	531	531	531	-
Total expenditures	<u>348,299</u>	<u>354,118</u>	<u>231,643</u>	<u>122,475</u>
Revenues over (under) expenditures	(198,997)	(204,816)	(93,891)	110,925
Other financing sources (uses)				
Transfers in	175,000	175,000	180,000	5,000
Total other financing sources (uses)	<u>175,000</u>	<u>175,000</u>	<u>180,000</u>	<u>5,000</u>
Net changes in fund balance	(23,997)	(29,816)	86,109	115,925
Fund balance, beginning of year	<u>224,693</u>	<u>224,693</u>	<u>224,693</u>	<u>-</u>
Fund balance, end of year	<u>\$ 200,696</u>	<u>\$ 194,877</u>	<u>\$ 310,802</u>	<u>\$ 115,925</u>

CITY OF LOWELL

HISTORIC DISTRICT COMMISSION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
State	\$ 50,000	\$ 75,000	\$ 75,000	\$ -
Investment earnings	-	-	476	476
Total revenues	<u>50,000</u>	<u>75,000</u>	<u>75,476</u>	<u>476</u>
Expenditures				
Current				
General government	<u>50,000</u>	<u>10,000</u>	<u>5,058</u>	<u>4,942</u>
Total expenditures	<u>50,000</u>	<u>10,000</u>	<u>5,058</u>	<u>4,942</u>
Net changes in fund balance	-	65,000	70,418	5,418
Fund balance, beginning of year	<u>11,783</u>	<u>11,783</u>	<u>11,783</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,783</u>	<u>\$ 76,783</u>	<u>\$ 82,201</u>	<u>\$ 5,418</u>

CITY OF LOWELL

LCTV ENDOWMENT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Contributions and donations	\$ 110,000	\$ 112,629	\$ 109,800	\$ (2,829)
Total revenues	<u>110,000</u>	<u>112,629</u>	<u>109,800</u>	<u>(2,829)</u>
Expenditures				
Current				
General government	<u>110,000</u>	<u>119,629</u>	<u>89,629</u>	<u>30,000</u>
Total expenditures	<u>110,000</u>	<u>119,629</u>	<u>89,629</u>	<u>30,000</u>
Revenues over (under) expenditures	-	(7,000)	20,171	27,171
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(70,171)</u>	<u>(70,171)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(70,171)</u>	<u>(70,171)</u>
Net changes in fund balance	-	(7,000)	(50,000)	(43,000)
Fund balance, beginning of year	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Fund balance, end of year	<u>\$ 50,000</u>	<u>\$ 43,000</u>	<u>\$ -</u>	<u>\$ (43,000)</u>

CITY OF LOWELL

LEE MEMORIAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 5,000	\$ 5,000	\$ 2,720	\$ (2,280)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>2,720</u>	<u>(2,280)</u>
Expenditures				
Current				
Culture and recreation	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net changes in fund balance	-	-	2,720	2,720
Fund balance, beginning of year	<u>219,401</u>	<u>219,401</u>	<u>219,401</u>	<u>-</u>
Fund balance, end of year	<u>\$ 219,401</u>	<u>\$ 219,401</u>	<u>\$ 222,121</u>	<u>\$ 2,720</u>

CITY OF LOWELL

LOOK MEMORIAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amount	Variance Positive Negative
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ 10,000	\$ 10,817	\$ 817
Contributions and donations	20,000	52,386	52,386	-
Total revenues	20,000	62,386	63,203	817
Expenditures				
Current				
Culture and recreation	20,000	52,386	28,302	24,084
Total expenditures	20,000	52,386	28,302	24,084
Revenues over (under) expenditures	-	10,000	34,901	24,901
Other financing source (uses)				
Transfers out	-	-	(18,384)	(18,384)
Total other financing sources (uses)	-	-	(18,384)	(18,384)
Net changes in fund balance	-	10,000	16,517	6,517
Fund balance, beginning of year	380,347	380,347	380,347	-
Fund balance, end of year	\$ 380,347	\$ 390,347	\$ 396,864	\$ 6,517

