



CITY OF LOWELL, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



**Vredeveld Haefner LLC
CPAs and Consultants**

CITY OF LOWELL

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Fiduciary Net Position - Custodial Fund	19
Statement of Changes in Fiduciary Net Position - Custodial Fund	20
Notes to Financial Statements	21-46
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Designated Contributions Fund	48
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Related Ratios	49
Schedule of Employer Contributions	50
City of Lowell Retiree Health Care Plan	
Schedule of Changes in Employers Net OPEB Liability and Related Ratios	51
Schedule of Employer Contributions	52
Lowell Light and Power Utility Retiree Health Care Plan	
Schedule of Changes in Employers Net OPEB Liability and Related Ratios	53
Schedule of Employer Contributions	54
Combining and Individual Fund Statements and Schedules	
General fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	55-57
Nonmajor Governmental Funds	
Combining Balance Sheet	58-59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60-61

CITY OF LOWELL

TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Streets Fund	62
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Streets Fund	63
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Historic District Commission Fund	64
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - LCTV Endowment Fund	65
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Lee Memorial Fund	66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Look Memorial Fund	67
 Internal Service Funds	
Combining Statement of Net Position	68
Combining Statement of Revenues, Expenses and Changes in Net Position	69
Combining Statement of Cash Flows	70
 Component Units	
Downtown Development Authority	
Balance Sheet / Statement of Net Position	71
Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities	72



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INDEPENDENT AUDITORS' REPORT

December 7, 2021

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

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Orlando Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2021 fiscal year as follows:

- Lowell Light and Power issued new debt and principal payments of \$923,215 were made on outstanding debt.
- Substantially completed construction of the new showboat.
- Higher than anticipated payment in lieu of taxes from Light & Power, state shared revenue and marijuana fees.
- Received unexpected COVID 19 federal grant funding.

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 \$26,278,695 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>	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 4,456,575	\$ 5,554,236	\$ 9,207,596	\$ 9,168,407	\$13,664,171	\$14,722,643
Capital assets	11,617,062	9,360,492	19,505,944	18,474,044	31,123,006	27,834,536
Total assets	16,073,637	14,914,728	28,713,540	27,642,451	44,787,177	42,557,179
Deferred outflows	712,448	382,211	349,061	408,238	1,061,509	790,449
Liabilities						
Current liabilities	638,403	526,212	1,844,036	1,392,722	2,482,439	1,918,934
Long-term liabilities	6,623,389	7,046,838	9,809,916	10,357,895	16,433,305	17,404,733
Total liabilities	7,261,792	7,573,050	11,653,952	11,750,617	18,915,744	19,323,667
Deferred inflows	450,384	-	203,863	-	654,247	-
Net position						
Net investment in capital						
Assets	8,536,164	5,997,148	11,626,498	11,403,605	20,162,662	17,400,753
Restricted	2,253,735	3,827,964	259,253	259,253	2,512,988	4,087,217
Unrestricted	(1,715,990)	(2,101,223)	5,319,035	4,637,214	3,603,045	2,535,991
Total net position	\$ 9,073,909	\$ 7,723,889	\$17,204,786	\$16,300,072	\$26,278,695	\$24,023,961

The largest portion of the City's net position in the amount of 77% 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 9% 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 \$3,603,045 or 14%, 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 \$1,715,990.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2021, was \$15,876,036 while total cost of all programs and services was \$13,621,302. This results in an increase in net position of \$2,254,734. The increase is higher than the 2020 increase as a result of increased enterprise fund revenues.

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>	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 340,000	\$ 232,525	\$11,242,527	\$10,840,554	\$11,582,527	\$11,073,079
Operating grants and contributions	2,073,121	1,315,300	-	-	2,073,121	1,315,300
Capital grants and contributions	3,733	528,749	-	165,010	3,733	693,759
General revenues						
Property taxes	1,682,108	1,641,286	-	-	1,682,108	1,641,286
State shared revenues	441,141	387,851	-	-	441,141	387,851
Investment earnings	1,316	20,434	23,089	54,771	24,405	75,205
Other	46,930	38,653	22,071	9,542	69,001	48,195
Total revenues	4,588,349	4,164,798	11,287,687	11,069,877	15,876,036	15,234,675
Expenses						
General government	1,005,739	863,440	-	-	1,005,739	863,440
Public safety	1,267,335	1,215,303	-	-	1,267,335	1,215,303
Public works	369,467	266,768	-	-	369,467	266,768
Culture and recreation	420,262	365,750	-	-	420,262	365,750
Highways and streets	336,224	244,023	-	-	336,224	244,023
LCTV endowment	104,479	89,629	-	-	104,479	89,629
Interest on long-term debt	108,179	113,022	-	-	108,179	113,022
Wastewater	-	-	973,276	1,296,653	973,276	1,296,653
Water	-	-	1,109,206	1,332,276	1,109,206	1,332,276
Light and power	-	-	7,840,919	7,391,762	7,840,919	7,391,762
Airport	-	-	86,216	73,064	86,216	73,064
Total expenses	3,611,685	3,157,935	10,009,617	10,093,755	13,621,302	13,251,690
Increase (decrease) before transfers	976,664	1,006,863	1,278,070	976,122	2,254,734	1,982,985
Transfers in (out)	373,356	364,572	(373,356)	(364,572)	-	-
Increase (decrease) in net position	1,350,020	1,371,435	904,714	611,550	2,254,734	1,982,985
Net position – beginning	7,723,889	6,352,454	16,300,072	15,688,522	24,023,961	22,040,976
Net position – ending	\$9,073,909	\$7,723,889	\$17,204,786	\$16,300,072	\$26,278,695	\$24,023,961

Governmental Activities During the year the City invested \$1,267,335 or 35% in public safety. General government expenses were \$1,005,739 or 28% of governmental activities, while public works, culture and recreation, highways and streets, LCTV endowment, and interest on long-term debt made up the remaining 37% of governmental activities. The preceding table shows that the governmental activities increased the City's net position by \$1,350,020 during this fiscal year. The increase is primarily the result of and the timing of capital asset purchases and depreciation of those assets.

Business-type Activities Business-type activities increased the City's net position by \$904,714 during the year. This increase is primarily the result of increased revenue and reduced expenses.

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 \$3,894,747 a decrease of \$1,284,849 from the prior year as a result of construction activities.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$1,401,465. 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 \$210,859 a decrease of \$1,711,686 primarily due to significant expenditures for Showboat construction during the year.

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 increased net position of \$149,900 and \$230,456 respectively while the light and power fund increased net position by \$531,497. The airport fund experienced a decrease in net position of \$7,139. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

- General fund COVID 19 funding was not anticipated in the original budget.
- A lump sum additional pension contribution was made during the year.
- General government expenditures exceed budget due to unplanned attorney fees and environmental remediation.

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, 2021, amounted to \$31,123,006 (net of accumulated depreciation). Of this amount, \$11,617,062 was for its governmental activities and \$19,505,944 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 sewer system, road projects, 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 \$8,242,987. Of this amount, \$3,121,262 was for governmental activities while \$5,596,724 was for business-type activities. The balance of noncurrent bonds payable at year end was \$7,668,920. Principal payments during the year were \$923,215.

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 2021-2022 fiscal year:

- Increased general fund property tax revenue
- Additional marijuana excise tax
- Additional \$50,000 in Light & Power PILOT payments to the general fund
- 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.

BASIC FINANCIAL STATEMENTS

CITY OF LOWELL
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Downtown
	Activities	Activities		Development
				Authority
Assets				
Cash and pooled investments	\$ 3,270,098	\$ 4,805,629	\$ 8,075,727	\$ 403,249
Investments	956,808	1,056,691	2,013,499	-
Accounts receivable	-	1,412,707	1,412,707	-
Special assessments receivable	-	31,308	31,308	-
Prepaid items	26,468	569,389	595,857	-
Due from other governments	161,725	-	161,725	-
Advance to MPPA	-	276,418	276,418	-
Advance to City DDA	-	132,000	132,000	-
Internal balances	34,691	(34,691)	-	-
Inventory	6,785	544,631	551,416	-
Restricted assets				
Cash and pooled investments	-	413,514	413,514	-
Capital assets				
Land	568,460	432,618	1,001,078	452,306
Construction in progress	32,579	1,696,688	1,729,267	-
Depreciable capital assets, net	11,016,023	17,376,638	28,392,661	1,045,546
Total assets	16,073,637	28,713,540	44,787,177	1,901,101
Deferred outflows of resources				
Pension related	521,369	296,190	817,559	-
OPEB related	150,715	52,871	203,586	-
Deferred charge on refunding	40,364	-	40,364	-
Total deferred outflows of resources	712,448	349,061	1,061,509	-
Liabilities				
Accounts payable	250,719	791,775	1,042,494	2,066
Accrued liabilities	114,577	86,141	200,718	7,605
Customer deposits	-	173,542	173,542	-
Due to other governments	5,015	-	5,015	-
Unearned revenue	750	10,854	11,604	-
Debt due within one year	267,342	781,724	1,049,066	-
Noncurrent liabilities				
Premium on bonds	-	158,743	158,743	-
OPEB obligation	1,184,197	1,540,167	2,724,364	-
Advance from City	-	-	-	132,000
Compensated absences	42,382	36,304	78,686	1,866
Net pension liability	2,542,890	3,111,104	5,653,994	-
Asset retirement obligation	-	148,598	148,598	-
Debt due in more than one year	2,853,920	4,815,000	7,668,920	-
Total liabilities	7,261,792	11,653,952	18,915,744	143,537
Deferred inflows of resources				
Pension related	450,384	203,863	654,247	-
Net position				
Net investment in capital assets	8,536,164	11,626,498	20,162,662	1,365,852
Restricted for				
Highways and streets	950,276	-	950,276	-
Historic District Commission	97,166	-	97,166	-
Look and Lee memorials	477,070	-	477,070	-
Other purposes	210,859	-	210,859	-
Debt service	2,654	259,253	261,907	-
Permanent trust				
Expendable portion	47,810	-	47,810	-
Nonexpendable portion	467,900	-	467,900	-
Unrestricted	(1,715,990)	5,319,035	3,603,045	391,712
Total net position	\$ 9,073,909	\$ 17,204,786	\$ 26,278,695	\$ 1,757,564