CITY OF LOWELL

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2020

Assets	Data Processing	OPEB Activity	Equipment	Total
Current assets				
Cash and pooled investments	\$ 10,843	\$ 57,771	\$ 72,725	\$ 141,339
Inventory	-	-	8,477	8,477
Total current assets	10,843	57,771	81,202	149,816
Capital assets				
Capital assets, net	72,859	-	348,331	421,190
Total assets	83,702	57,771	429,533	571,006
Deferred outflows of resources				
Pension related	-	-	2,624	2,624
Liabilities				
Current liabilities				
Accounts payable	2,501	-	4,640	7,141
Accrued liabilities	-	-	371	371
Current portion of long-term debt	-	-	88,765	88,765
Total current liabilities	2,501	-	93,776	96,277
Long-term liabilities				
Compensated absences	-	-	617	617
Long-term debt, net of current portion	-	-	76,263	76,263
Net pension liability	-	-	23,560	23,560
Net OPEB obligation	-	-	6,815	6,815
Total long-term liabilities	-	-	107,255	107,255
Total liabilities	2,501	-	201,031	203,532
Net position				
Net investment in capital assets	72,859	-	183,303	256,162
Unrestricted	8,342	57,771	47,823	113,936
Total net position	\$ 81,201	\$ 57,771	\$ 231,126	\$ 370,098

CITY OF LOWELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Data Processing</u>	<u>OPEB Activity</u>	<u>Equipment</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 82,293	\$ 36,845	\$ 187,585	\$ 306,723
Total operating revenue	<u>82,293</u>	<u>36,845</u>	<u>187,585</u>	<u>306,723</u>
Operating expense				
Administrative and general				
Personnel services	-	-	24,924	24,924
Supplies	9,701	-	12,747	22,448
Services and other charges	72,448	-	75,375	147,823
Change in benefit liability	-	-	(61,116)	(61,116)
Depreciation	21,968	-	121,526	143,494
Total operating expense	<u>104,117</u>	<u>-</u>	<u>173,456</u>	<u>277,573</u>
Operating income (loss)	<u>(21,824)</u>	<u>36,845</u>	<u>14,129</u>	<u>29,150</u>
Non-operating revenue (expense)				
Interest income	51	222	889	1,162
Interest expense	-	-	(4,266)	(4,266)
Total non-operating revenue (expense)	<u>51</u>	<u>222</u>	<u>(3,377)</u>	<u>(3,104)</u>
Income (loss) before transfers and capital contributions	(21,773)	37,067	10,752	26,046
Transfers and capital contributions				
Transfers in	-	-	55,000	55,000
Total transfers and capital contributions	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>55,000</u>
Changes in net position	(21,773)	37,067	65,752	81,046
Net position, beginning of year	<u>102,974</u>	<u>20,704</u>	<u>165,374</u>	<u>289,052</u>
Net position, end of year	<u>\$ 81,201</u>	<u>\$ 57,771</u>	<u>\$ 231,126</u>	<u>\$ 370,098</u>