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

CITY OF LOWELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 1,005,739	\$ 169,172	\$ 375,952	\$ -	\$ (460,615)
Public safety	1,267,335	158,668	220,580	-	(888,087)
Public works	369,467	9,500	171	-	(359,796)
Culture and recreation	420,262	2,660	876,706	-	459,104
Highways and streets	336,224	-	491,233	3,733	158,742
LCTV endowment	104,479	-	108,479	-	4,000
Interest on long-term debt	108,179	-	-	-	(108,179)
Total governmental activities	<u>3,611,685</u>	<u>340,000</u>	<u>2,073,121</u>	<u>3,733</u>	<u>(1,194,831)</u>
Business-type activities					
Wastewater	973,276	1,118,296	-	-	145,020
Water	1,109,206	1,317,640	-	-	208,434
Light and power	7,840,919	8,727,533	-	-	886,614
Airport	86,216	79,058	-	-	(7,158)
Total business-type activities	<u>10,009,617</u>	<u>11,242,527</u>	<u>-</u>	<u>-</u>	<u>1,232,910</u>
Total primary government	<u>\$ 13,621,302</u>	<u>\$ 11,582,527</u>	<u>\$ 2,073,121</u>	<u>\$ 3,733</u>	<u>\$ 38,079</u>
Component unit					
Downtown Development Authority	\$ 678,855	\$ -	\$ -	\$ -	\$ (678,855)
Total component unit	<u>\$ 678,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (678,855)</u>

(Continued)

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

CITY OF LOWELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Primary Government			Component Unit
	Governmental	Business-type		Downtown
	Activities	Activities	Total	Development
				Authority
Changes in net assets				
Net (expense) revenue	\$ (1,194,831)	\$ 1,232,910	\$ 38,079	\$ (678,855)
General revenues				
Property taxes	1,682,108	-	1,682,108	706,177
Franchise fees	46,930	-	46,930	-
State shared revenues - unrestricted	441,141	-	441,141	-
Unrestricted investment earnings	1,316	23,089	24,405	324
Other general revenues	-	22,071	22,071	-
Transfers - internal activities	373,356	(373,356)	-	-
Total general revenues and transfers	2,544,851	(328,196)	2,216,655	706,501
Change in net position	1,350,020	904,714	2,254,734	27,646
Net position, beginning of year	7,723,889	16,300,072	24,023,961	1,729,918
Net position, end of year	\$ 9,073,909	\$ 17,204,786	\$ 26,278,695	\$ 1,757,564

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

CITY OF LOWELL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	<u>General</u>	<u>Designated Contributions</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,473,146	\$ 365,992	\$ 1,235,351	\$ 3,074,489
Investments	-	-	956,808	956,808
Prepaid items	20,814	-	-	20,814
Due from other funds	34,691	-	-	34,691
Due from other governments	82,845	-	78,880	161,725
Total assets	<u>\$ 1,611,496</u>	<u>\$ 365,992</u>	<u>\$ 2,271,039</u>	<u>\$ 4,248,527</u>
Liabilities, deferred inflows and fund balances				
Liabilities				
Accounts payable	\$ 74,095	\$ 155,133	\$ 13,108	\$ 242,336
Accrued liabilities	101,436	-	4,243	105,679
Due to other governments	5,015	-	-	5,015
Unearned revenue	750	-	-	750
Total liabilities	<u>181,296</u>	<u>155,133</u>	<u>17,351</u>	<u>353,780</u>
Fund balances				
Nonspendable				
Permanent fund corpus	-	-	467,900	467,900
Prepaid items	20,814	-	-	20,814
Restricted				
Streets	-	-	950,276	950,276
Historic District Commission	-	-	97,166	97,166
Cemetery operations and maintenance	-	-	43,581	43,581
City enhancement	-	210,859	481,299	692,158
Police seizures	7,921	-	-	7,921
Debt service	-	-	2,654	2,654
Capital projects	-	-	73,000	73,000
Committed				
City enhancement	-	-	124,696	124,696
Assigned	-	-	13,116	13,116
Unassigned	1,401,465	-	-	1,401,465
Total fund balances	<u>1,430,200</u>	<u>210,859</u>	<u>2,253,688</u>	<u>3,894,747</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,611,496</u>	<u>\$ 365,992</u>	<u>\$ 2,271,039</u>	<u>\$ 4,248,527</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, 2021

Fund balances - total governmental funds	\$ 3,894,747
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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)	10,702,515

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

Add - pension deferred outflows	521,369
Add - deferred charge on refunding	40,364
Deduct - pension deferred inflows	(450,384)
Add - OPEB deferred outflows	150,715

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	435,879
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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	(41,635)
Deduct - OPEB obligation	(1,184,197)
Deduct - long-term debt payable	(3,045,000)
Deduct - net pension liability	(2,542,890)
Deduct - accrued interest on bonds payable	(8,613)

Net position of governmental activities	<u>\$ 9,073,909</u>
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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, 2021

	<u>General</u>	<u>Designated Contributions</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 1,758,553	\$ -	\$ -	\$ 1,758,553
Intergovernmental revenues				
Federal	220,580	-	-	220,580
State	441,141	-	475,663	916,804
Local	325,969	-	-	325,969
Licenses and permits	126,973	-	-	126,973
Charges for services	180,068	-	9,500	189,568
Investment earnings	1,269	-	1,786	3,055
Contributions and donations	5,839	839,620	184,841	1,030,300
Miscellaneous	2,520	-	18,631	21,151
Total revenues	<u>3,062,912</u>	<u>839,620</u>	<u>690,421</u>	<u>4,592,953</u>
Expenditures				
Current				
General government	978,407	6,810	149,584	1,134,801
Public safety	1,132,683	-	-	1,132,683
Public works	242,086	-	-	242,086
Culture and recreation	243,206	2,560,339	9,450	2,812,995
Highways and streets	-	-	589,990	589,990
Other functions	4,770	-	-	4,770
Debt service				
Principal	-	-	200,000	200,000
Interest	-	-	108,833	108,833
Total expenditures	<u>2,601,152</u>	<u>2,567,149</u>	<u>1,057,857</u>	<u>6,226,158</u>
Revenues over (under) expenditures	<u>461,760</u>	<u>(1,727,529)</u>	<u>(367,436)</u>	<u>(1,633,205)</u>
Other financing sources (uses)				
Transfers in	373,356	15,843	758,365	1,147,564
Transfers out	(614,633)	-	(184,575)	(799,208)
Total other financing sources (uses)	<u>(241,277)</u>	<u>15,843</u>	<u>573,790</u>	<u>348,356</u>
Net changes in fund balances	220,483	(1,711,686)	206,354	(1,284,849)
Fund balances, beginning of year	<u>1,209,717</u>	<u>1,922,545</u>	<u>2,047,334</u>	<u>5,179,596</u>
Fund balances, end of year	<u>\$ 1,430,200</u>	<u>\$ 210,859</u>	<u>\$ 2,253,688</u>	<u>\$ 3,894,747</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, 2021

Net changes in fund balances - total governmental funds	\$ (1,284,849)
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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	2,744,864
Deduct - depreciation expense	(380,612)

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	200,000
Deduct - amortization of deferred charge on refunding	(6,320)

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.

Deduct - increase in compensated absences	(473)
Deduct - increase in OPEB obligation	(319,596)
Add - decrease in net pension liability	445,930
Add - increase in deferred outflows for pension	188,466
Add - increase in deferred outflows for OPEB	150,715
Deduct - increase in deferred inflows for pension	(450,384)
Deduct - increase in unearned revenue	(4,156)
Add - decrease in accrued interest	654

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	<u>65,781</u>
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Change in net position of governmental activities	<u>\$ 1,350,020</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF LOWELL
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Enterprise Funds				Enterprise Fund	Governmental Activities
	Wastewater	Water	Light and Power	Non-major (Airport)	Total	Internal Service Funds
Assets						
Current assets						
Cash and pooled investments	\$ 1,910,754	\$ 1,654,014	\$ 1,213,398	\$ 27,463	\$ 4,805,629	\$ 195,609
Investments	-	-	1,056,691	-	1,056,691	-
Restricted cash and pooled investments	-	-	174,499	-	174,499	-
Accounts receivable	170,743	219,913	1,018,551	3,500	1,412,707	-
Prepaid items	-	-	569,389	-	569,389	5,654
Inventory	-	106,356	438,275	-	544,631	6,785
Total current assets	2,081,497	1,980,283	4,470,803	30,963	8,563,546	208,048
Noncurrent assets						
Restricted cash and pooled investments	-	-	239,015	-	239,015	-
Special assessments long-term	31,308	-	-	-	31,308	-
Advance to MPPA	-	-	276,418	-	276,418	-
Advance to DDA	-	-	132,000	-	132,000	-
Capital assets						
Land	4,500	109,908	259,157	59,053	432,618	-
Construction in progress	-	-	1,696,688	-	1,696,688	-
Capital assets, net	3,569,205	3,483,195	10,096,177	228,061	17,376,638	313,508
Total noncurrent assets	3,605,013	3,593,103	12,699,455	287,114	20,184,685	313,508
Total assets	5,686,510	5,573,386	17,170,258	318,077	28,748,231	521,556
Deferred outflows of resources						
Pension related	25,179	143,618	127,393	-	296,190	-
OPEB Related	7,887	44,984	-	-	52,871	-
Total Deferred outflow	33,066	188,602	127,393	-	349,061	-
Liabilities						
Current liabilities						
Accounts payable	224,355	40,445	522,984	3,991	791,775	8,383
Accrued liabilities	18,030	29,843	38,268	-	86,141	285
Due to other funds	-	-	34,691	-	34,691	-
Customer deposits	-	7,885	165,657	-	173,542	-
Unearned revenue	-	-	-	10,854	10,854	-
Current portion of long-term debt	70,000	30,000	681,724	-	781,724	57,342
Total current liabilities	312,385	108,173	1,443,324	14,845	1,878,727	66,010
Long-term liabilities						
Premium on bonds	108,771	49,972	-	-	158,743	-
Net pension liability	122,805	700,471	2,287,828	-	3,111,104	-
Net OPEB obligation	57,189	326,202	1,156,776	-	1,540,167	-
Asset retirement obligation	-	-	148,598	-	148,598	-
Compensated absences	1,751	10,814	23,739	-	36,304	747
Bonds payable, net of current portion	1,946,000	834,000	2,035,000	-	4,815,000	18,920
Total long-term liabilities	2,236,516	1,921,459	5,651,941	-	9,809,916	19,667
Total liabilities	2,548,901	2,029,632	7,095,265	14,845	11,688,643	85,677
Deferred inflows of resources						
Pension related	21,751	124,064	58,048	-	203,863	-
Net position						
Net investment in capital assets	1,448,934	2,679,131	7,211,319	287,114	11,626,498	237,246
Restricted for revenue bond retirement	-	-	259,253	-	259,253	-
Unrestricted	1,699,990	929,161	2,673,766	16,118	5,319,035	198,633
Total net position	\$ 3,148,924	\$ 3,608,292	\$ 10,144,338	\$ 303,232	\$ 17,204,786	\$ 435,879

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, 2021

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Light and Power	Non-major (Airport)		
Operating revenue						
Charges for services	\$ 1,118,296	\$ 1,317,640	\$ 8,553,032	\$ 79,058	\$ 11,068,026	\$ 398,776
Other	1,337	20,734	174,501	-	196,572	-
Total operating revenue	<u>1,119,633</u>	<u>1,338,374</u>	<u>8,727,533</u>	<u>79,058</u>	<u>11,264,598</u>	<u>398,776</u>
Operating expense						
Treatment	527,461	420,403	-	-	947,864	-
Transmission and distribution	149,899	343,277	7,089,633	-	7,582,809	-
Customer accounts	81,265	87,652	-	-	168,917	-
Administrative and general	146,687	145,156	-	72,202	364,045	251,939
Change in benefit liability	(103,881)	(102,493)	-	-	(206,374)	(27,751)
Depreciation	97,457	183,316	685,519	14,014	980,306	131,079
Total operating expense	<u>898,888</u>	<u>1,077,311</u>	<u>7,775,152</u>	<u>86,216</u>	<u>9,837,567</u>	<u>355,267</u>
Operating income (loss)	<u>220,745</u>	<u>261,063</u>	<u>952,381</u>	<u>(7,158)</u>	<u>1,427,031</u>	<u>43,509</u>
Non-operating revenue (expense)						
Loss on disposal of capital assets	-	-	6,501	-	6,501	-
Investment earnings	3,543	1,288	18,239	19	23,089	47
Interest expense	(74,388)	(31,895)	(72,268)	-	(178,551)	(2,775)
Total non-operating revenue (expense)	<u>(70,845)</u>	<u>(30,607)</u>	<u>(47,528)</u>	<u>19</u>	<u>(148,961)</u>	<u>(2,728)</u>
Income (loss) before transfers and capital items	<u>149,900</u>	<u>230,456</u>	<u>904,853</u>	<u>(7,139)</u>	<u>1,278,070</u>	<u>40,781</u>
Transfers and capital						
Transfers in	-	-	-	-	-	25,000
Transfers out	-	-	(373,356)	-	(373,356)	-
Total transfers and capital	<u>-</u>	<u>-</u>	<u>(373,356)</u>	<u>-</u>	<u>(373,356)</u>	<u>25,000</u>
Changes in net assets	149,900	230,456	531,497	(7,139)	904,714	65,781
Net assets, beginning 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>
Net assets, end of year	<u>\$ 3,148,924</u>	<u>\$ 3,608,292</u>	<u>\$ 10,144,338</u>	<u>\$ 303,232</u>	<u>\$ 17,204,786</u>	<u>\$ 435,879</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, 2021

	Enterprise Funds				Enterprise Fund	Governmental Activities
	Wastewater	Water	Light and Power	Non-major (Airport)	Total	Internal Service Funds
Cash flows from operating activities						
Receipts from customers and users	\$ 1,084,866	\$ 1,302,518	\$ 8,747,258	\$ 79,541	\$ 11,214,183	\$ -
Receipts from internal services provided	-	-	-	-	-	398,776
Payments to employees	(105,234)	(568,748)	(1,576,062)	-	(2,250,044)	(53,018)
Payments to suppliers	(597,937)	(422,938)	(5,147,123)	(65,623)	(6,233,621)	(201,597)
Net cash provided by (used in) operating activities	381,695	310,832	2,024,073	13,918	2,730,518	144,161
Cash flows from non-capital financing activities						
Transfers in	-	-	-	-	-	25,000
Transfers out	-	-	(371,362)	-	(371,362)	-
Net cash provided by (used in) non-capital financing activities	-	-	(371,362)	-	(371,362)	25,000
Cash flows from capital and related financing activities						
Issuance of long-term debt	-	-	475,000	-	475,000	-
Principal paid on long-term debt	(70,000)	(30,000)	(534,449)	-	(634,449)	(88,766)
Interest expense	(83,188)	(35,938)	(76,009)	-	(195,135)	(2,774)
Proceeds on sale of capital assets	-	-	9,202	-	9,202	-
Acquisitions of capital assets	(279,495)	(108,532)	(1,610,070)	(16,810)	(2,014,907)	(23,397)
Net cash provided by (used in) capital and related financing activities	(432,683)	(174,470)	(1,736,326)	(16,810)	(2,360,289)	(114,937)
Cash flows from investing activities						
Purchase of investments	-	-	(10,354)	-	(10,354)	-
Interest income	3,543	1,288	18,239	19	23,089	46
Net cash provided by (used in) investing activities	3,543	1,288	7,885	19	12,735	46
Net increase (decrease) in cash and pooled investments	(47,445)	137,650	(75,730)	(2,873)	11,602	54,270
Cash and pooled investments, beginning of year	1,958,199	1,516,364	1,702,642	30,336	5,207,541	141,339
Cash and pooled investments, end of year	\$ 1,910,754	\$ 1,654,014	\$ 1,626,912	\$ 27,463	\$ 5,219,143	\$ 195,609
Cash flows from operating activities						
Operating income (loss)	\$ 220,745	\$ 261,063	\$ 952,381	\$ (7,158)	\$ 1,427,031	\$ 43,509
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	97,457	183,316	685,519	14,014	980,306	131,079
Change in asset retirement obligation	-	-	15,856	-	15,856	-
Change in deferred outflows of resources	(7,292)	(87,930)	212,447	-	117,225	2,624
Change in deferred inflows of resources	21,751	124,064	-	-	145,815	-
Change in net OPEB obligation	(9,749)	64,741	24,604	-	79,596	(6,815)
Change in net pension liability	(108,591)	(203,368)	(11,809)	-	(323,768)	(23,560)
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	(32,686)	(35,456)	42,453	(1,045)	(26,734)	-
Inventory	-	(12,055)	(87,696)	-	(99,751)	1,692
Prepaid assets and other items	-	-	105,564	3,775	109,339	(5,654)
Special assessments long-term	(2,081)	-	-	-	(2,081)	-
Customer deposits	-	(400)	(22,728)	-	(23,128)	-
Accounts payable	203,494	14,096	139,449	2,804	359,843	1,242
Accrued liabilities	(650)	3,451	(33,264)	-	(30,463)	(86)
Unearned revenue	-	-	-	1,528	1,528	-
Compensated absences	(703)	(690)	1,297	-	(96)	130
Net cash provided by (used in) operating activities	\$ 381,695	\$ 310,832	\$ 2,024,073	\$ 13,918	\$ 2,730,518	\$ 144,161