CITY OF LOWELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Data Processing</u>	<u>OPEB Activity</u>	<u>Equipment</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from internal services provided	\$ 82,293	\$ 36,845	\$ 187,585	\$ 306,723
Payments to employees	-	-	(87,742)	(87,742)
Payments to suppliers	(80,532)	-	(27,000)	(107,532)
Net cash provided by (used in) operating activities	<u>1,761</u>	<u>36,845</u>	<u>72,843</u>	<u>111,449</u>
Cash flows from non-capital financing activities				
Transfers in	-	-	55,000	55,000
Cash flows from capital and related financing activities				
Principal paid on long-term debt	-	-	(87,943)	(87,943)
Interest expense	-	-	(4,266)	(4,266)
Acquisitions of capital assets	(21,574)	-	(107,818)	(129,392)
Net cash provided by (used in) capital and related financing activities	<u>(21,574)</u>	<u>-</u>	<u>(200,027)</u>	<u>(221,601)</u>
Cash flows from investing activities				
Interest income	51	222	889	1,162
Net increase (decrease) in cash and pooled investments	(19,762)	37,067	(71,295)	(53,990)
Cash and pooled investments, beginning of year	<u>30,605</u>	<u>20,704</u>	<u>144,020</u>	<u>195,329</u>
Cash and pooled investments, end of year	<u>\$ 10,843</u>	<u>\$ 57,771</u>	<u>\$ 72,725</u>	<u>\$ 141,339</u>
Cash flows from operating activities				
Operating income (loss)	\$ (21,824)	\$ 36,845	\$ 14,129	\$ 29,150
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	21,968	-	121,526	143,494
Deferred outflows of resources	-	-	12,613	12,613
Net OPEB obligation	-	-	(6,816)	(6,816)
Net pension liability	-	-	(66,913)	(66,913)
Change in operating assets and liabilities which provided (used) cash				
Inventory	-	-	(1,181)	(1,181)
Accounts payable	1,617	-	1,187	2,804
Accrued liabilities	-	-	267	267
Compensated absences	-	-	(1,969)	(1,969)
Net cash provided by (used in) operating activities	<u>\$ 1,761</u>	<u>\$ 36,845</u>	<u>\$ 72,843</u>	<u>\$ 111,449</u>

CITY OF LOWELL

DOWNTOWN DEVELOPMENT AUTHORITY COMBINING BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Fund Type General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 427,462	\$ -	\$ 427,462
Capital assets			
Land	-	452,306	452,306
Depreciable capital assets, net	-	1,027,634	1,027,634
Total assets	<u>\$ 427,462</u>	<u>1,479,940</u>	<u>1,907,402</u>
Liabilities and fund balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 2,902	-	2,902
Accrued liabilities	4,627	2,887	7,514
Noncurrent liabilities			
Advance from City	-	165,000	165,000
Compensated absences	-	2,068	2,068
Total liabilities	7,529	169,955	177,484
Fund balances			
Unassigned	419,933		
Total liabilities and fund balances	<u>\$ 427,462</u>		
Net position			
Net investment in capital assets			1,314,940
Unrestricted			414,978
Total net position			<u>\$ 1,729,918</u>
Reconciliation of fund balances to net position			
Fund balances of governmental funds			\$ 419,933
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.			
Add - land			452,306
Add - capital assets (net of accumulated depreciation)			1,027,634
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Deduct - compensated absences			(2,068)
Net position of governmental activities			<u>\$ 1,897,805</u>

CITY OF LOWELL

DOWNTOWN DEVELOPMENT AUTHORITY COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Fund Type General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 549,129	\$ -	\$ 549,129
Investment earnings	7,268	-	7,268
Total revenues	<u>556,397</u>	<u>-</u>	<u>556,397</u>
Expenditures/expenses			
Current			
General government	743,127	(196,592)	546,535
Debt Service			
Interest	-	2,887	2,887
Total expenditures/expenses	<u>743,127</u>	<u>(193,705)</u>	<u>549,422</u>
Revenues over (under) expenditures/expenses	<u>(186,730)</u>	<u>(193,705)</u>	<u>6,975</u>
Other financing sources (uses)			
Advance from City	165,000	(165,000)	-
Net changes in fund balance	(21,730)	<u>21,730</u>	
Change in net position		123,977	6,975
Fund balance/net position, beginning of year	<u>441,663</u>		<u>1,722,943</u>
Fund balance/net position, end of year	<u>\$ 419,933</u>		<u>\$ 1,729,918</u>

Reconciliation of change in fund balances to change in net position

Net change in fund balances of governmental funds

\$ (21,730)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay

256,852

Deduct - depreciation expense

(59,451)

Certain liabilities are not expected to be liquidated with expendable available resources and are not report in the funds

Deduct - increase in accrued interest payable

(2,887)

Deduct - increase in advances payable

(165,000)