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

CITY OF LOWELL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2021

	Custodial Fund
Assets	
Cash and pooled investments	\$ 1,458
Total assets	<u>1,458</u>
Liabilities	
Accounts payable	<u>1,458</u>
Total liabilities	<u>1,458</u>
Net position	<u>\$ -</u>

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

CITY OF LOWELL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund
Additions	
Taxes and benefits collected for other entities	\$ 4,566,197
Total additions	<u>4,566,197</u>
 Deductions	
Taxes and benefits to other entities	<u>4,566,197</u>
Total deductions	<u>4,566,197</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

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, 2021

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, 2021

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. 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, 2021

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

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.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.
- 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 \$2,000 at June 30, 2021.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

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 hanger rentals of \$10,854 and grants of \$750.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, the net pension liability, and the net OPEB liability which are discussed in Note 6 and Note 9, respectively.

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 as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category which are related to the net pension liability which is discussed in Note 6.

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.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

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 custodial 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.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, 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	\$ 164,107	\$ 174,678	\$(10,571)
City Attorney	115,000	117,268	(2,268)
Treasurer	162,433	173,149	(10,716)
Other	50,000	58,116	(8,116)
Planning	50,743	71,906	(21,163)
Transfers Out	551,632	614,633	(63,001)
Designated Contributions Fund			
Culture and recreation	2,505,000	2,560,339	(55,339)

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>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$ 8,075,727	\$403,249	\$1,458	\$ 8,480,434
Investments	2,013,499	-	-	2,013,499
Restricted cash and pooled investments	413,514	-	-	413,514
	<u>\$10,502,740</u>	<u>\$403,249</u>	<u>\$1,458</u>	<u>\$10,907,447</u>

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

Deposits	\$ 8,845,945
Investments	<u>2,061,502</u>
Total	<u>\$10,907,447</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, \$7,492,632 of the City's bank balance of \$8,983,941 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>
GNMA bonds	1-29 years	\$ 47,823	N/A
FNMA bonds	1-29 years	3,022	Not rated
FHLMC bonds	1-29 years	542	Not rated
GNMA pool 3%	6/20/45	2,659	N/A
GNMA pool 2%	5/20/51	499,026	N/A
GNMA pool 2%	6/20/51	324,838	N/A
GNMA pool 2%	5/20/51	87,829	N/A
Federated Gov Obligations	N/A	338,790	AAAam
Kent County Pool	N/A	756,973	Not rated
Total		<u>\$2,061,502</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, 2021

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, 2021, 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	12%	0-3
Certificates of deposits	71%	0-5
Deposits, money markets and other pools	17%	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 \$2,061,502 of investments, the City has custodial credit risk of \$965,739 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Custodial credit risk for the Kent County pool and the Federated Government Obligation fund above 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, 2021

4. INTERFUND/ENTITY TRANSACTIONS

Transfers in and out for the year ended June 30, 2021 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>				<u>Total</u>
	<u>General fund</u>	<u>Designated contributions Fund</u>	<u>Internal service funds</u>	<u>Nonmajor governmental</u>	
General fund	\$ -	\$ -	\$25,000	\$589,633	\$614,633
Light and power	373,356	-	-	-	373,356
Nonmajor governmental	-	15,843	-	168,732	184,575
Total	\$373,356	\$15,843	\$25,000	\$758,365	\$1,172,564

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 \$373,356. At year end the light & power fund had advanced the DDA \$132,000 to be repaid in future years.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
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	4,589,210	253,767	-	4,842,977
Buildings	7,725,158	2,473,481	-	10,198,639
Equipment	1,775,527	29,963	-	1,805,490
Other improvements	375,868	11,050	-	386,918
Total capital assets, being depreciated	14,465,763	2,768,261	-	17,234,024
Less accumulated depreciation for				
Land improvements	1,334,810	166,865	-	1,501,675
Buildings	2,946,441	188,243	-	3,134,684
Equipment	1,328,865	139,779	-	1,468,644
Other improvements	96,194	16,804	-	112,998
Total accumulated depreciation	5,706,310	511,691	-	6,218,001
Net capital assets, being depreciated	8,759,453	2,256,570	-	11,016,023
Governmental Activities capital assets, net	\$9,360,492	\$2,256,570	\$ -	\$11,617,062

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 432,618	\$ -	\$ -	\$ 432,618
Construction in progress	1,161,132	1,449,630	914,074	1,696,688
Total capital assets, not being depreciated	1,593,750	1,449,630	914,074	2,129,306
Capital assets being depreciated				
Land improvements	1,582,307	21,746	-	1,604,053
Buildings	6,373,653	34,910	-	6,408,563
Plant and equipment	21,539,411	1,263,174	163,689	22,638,896
Other improvements	8,734,425	159,521	-	8,893,946
Total capital assets, being depreciated	38,229,796	1,479,351	163,689	39,545,458
Less accumulated depreciation for				
Land improvements	331,930	36,736	-	368,666
Buildings	6,054,392	47,329	-	6,101,721
Plant and equipment	11,679,755	718,898	160,988	12,237,665
Other improvements	3,283,425	177,343	-	3,460,768
Total accumulated depreciation	21,349,502	980,306	160,988	22,168,820
Net capital assets, being depreciated	16,880,294	499,045	2,701	17,376,638
Business-type Activities capital assets, net	\$18,474,044	\$1,948,675	\$ 916,775	\$19,505,944

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>
Component Unit				
Capital assets, not being depreciated				
Land	\$ 452,306	\$ -	\$ -	\$ 452,306
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	452,306	-	-	452,306
Capital assets being depreciated				
Land improvements	1,545,302	83,285	-	1,628,587
Plant and equipment	30,253	-	-	30,253
Other improvements	176,945	-	-	176,945
Total capital assets, being depreciated	1,752,500	83,285	-	1,835,785
Less accumulated depreciation for				
Land improvements	635,685	58,900	-	694,585
Plant and equipment	22,249	1,008	-	23,257
Other improvements	66,932	5,465	-	72,397
Total accumulated depreciation	724,866	65,373	-	790,239
Net capital assets, being depreciated	1,027,634	17,912	-	1,045,546
Component Unit capital assets, net	\$1,479,940	\$17,912	\$ -	\$1,497,852

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

Governmental Activities	
General government	\$ 33,028
Public safety	141,653
Public works	141,183
Culture and recreation	64,748
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>131,079</u>
Total depreciation expense - governmental activities	<u><u>\$511,691</u></u>
Business-type Activities	
Sewer	\$ 97,457
Water	183,316
Light and power	685,519
Nonmajor enterprise funds	<u>14,014</u>
Total depreciation expense - business- type activities	<u><u>\$980,306</u></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 by 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, 2020):

Active plan members	40
Inactive employees entitled but not yet receiving benefits	18
Inactive employees or beneficiaries currently receiving benefits	<u>25</u>
Total	<u><u>83</u></u>

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 and a fixed monthly amount of \$552. 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, 2020, 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, 2020 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, 2021

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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2019	\$16,296,389	\$9,849,137	\$6,447,252
Changes for the Year:			
Service cost	213,566	-	213,566
Interest	1,210,106	-	1,210,106
Change in benefits	(170,309)	-	(170,309)
Differences between expected and actual experience	(473,346)	-	(473,346)
Change in assumptions	458,927	-	458,927
Contributions: employer	-	688,751	(688,751)
Contributions: employee	-	121,227	(121,227)
Net investment income	-	1,241,897	(1,241,897)
Benefit payments, including refunds	(961,458)	(961,458)	-
Administrative expense	-	(19,674)	19,674
Other changes	(1)	-	(1)
Net changes	277,485	1,070,743	(793,258)
Balance at December 31, 2020	\$16,573,874	\$10,919,880	\$5,653,994

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 higher (8.6%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total pension liability	\$18,416,351	\$16,573,875	\$15,036,472
Fiduciary net position	10,919,881	10,919,881	10,919,881
Net pension liability	\$ 7,496,470	\$ 5,653,994	\$ 4,116,591

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2021 the employer recognized pension expense of \$491,425. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 52,913	\$(315,564)
Differences in assumptions	457,875	-
(Excess) deficit investment returns	-	(338,683)
Contributions subsequent to the measurement date*	306,771	-
Total	<u>\$817,559</u>	<u>\$(654,247)</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 2022.

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:

2022	\$(89,953)
2023	482,803
2024	(126,801)
2025	(409,508)
2026	-
Thereafter	-
Total	<u>\$(143,459)</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 completed 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 \$57,036 to the plan.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Governmental Activities					
Public Offerings:					
\$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%	\$3,245,000	\$ -	\$200,000	\$3,045,000	\$210,000
Total Public Offerings	3,245,000	-	200,000	3,045,000	210,000
Private Placement:					
2015 Act 99 installment purchase with annual payments of \$9,460 through May 1, 2024, including interest at 2.55%	37,840	-	9,460	28,380	9,460
2016 Act 99 installment purchase with annual payments of \$19,113 through April 1, 2021, plus interest at 1.55%	19,113	-	19,113	-	-
2016 Act 99 installment purchase with annual payments of \$14,674 through April 1, 2021, plus interest at 1.55%	14,671	-	14,671	-	-
2017 Act 99 installment purchase with annual payments of \$34,147 to \$37,210 through June 30, 2022, plus interest at 1.80%	73,749	-	36,539	37,210	37,210
2017 Act 99 installment purchase with annual payments of \$7,898 to \$9,142 through June 30, 2022, plus interest at 1.80%	19,655	-	8,983	10,672	10,672
Total Private Placement:	165,028	-	88,766	76,262	57,342
Total long-term debt	3,410,028	-	288,766	3,121,262	267,342
Unamortized refunding charge	\$ (46,684)	\$ -	\$ (6,320)	\$ (40,364)	\$ -
Accrued employee benefits	41,779	603	-	42,382	-
Total Governmental Activities	\$3,405,123	\$603	\$282,446	\$3,123,280	\$267,342

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>	Due Within One <u>Year</u>
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%	\$2,195,000	\$ -	\$245,000	\$1,950,000	\$255,000
 \$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%	 2,980,000	 -	 100,000	 2,880,000	 100,000
Total Public Offerings	5,175,000	-	345,000	4,830,000	355,000
 Private Placement:					
 2017 Act 99 installment purchase with monthly payments of \$10,594 through June 2022, including interest at 1.80%	 249,470	 -	 123,597	 125,873	 125,873
 2020 revenue bonds with annual payments ranging from \$135,000 to \$150,000 through June 2028, including interest at 2.2%	 -	 475,000	 -	 475,000	 135,000
 2019 Act 99 installment purchase of a control panel with annual payments of \$165,851 through June 2022, including interest at 2.15%	 331,703	 -	 165,852	 165,851	 165,851
Total Private Placement	581,173	475,000	289,449	766,724	426,724
 Total bonds	 5,756,173	 475,000	 634,449	 5,596,724	 781,724
Bond premium	171,586	-	12,843	158,743	-
Accrued employee benefits	36,400	-	96	36,304	-
 Total Business-type Activities	 \$5,964,159	 \$475,000	 \$ 647,388	 \$5,791,771	 \$781,724
 Component Units					
Accrued employee benefits	\$2,068	\$ -	\$ 202	\$1,866	\$ -

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits and unamortized refunding charge) as of June 30, 2021 are as follows:

Year Ending June 30	Governmental Activities			
	Public Offering		Private Placement	
	Principal	Interest	Principal	Interest
2022	\$ 210,000	\$102,632	\$57,342	\$1,186
2023	225,000	96,332	9,460	482
2024	235,000	89,582	9,460	241
2025	245,000	82,532	-	-
2026	260,000	74,876	-	-
2027-2031	1,515,000	234,684	-	-
2032-2036	355,000	13,136	-	-
2037-2041	-	-	-	-
Total	\$3,045,000	\$693,774	\$76,262	\$1,909
Year Ending June 30	Business-type Activities			
	Public Offering		Private Placement	
	Principal	Interest	Principal	Interest
2022	\$ 355,000	\$ 173,987	\$426,724	\$26,717
2023	360,000	163,975	135,000	18,920
2024	370,000	153,175	140,000	15,950
2025	380,000	141,574	65,000	12,870
2026	390,000	129,075	-	-
2027-2031	1,175,000	473,775	-	-
2032-2036	715,000	318,225	-	-
2037-2041	885,000	148,389	-	-
2042	200,000	4,500	-	-
Total	\$4,830,000	\$1,706,675	\$766,724	\$74,457

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.

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, 2021

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 plan is closed to new staff.

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, 2021):

Retirees and beneficiaries receiving benefits	4
Active plan members	9
Total	13

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 determined as of June 30, 2021, 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 calculated in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: None; the plan is not pre-funded

Salary Increases: 3.0%

Discount rate: 2.18%

Mortality rates were based on the 2010 Public Safety & General Employees and Healthy Retirees, Headcount weighted

Improvement scale: MP-2020

Discount rate. The discount rate used to measure the total OPEB liability is 2.18. 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 (2.18%). A single equivalent discount rate that yields the same present value of benefits is calculated (2.18%). This discount rate is used to determine the total OPEB liability.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Changes in the Net OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2020	\$1,199,815
Changes for the Year:	
Service cost	52,155
Interest	36,779
Change in benefits	-
Differences between expected and actual experience	272,745
Change in assumptions	58,083
Contributions : employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(51,989)
Administrative expense	-
Other changes	-
Net changes	367,773
Balance at June 30, 2021	\$1,567,588

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 2.18%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (1.18%) or higher (3.18%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total OPEB liability	\$1,653,998	\$1,567,588	\$1,486,685

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 higher than the current rate.

	1% Decrease	Current Healthcare rate	1% Increase
Total OPEB liability	\$1,467,753	\$1,567,588	\$1,676,832

For the year ended June 30, 2021 the employer recognized OPEB expense of \$216,176.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

OPEB Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2021 the employer recognized OPEB expense of \$216,176. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$167,843	\$ -
Differences in assumptions	35,743	-
(Excess) deficit investment returns	-	-
Total	<u>\$203,586</u>	<u>\$ -</u>

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

2022	\$127,242
2023	76,344
2024	-
2025	-
2026	-
Thereafter	<u>-</u>
Total	<u><u>\$203,586</u></u>

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, 2021):

Retirees and beneficiaries receiving benefits	10
Active plan members	<u>28</u>
Total	<u><u>38</u></u>

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 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, 2021 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 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.

Changes in the Net OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2020	<u>\$1,132,172</u>
Changes for the year:	
Service cost	47,902
Interest	30,537
Change in benefits	-
Differences between expected and actual experience	(3,561)
Change in assumptions	-
Benefit payments, including refunds	(50,274)
Administrative expense	-
Other changes	-
Net changes	<u>24,604</u>
Balance at June 30, 2021	<u>\$1,156,776</u>

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 higher (3.7%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total OPEB liability	\$1,279,757	\$1,156,776	\$1,047,786

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 higher than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total OPEB liability	\$1,033,178	\$1,156,776	\$1,303,506

For the year ended June 30, 2021 the employer recognized OPEB expense of \$74,878.

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, 2021, the LLP recognized expenses totaling \$3,412,214 under the terms of the contracts, which represented approximately \$748,212 for fixed operating costs, \$657,020 for debt service and \$2,006,982 for the purchase of power. Accounts payable to MPPA totaled \$319,556 at June 30, 2021. 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.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

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

	Debt		
	Campbell	Combustion Turbine	AFEC Project
2021	\$ 499,674	\$ 121,405	\$ 18,344
2022	248,913	120,905	18,351
2023	-	121,089	18,342
2024	-	121,251	18,362
2025	-	121,169	18,346
2026-2030	-	121,169	91,760
2031-2035	-	-	91,731
2036-2040	-	-	91,707
2041-2045	-	-	55,015
Total	\$748,587	\$726,988	\$421,958

	Operating		
	Campbell	Combustion Turbine	AFEC Project
2021	\$ 404,575	\$ 139,916	\$ 25,756
2022	416,712	144,114	26,528
2023	-	148,437	27,324
2024	-	152,890	28,144
2025	-	157,477	28,988
2026-2030	-	162,201	158,519
2031-2035	-	-	183,767
2036-2040	-	-	213,036
2041-2045	-	-	143,781
Total	\$821,287	\$905,035	\$835,843

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, 2020, the MPPA has two project that have identified asset retirement obligation totaling \$1,390,022. LLP has calculated their portion of MPPA's asset retirement obligations to be \$148,598 based on LLP's participation percentage in each project.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

12. 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.

13. 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, 3.8 MW of renewable energy from Pegasus Wind, .4 MW of renewable energy from Calhoun Solar PC and .9 MW of renewable energy from Hart Solar PPC.

14. TAX ABATEMENTS

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Abatement) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. An Industrial Facilities Tax Abatement (IFT) certificate entitles the facility to a partial exemption from ad valorem real and/or personal property taxes for a term of 12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year the City abated property tax revenues of approximately \$51,384.