Deduct - increase in compensated absences

(809)

Change in net position of governmental activities

\$ 6,975

November xx, 2020

To the City Council
City of Lowell, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lowell (the City) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 16 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City adopted Governmental Accounting Standards Board (GASB) Statement No. 83 "Certain Asset Retirement Obligations" during 2020 which resulted in an asset retirement obligation of \$132,742 and a corresponding reduction in net position of the light & power fund and business-type activities at July 1, 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on previous history and future expectations and the estimate of pension plan and other post-employment benefits (OPEB) obligations is based on valuations of the plans. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of commitments in Note 14 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following listing itemizes adjustments identified during the audit process which were posted by management:

- Reduced sewer fund receivable from the state by \$65,318 and receivable from the township by \$124,179.
- Reduced designated contributions fund accounts payable by \$9,000.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November xx, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as itemized in the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board and management of City and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

City of Lowell
6/30/2020
Audit adjustments

Account	Account name	Debit	Credit
260-301-740.000	OPERATING SUPPLIES		1.00
715-000-665.000	INTEREST		
101-426-715.000	SOCIAL SECURITY		
101-000-665.000	INTEREST		1.00
238-000-665.000	INTEREST		
202-000-665.000	INTEREST	4.00	
203-000-665.000	INTEREST		4.00
711-000-665.000	INTEREST		
581-000-665.000	INTEREST	1.00	
248-000-665.000	INTEREST		
351-906-995.000	INTEREST		1.00
598-000-665.000	INTEREST		
718-000-665.000	INTEREST		
661-000-665.000	INTEREST	1.00	
661-000-083.000	DUE FROM EMPLOYEE	1.00	
636-000-665.000	INTEREST		
714-000-665.000	INTEREST		
715-000-665.000	INTEREST		1.00
590-000-665.000	INTEREST		1.00
591-000-665.000	INTEREST		
716-000-665.000	INTEREST		1.00
	ROUNDING ENTRY - DO NOT POST		
714-000-084.020	DUE FROM INVESTMENT	633.00	
714-000-001.000	CASH		633.00
715-000-001.000	CASH	633.00	
715-000-084.020	DUE FROM INVESTMENT		633.00
	Remove negative cash balance in Lee fund (do not post)		
101-000-085.000	DUE FROM LIGHT & POWER		70.00
101-000-082.000	DUE FROM ROTARY	70.00	
101-000-082.000	DUE FROM ROTARY	205.00	
101-000-123.000	PREPAID EXPENSES		205.00
	Balance due to/from (do not post)		
590-000-191.000	DEFERRED OUTFLOWS EXCESS INVESTMENT RETU		915.00
590-000-190.000	DEFERRED OUTFLOWS CONTRIBUTIONS	5,737.00	
590-000-290.000	NET PENSION LIABILITY		106,989.00
590-552-716.000.9	OPEB/HEALTH change	102,167.00	
590-552-718.000	PENSION		
591-000-190.000	DEFERRED OUTFLOWS CONTRIBUTIONS		28,719.00
591-000-191.000	DEFERRED OUTFLOWS EXCESS INVESTMENT RETU		6,016.00
591-000-290.000	NET PENSION LIABILITY		99,806.00
591-570-718.000.9	OPEB/HEALTH change	134,541.00	
591-571-718.000	PENSION		
591-572-718.000	PENSION		
661-000-191.000	DEFERRED OUTFLOWS EXCESS INVESTMENT RETU		768.00
661-000-190.000	DEFERRED OUTFLOWS CONTRIBUTIONS		11,845.00
661-000-290.000	NET PENSION LIABILITY	66,913.00	
661-895-718.000.9	OPEB/HEALTH change		54,300.00
	Record current year effect of MERS pension reporting per GASB #68		
590-000-257.100	NET OPEB OBLIGATION	12,610.00	
590-552-716.000.9	OPEB/HEALTH change		12,610.00
591-000-257.100	NET OPEB OBLIGATION		29,619.00
591-570-718.000.9	OPEB/HEALTH change	29,619.00	
661-000-257.100	NET OPEB OBLIGATION	6,816.00	
661-895-718.000.9	OPEB/HEALTH change		6,816.00
	Record current year change in OPEB liability		
661-000-148.000	MOTOR VEHICLES & EQUIPMENT	76,907	
661-895-981.000	EQUIPMENT		60,412
661-895-968.000	DEPRECIATION		16,495
661-000-149.000	ALLOWANCE FOR DEPRECIATION		138,021
661-895-968.000	DEPRECIATION	138,021	