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes				
Property taxes	\$ 1,753,166	\$ 1,753,166	\$ 1,758,553	\$ 5,387
Intergovernmental revenues				
Federal	-	220,684	220,580	(104)
State	345,000	345,000	441,141	96,141
Local	320,990	325,990	325,969	(21)
Licenses and permits	63,718	90,981	126,973	35,992
Charges for services	123,700	171,350	180,068	8,718
Investment earnings	15,000	15,000	1,269	(13,731)
Contributions and donations	3,000	6,150	5,839	(311)
Miscellaneous	2,750	2,750	2,520	(230)
Total revenues	<u>2,627,324</u>	<u>2,931,072</u>	<u>3,062,912</u>	<u>131,840</u>
Expenditures				
Current				
General government	784,435	955,371	978,407	(23,036)
Public safety	1,050,398	1,173,575	1,132,683	40,892
Public works	319,800	333,675	242,086	91,589
Culture and recreation	301,504	321,032	243,206	77,826
Other functions	6,500	6,500	4,770	1,730
Total expenditures	<u>2,462,637</u>	<u>2,790,153</u>	<u>2,601,152</u>	<u>189,001</u>
Revenues over (under) expenditures	<u>164,688</u>	<u>140,918</u>	<u>461,760</u>	<u>320,842</u>
Other financing sources (uses)				
Transfers in	343,415	343,415	373,356	29,941
Transfers out	(488,632)	(551,632)	(614,633)	(63,001)
Total other financing sources (uses)	<u>(145,217)</u>	<u>(208,217)</u>	<u>(241,277)</u>	<u>(33,060)</u>
Net changes in fund balance	19,471	(67,299)	220,483	287,782
Fund balance, beginning of year	<u>1,209,717</u>	<u>1,209,717</u>	<u>1,209,717</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,229,188</u>	<u>\$ 1,142,418</u>	<u>\$ 1,430,200</u>	<u>\$ 287,782</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, 2021

	<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	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)
Investment earnings	1,000	1,000	-	(1,000)
Contributions and donations	<u>6,000</u>	<u>863,119</u>	<u>839,620</u>	<u>(23,499)</u>
Total revenues	<u>507,000</u>	<u>1,364,119</u>	<u>839,620</u>	<u>(524,499)</u>
Expenditures				
Current				
General government	1,000	7,060	6,810	250
Culture and recreation	<u>505,000</u>	<u>2,505,000</u>	<u>2,560,339</u>	<u>(55,339)</u>
Total expenditures	<u>506,000</u>	<u>2,512,060</u>	<u>2,567,149</u>	<u>(55,089)</u>
Revenues over (under) expenditures	1,000	(1,147,941)	(1,727,529)	(579,588)
Other financing sources (uses)				
Transfers in	<u>1,000</u>	<u>16,843</u>	<u>15,843</u>	<u>(1,000)</u>
Total other financing sources (uses)	<u>1,000</u>	<u>16,843</u>	<u>15,843</u>	<u>(1,000)</u>
Net changes in fund balance	2,000	(1,131,098)	(1,711,686)	(580,588)
Fund balance, beginning of year	<u>1,922,545</u>	<u>1,922,545</u>	<u>1,922,545</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,924,545</u>	<u>\$ 791,447</u>	<u>\$ 210,859</u>	<u>\$ (580,588)</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, 2021

	2014	2015	2016	2017	2018	2019	2020
Total pension liability							
Service cost	\$ 211,215	\$ 226,719	\$ 221,995	\$ 226,646	\$ 241,911	\$ 253,182	\$ 213,566
Interest	968,262	973,757	1,084,670	1,111,041	1,146,666	1,193,992	1,210,106
Changes in benefit terms	-	(3,794)	-	-	(10,024)	-	(170,309)
Difference between expected and actual experience	-	382,316	(76,607)	7,653	131,060	60,445	(473,346)
Changes in assumptions	-	632,698	-	-	-	455,772	458,927
Benefit payments including employee refunds	(703,688)	(799,852)	(906,870)	(898,605)	(916,716)	(930,631)	(961,458)
Other	-	30,429	1	-	(1)	1	(1)
Net change in total pension liability	475,789	1,442,273	323,189	446,735	592,896	1,032,761	277,485
Total pension liability, beginning of year	11,982,746	12,458,535	13,900,808	14,223,997	14,670,732	15,263,628	16,296,389
Total pension liability, ending of year	\$ 12,458,535	\$ 13,900,808	\$ 14,223,997	\$ 14,670,732	\$ 15,263,628	\$ 16,296,389	\$ 16,573,874
Plan Fiduciary Net Position							
Contributions-employer	\$ 360,904	\$ 390,446	\$ 339,082	\$ 478,711	\$ 482,925	\$ 532,507	\$ 688,751
Contributions-employee	95,994	99,696	86,729	88,435	239,360	118,205	121,227
Net investment income	532,437	(129,061)	924,514	1,135,449	(371,069)	1,201,925	1,241,897
Benefit payments including employee refunds	(703,688)	(799,853)	(906,870)	(898,605)	(916,716)	(930,631)	(961,458)
Administrative expense	(19,532)	(18,997)	(18,271)	(18,000)	(18,455)	(20,698)	(19,674)
Net change in plan fiduciary net position	266,115	(457,769)	425,184	785,990	(583,955)	901,308	1,070,743
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	9,849,137
Plan fiduciary net position, ending of year	\$ 8,778,379	\$ 8,320,610	\$ 8,745,794	\$ 9,531,784	\$ 8,947,829	\$ 9,849,137	\$ 10,919,880
Total net pension liability	\$ 3,680,156	\$ 5,580,198	\$ 5,478,203	\$ 5,138,948	\$ 6,315,799	\$ 6,447,252	\$ 5,653,994
Plan fiduciary net position as a percentage of the total pension liability	70%	60%	61%	65%	59%	60%	66%
Covered employee payroll	\$ 1,892,987	\$ 2,048,657	\$ 2,050,553	\$ 2,164,938	\$ 2,277,076	\$ 2,380,001	\$ 2,008,617
Employer's net pension liability as a percentage of covered employee payroll	194%	272%	267%	237%	277%	271%	281%

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, 2021

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%
6/30/2021	704,230	577,296	126,934	2,008,617	29%

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, 2021

	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 54,970	\$ 70,729	\$ 70,729	\$ 52,155
Interest	26,232	29,526	34,225	36,779
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	-	-	272,745
Changes in assumptions	41,650	79,691	-	58,083
Benefit payments including employee refunds	(16,432)	(25,473)	(21,166)	(51,989)
Other	-	-	-	-
Net change in total OPEB liability	<u>106,420</u>	<u>154,473</u>	<u>83,788</u>	<u>367,773</u>
Total OPEB liability, beginning of year	<u>855,134</u>	<u>961,554</u>	<u>1,116,027</u>	<u>1,199,815</u>
Total OPEB liability, end of year	<u><u>\$ 961,554</u></u>	<u><u>\$ 1,116,027</u></u>	<u><u>\$ 1,199,815</u></u>	<u><u>\$ 1,567,588</u></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>	<u>-</u>
Plan fiduciary net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Employer net OPEB liability	<u><u>\$ 961,554</u></u>	<u><u>\$ 1,116,027</u></u>	<u><u>\$ 1,199,815</u></u>	<u><u>\$ 1,567,588</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered employee payroll	\$ 1,303,483	\$ 1,202,712	\$ 1,202,712	\$ 1,303,483
Employer's net OPEB liability as a percentage of covered employee payroll	74%	93%	100%	120%

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, 2021

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%
6/30/2021	87,367	16,432	70,935	1,303,483	1%

Notes to schedule

Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	29 years
Asset valuation method	N/A
Inflation	None the plan is not prefunded
Healthcare cost trend rates	7.5% going down .25% per year to 4.5% long-term
Salary increases	3.00%
Discount rate	2.18%
Retirement age	Varies depending on plan adoption
Mortality	2010 Public Safety & General Employees and Healthy Retirees, headcount weighted, MP-2020

Notes to schedule:

PA 202 information	
Actuarial accrued liability	\$1,567,096
Funded ratio	0%
Actuarial determined contribution	\$131,923

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, 2021

	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 60,317	\$ 63,075	\$ 53,669	\$ 47,902
Interest	37,328	34,355	36,111	30,537
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(126,352)	27,409	(240,948)	(3,561)
Changes in assumptions	-	-	-	-
Benefit payments including employee refunds	(55,025)	(55,586)	(54,558)	(50,274)
Other	-	-	-	-
Net change in total OPEB liability	(83,732)	69,253	(205,726)	24,604
Total OPEB liability, beginning of year	1,352,377	1,268,645	1,337,898	1,132,172
Total OPEB liability, end of year	<u>\$ 1,268,645</u>	<u>\$ 1,337,898</u>	<u>\$ 1,132,172</u>	<u>\$ 1,156,776</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	-	-	-	-
Plan fiduciary net position, beginning of year	-	-	-	-
Plan fiduciary net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer net OPEB liability	<u>\$ 1,268,645</u>	<u>\$ 1,337,898</u>	<u>\$ 1,132,172</u>	<u>\$ 1,156,776</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered employee payroll	\$ 960,003	\$ 996,957	\$ 1,116,306	\$ 1,004,292
Employer's net OPEB liability as a percentage of covered employee payroll	132%	134%	101%	115%

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, 2021

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%
6/30/2021	85,851	50,247	35,604	1,004,292	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 2021 based on assumptions required by Michigan Public Act 202 of 2017 is \$129,763. Normal costs for employees hired after June 30, 2018 were \$7,177. The schedule is being accumulated prospectively until 10 years of information is presented

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	Original	Final	Amount	Positive (Negative)
Revenues				
Taxes				
Property taxes	\$ 1,687,666	\$ 1,687,666	\$ 1,686,264	\$ (1,402)
Administrative fee, penalties and interest	65,500	65,500	72,289	6,789
	<u>1,753,166</u>	<u>1,753,166</u>	<u>1,758,553</u>	<u>5,387</u>
Licenses and permits				
Business	3,500	3,500	6,980	3,480
Medical marijuana	20,800	48,063	73,063	25,000
Cable tv franchise fees	39,418	39,418	46,930	7,512
	<u>63,718</u>	<u>90,981</u>	<u>126,973</u>	<u>35,992</u>
Intergovernmental				
Federal	-	220,684	220,580	(104)
Sales tax	340,000	340,000	438,162	98,162
Liquor licenses	5,000	5,000	2,979	(2,021)
Contributions from local units	11,108	11,108	11,612	504
Contributions from DDA	308,632	308,632	308,632	-
Other	1,250	6,250	5,725	(525)
	<u>665,990</u>	<u>891,674</u>	<u>987,690</u>	<u>96,016</u>
Charges for services				
Cemetery openings	10,000	10,000	11,465	1,465
Building inspections	45,000	75,000	82,046	7,046
Public safety	11,150	13,650	9,978	(3,672)
Planning and zoning	10,000	28,000	40,786	12,786
Tower and cable room leases	2,400	2,400	2,250	(150)
Other	45,150	42,300	33,543	(8,757)
	<u>123,700</u>	<u>171,350</u>	<u>180,068</u>	<u>8,718</u>
Investment income	15,000	15,000	1,269	(13,731)
Contributions and donations	3,000	6,150	5,839	(311)
Other miscellaneous	2,750	2,750	2,520	(230)
Total revenues	<u>2,627,324</u>	<u>2,931,072</u>	<u>3,062,912</u>	<u>131,840</u>

(continued)

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CITY OF LOWELL
GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<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>
Expenditures				
Current				
General government				
Council	\$ 20,645	\$ 20,645	\$ 12,345	\$ 8,300
City Manager	151,808	164,107	174,678	(10,571)
Elections	12,888	12,888	8,910	3,978
Assessor	59,620	63,170	56,366	6,804
City attorney	65,000	115,000	117,268	(2,268)
Clerk	144,683	159,871	157,683	2,188
Treasurer	122,849	162,433	173,149	(10,716)
City hall	144,515	156,515	147,986	8,529
Other	7,000	50,000	58,116	(8,116)
Planning	55,427	50,743	71,906	(21,163)
	<u>784,435</u>	<u>955,371</u>	<u>978,407</u>	<u>(23,036)</u>
Public safety				
Police department	888,863	952,113	920,561	31,552
Building inspections	40,000	75,000	71,354	3,646
Fire department	121,535	121,535	116,510	5,025
Emergency management	-	24,927	24,258	669
	<u>1,050,398</u>	<u>1,173,575</u>	<u>1,132,683</u>	<u>40,892</u>
Public works				
Cemetery	140,290	140,290	99,141	41,149
Department of public works	175,566	189,441	140,689	48,752
Sidewalks	3,944	3,944	2,256	1,688
	<u>319,800</u>	<u>333,675</u>	<u>242,086</u>	<u>91,589</u>
Culture and recreation				
Parks	173,004	176,832	128,632	48,200
Showboat	500	500	-	500
Recreation contributions	5,000	5,000	5,000	-
Library	74,342	88,842	69,064	19,778
Historical district commission	-	200	180	20
Museum	48,658	49,658	40,330	9,328
	<u>301,504</u>	<u>321,032</u>	<u>243,206</u>	<u>77,826</u>
Other functions				
Chamber/riverwalk	6,500	6,500	4,770	1,730
	<u>6,500</u>	<u>6,500</u>	<u>4,770</u>	<u>1,730</u>
Total expenditures	<u>2,462,637</u>	<u>2,790,153</u>	<u>2,601,152</u>	<u>189,001</u>
Revenues over (under) expenditures	<u>164,688</u>	<u>140,918</u>	<u>461,760</u>	<u>320,842</u>
Other financing sources (uses)				
Transfers in	343,415	343,415	373,356	29,941
Transfers out	(488,632)	(551,632)	(614,633)	(63,001)
	<u>(145,217)</u>	<u>(208,217)</u>	<u>(241,277)</u>	<u>(33,060)</u>
Total other financing sources (uses)	<u>(145,217)</u>	<u>(208,217)</u>	<u>(241,277)</u>	<u>(33,060)</u>
Net changes in fund balances	19,471	(67,299)	220,483	287,782
Fund balances, beginning of year	<u>1,209,717</u>	<u>1,209,717</u>	<u>1,209,717</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,229,188</u>	<u>\$ 1,142,418</u>	<u>\$ 1,430,200</u>	<u>\$ 287,782</u>

(concluded)

CITY OF LOWELL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2021

	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	\$ 336,774	\$ 551,473	\$ 97,166	\$ 4,000	\$ 4,370
Investments	-	-	-	-	217,778
Due from other governments	<u>57,811</u>	<u>21,069</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ 394,585	\$ 572,542	\$ 97,166	\$ 4,000	\$ 222,148
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 8,223	\$ 4,385	\$ -	\$ -	\$ -
Accrued liabilities	<u>978</u>	<u>3,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9,201</u>	<u>7,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable					
Permanent fund corpus	-	-	-	-	-
Restricted					
Streets	385,384	564,892	-	-	-
Historic District Commission	-	-	97,166	-	-
Cemetery operations and maintenance	-	-	-	-	-
City enhancement	-	-	-	-	201,194
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Committed					
City enhancement	-	-	-	4,000	11,033
Assigned					
City enhancement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,921</u>
Total fund balances	<u>385,384</u>	<u>564,892</u>	<u>97,166</u>	<u>4,000</u>	<u>222,148</u>
Total liabilities and fund balances	<u>\$ 394,585</u>	<u>\$ 572,542</u>	<u>\$ 97,166</u>	<u>\$ 4,000</u>	<u>\$ 222,148</u>

	Debt Service	Capital Projects	Permanent			
<u>Look Memorial</u>	<u>Building Authority</u>	<u>Fire Truck Purchase</u>	<u>Cemetery Perpetual Care</u>	<u>Carr I Memorial</u>	<u>Carr II Memorial</u>	<u>Total</u>
\$ 119,021	\$ 2,654	\$ 73,000	\$ 24,324	\$ 20,851	\$ 1,718	\$ 1,235,351
269,713	-	-	397,899	-	71,418	956,808
-	-	-	-	-	-	78,880
<u>\$ 388,734</u>	<u>\$ 2,654</u>	<u>\$ 73,000</u>	<u>\$ 422,223</u>	<u>\$ 20,851</u>	<u>\$ 73,136</u>	<u>\$ 2,271,039</u>
\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ 13,108
-	-	-	-	-	-	4,243
-	-	-	500	-	-	17,351
-	-	-	378,142	20,000	69,758	467,900
-	-	-	-	-	-	950,276
-	-	-	-	-	-	97,166
-	-	-	43,581	-	-	43,581
275,876	-	-	-	851	3,378	481,299
-	2,654	-	-	-	-	2,654
-	-	73,000	-	-	-	73,000
109,663	-	-	-	-	-	124,696
3,195	-	-	-	-	-	13,116
<u>388,734</u>	<u>2,654</u>	<u>73,000</u>	<u>421,723</u>	<u>20,851</u>	<u>73,136</u>	<u>2,253,688</u>
<u>\$ 388,734</u>	<u>\$ 2,654</u>	<u>\$ 73,000</u>	<u>\$ 422,223</u>	<u>\$ 20,851</u>	<u>\$ 73,136</u>	<u>\$ 2,271,039</u>

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue				
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Historic District Commission</u>	<u>LCTV Endowment</u>	<u>Lee Memorial</u>
Revenues					
Intergovernmental revenues					
State	\$ 341,198	\$ 134,465	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Investment earnings	281	391	70	-	27
Contributions and donations	-	-	60,000	108,479	-
Miscellaneous	7,795	10,836	-	-	-
Total revenues	<u>349,274</u>	<u>145,692</u>	<u>60,070</u>	<u>108,479</u>	<u>27</u>
Expenditures					
Current					
General government	-	-	45,105	104,479	-
Culture and recreation	-	-	-	-	-
Highways and streets	321,655	268,335	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>321,655</u>	<u>268,335</u>	<u>45,105</u>	<u>104,479</u>	<u>-</u>
Revenues over (under) expenditures	<u>27,619</u>	<u>(122,643)</u>	<u>14,965</u>	<u>4,000</u>	<u>27</u>
Other financing sources (uses)					
Transfers in	-	376,733	-	-	-
Transfers out	(168,732)	-	-	-	-
Total other financing sources (uses)	<u>(168,732)</u>	<u>376,733</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(141,113)	254,090	14,965	4,000	27
Fund balances, beginning of year	<u>526,497</u>	<u>310,802</u>	<u>82,201</u>	<u>-</u>	<u>222,121</u>
Fund balances, end of year	<u>\$ 385,384</u>	<u>\$ 564,892</u>	<u>\$ 97,166</u>	<u>\$ 4,000</u>	<u>\$ 222,148</u>