City of Lowell
6/30/2020
Audit adjustments

Account	Account name	Debit	Credit
636-000-146.000	DATA PROCESSING EQUIPMENT	21,574	
636-000-986.000	COMPUTER DATA PROCESSING EQUIPMENT		21,574
636-000-968.000	DEPRECIATION	21,968	
636-000-147.000	ALLOWANCE FOR DEPRECIATION		21,968
591-000-130.001	LAND IMPROVEMENTS	12,463	
591-571-970.000	CAPITAL OUTLAY		12,463
591-573-968.000	DEPRECIATION	178,083	
591-000-133.000	ACC DEPREC-LAND & IMPROVEMENTS		26,456
591-000-137.000	ACC DEPREC-BUILDINGS & IMPROVE		34,443
591-000-141.000	ALLOW-DEPREC MACH & EQUIPMENT		23,214
591-000-153.000	ALLOW-DEPREC WATER SYSTEMS		93,970
590-000-136.000	BUILDINGS & IMPROVEMENTS	2	
590-552-740.000	OPERATING SUPPLIES		2
590-553-968.000	DEPRECIATION	92,388	
590-000-137.000	ALLOW/DEPRECIATION-SEWER TREATMENT		7,633
590-000-141.000	ALLOW-DEPREC MACH & EQUIPMENT		1,652
590-000-155.000	ALLOW-DEPREC SEWER MAINS		83,103
590-000-140.000	MACHINERY & EQUIPMENT		16,495
590-000-141.000	ALLOW-DEPREC MACH & EQUIPMENT	16,495	
590-000-154.000	SEWER MAINS	19,168	
590-551-970.000	CAPITAL OUTLAY		19,168
581-000-968.000	DEPRECIATION	16714	
581-000-133.000	ACC DEPREC-LAND & IMPROVEMENTS		9845
581-000-137.000	ACC DEPREC-BUILDINGS & IMPROVE		6869
581-000-136.000	BUILDINGS & IMPROVEMENTS		2
581-000-910.000	INSURANCE	2	
	Record capital asset activity		
590-000-078.000	DUE FROM STATE OF MICHIGAN		65,318.00
590-000-539.000	STORM WATER ASSET & WASTEWATER GRANT	65,318.00	
	Reverse prior year audit entry		
260-751-801.000-PK1701	PROFESSIONAL SERVICES		9,000.00
260-000-201.000	VOUCHERS PAYABLE	9,000.00	
	Reverse accounts payable invoice accrued in 2019		
590-000-040.000	ACCOUNTS RECEIVABLE		124,178.00
590-000-630.000	OTHER TOWNSHIP CHARGES	124,178.00	
	Reverse 2019 entry to accrue receivable for sewer		
598-906-999.101	TRANSFER TO GENERAL FUND	30,000.00	
598-000-970.000	CAPITAL OUTLAY		30,000.00
715-000-880.000	COMMUNITY PROMOTION		18,384.00
715-965-999.101	TRANSFER TO GENERAL FUND	18,384.00	
260-751-598.000-PK2002	LCTV SHOWBOAT RESTROOM PROJECT	40,171.00	
260-751-699.598	TRANSFER FROM CABLE		40,171.00
	To reclassify between expenses and transfers		
591-573-995.000	INTEREST-BONDS	17,944.00	
591-573-955.000	MISCELLANEOUS EXPENSE		17,944.00
	Reclassify interest on bond from misc exp		