	Debt Service	Capital Projects	Permanent			
<u>Look Memorial</u>	<u>Building Authority</u>	<u>Fire Truck Purchase</u>	<u>Cemetery Perpetual Care</u>	<u>Carr I Memorial</u>	<u>Carr II Memorial</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 475,663
-	-	-	9,500	-	-	9,500
801	-	-	171	15	30	1,786
16,362	-	-	-	-	-	184,841
-	-	-	-	-	-	18,631
<u>17,163</u>	<u>-</u>	<u>-</u>	<u>9,671</u>	<u>15</u>	<u>30</u>	<u>690,421</u>
-	-	-	-	-	-	149,584
9,450	-	-	-	-	-	9,450
-	-	-	-	-	-	589,990
-	200,000	-	-	-	-	200,000
-	108,833	-	-	-	-	108,833
<u>9,450</u>	<u>308,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,057,857</u>
<u>7,713</u>	<u>(308,833)</u>	<u>-</u>	<u>9,671</u>	<u>15</u>	<u>30</u>	<u>(367,436)</u>
-	308,632	73,000	-	-	-	758,365
(15,843)	-	-	-	-	-	(184,575)
<u>(15,843)</u>	<u>308,632</u>	<u>73,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>573,790</u>
(8,130)	(201)	73,000	9,671	15	30	206,354
<u>396,864</u>	<u>2,855</u>	<u>-</u>	<u>412,052</u>	<u>20,836</u>	<u>73,106</u>	<u>2,047,334</u>
<u>\$ 388,734</u>	<u>\$ 2,654</u>	<u>\$ 73,000</u>	<u>\$ 421,723</u>	<u>\$ 20,851</u>	<u>\$ 73,136</u>	<u>\$ 2,253,688</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, 2021

	<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	\$ 277,784	\$ 277,784	\$ 341,198	\$ 63,414
Investment earnings	500	500	281	(219)
Miscellaneous	-	-	7,795	7,795
Total revenues	278,284	278,284	349,274	70,990
Expenditures				
Current				
Highways and streets	414,781	419,477	321,655	97,822
Total expenditures	414,781	419,477	321,655	97,822
Revenues over (under) expenditures	(136,497)	(141,193)	27,619	168,812
Other financing sources (uses)				
Transfers out	-	(172,996)	(168,732)	4,264
Net changes in fund balance	(136,497)	(314,189)	(141,113)	173,076
Fund balance, beginning of year	526,497	526,497	526,497	-
Fund balance, end of year	<u>\$ 390,000</u>	<u>\$ 212,308</u>	<u>\$ 385,384</u>	<u>\$ 173,076</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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 115,930	\$ 115,930	\$ 134,465	\$ 18,535
Investment earnings	100	100	391	291
Miscellaneous	<u>100</u>	<u>100</u>	<u>10,836</u>	<u>10,736</u>
Total revenues	<u>116,130</u>	<u>116,130</u>	<u>145,692</u>	<u>29,562</u>
Expenditures				
Current				
Highways and streets	<u>484,985</u>	<u>489,206</u>	<u>268,335</u>	<u>220,871</u>
Revenues over (under) expenditures	(368,855)	(373,076)	(122,643)	250,433
Other financing sources (uses)				
Transfers in	<u>180,000</u>	<u>352,996</u>	<u>376,733</u>	<u>23,737</u>
Net changes in fund balance	(188,855)	(20,080)	254,090	274,170
Fund balance, beginning of year	<u>310,802</u>	<u>310,802</u>	<u>310,802</u>	<u>-</u>
Fund balance, end of year	<u>\$ 121,947</u>	<u>\$ 290,722</u>	<u>\$ 564,892</u>	<u>\$ 274,170</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, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Investment earnings	\$ 50	\$ 50	\$ 70	\$ 20
Contributions and donations	<u>25,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total revenues	25,050	60,050	60,070	20
Expenditures				
Current				
General government	<u>25,000</u>	<u>60,000</u>	<u>45,105</u>	<u>14,895</u>
Net changes in fund balance	50	50	14,965	14,915
Fund balance, beginning of year	<u>82,201</u>	<u>82,201</u>	<u>82,201</u>	<u>-</u>
Fund balance, end of year	<u>\$ 82,251</u>	<u>\$ 82,251</u>	<u>\$ 97,166</u>	<u>\$ 14,915</u>

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

FOR THE YEAR ENDED JUNE 30, 2021

	<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				
Contributions and donations	\$ 100,000	\$ 108,479	\$ 108,479	\$ (0)
Expenditures				
Current				
General government	<u>100,000</u>	<u>104,479</u>	<u>104,479</u>	<u>0</u>
Revenues over (under) expenditures	-	4,000	4,000	-
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
Net changes in fund balance	-	-	4,000	4,000
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2021

	<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				
Investment earnings	\$ 4,000	\$ 4,000	\$ 27	\$ (3,973)
Expenditures				
Current				
Culture and recreation	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Net changes in fund balance	-	-	27	27
Fund balance, beginning of year	<u>222,121</u>	<u>222,121</u>	<u>222,121</u>	<u>-</u>
Fund balance, end of year	<u>\$ 222,121</u>	<u>\$ 222,121</u>	<u>\$ 222,148</u>	<u>\$ 27</u>

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Investment earnings	\$ -	\$ -	\$ 801	\$ 801
Contributions and donations	<u>40,000</u>	<u>40,000</u>	<u>16,362</u>	<u>(23,638)</u>
Total revenues	40,000	40,000	17,163	(22,837)
Expenditures				
Current				
Culture and recreation	<u>40,000</u>	<u>40,000</u>	<u>9,450</u>	<u>30,550</u>
Revenues over (under) expenditures	-	-	7,713	7,713
Other financing source (uses)				
Transfers out	<u>-</u>	<u>(15,843)</u>	<u>(15,843)</u>	<u>0</u>
Net changes in fund balance	-	(15,843)	(8,130)	7,713
Fund balance, beginning of year	<u>396,864</u>	<u>396,864</u>	<u>396,864</u>	<u>-</u>
Fund balance, end of year	<u>\$ 396,864</u>	<u>\$ 381,021</u>	<u>\$ 388,734</u>	<u>\$ 7,713</u>

CITY OF LOWELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Data Processing</u>	<u>OPEB Activity</u>	<u>Equipment</u>	<u>Total</u>
Assets				
Current assets				
Cash and pooled investments	\$ 22,620	\$ 44,543	\$ 128,446	\$ 195,609
Prepaid and other assets	-	5,654	-	5,654
Inventory	-	-	6,785	6,785
Total current assets	22,620	50,197	135,231	208,048
Capital assets				
Capital assets, net	55,480	-	258,028	313,508
Total assets	<u>78,100</u>	<u>50,197</u>	<u>393,259</u>	<u>521,556</u>
Liabilities				
Current liabilities				
Accounts payable	6,217	-	2,166	8,383
Accrued liabilities	-	-	285	285
Current portion of long-term debt	-	-	57,342	57,342
Total current liabilities	<u>6,217</u>	<u>-</u>	<u>59,793</u>	<u>66,010</u>
Long-term liabilities				
Compensated absences	-	-	747	747
Long-term debt, net of current portion	-	-	18,920	18,920
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>19,667</u>	<u>19,667</u>
Total liabilities	<u>6,217</u>	<u>-</u>	<u>79,460</u>	<u>85,677</u>
Net position				
Net investment in capital assets	55,480	-	181,766	237,246
Unrestricted	16,403	50,197	132,033	198,633
Total net position	<u>\$ 71,883</u>	<u>\$ 50,197</u>	<u>\$ 313,799</u>	<u>\$ 435,879</u>

CITY OF LOWELL

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Data Processing</u>	<u>OPEB Activity</u>	<u>Equipment</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 123,198	\$ 35,754	\$ 239,824	\$ 398,776
Operating expense				
Administrative and general				
Personnel services	-	-	25,311	25,311
Supplies	26,597	-	11,652	38,249
Services and other charges	88,556	43,328	56,495	188,379
Change in benefit liability	-	-	(27,751)	(27,751)
Depreciation	17,379	-	113,700	131,079
Total operating expense	<u>132,532</u>	<u>43,328</u>	<u>179,407</u>	<u>355,267</u>
Operating income (loss)	<u>(9,334)</u>	<u>(7,574)</u>	<u>60,417</u>	<u>43,509</u>
Non-operating revenue (expense)				
Interest income	16	-	31	47
Interest expense	-	-	(2,775)	(2,775)
Total non-operating revenue (expense)	<u>16</u>	<u>-</u>	<u>(2,744)</u>	<u>(2,728)</u>
Income (loss) before transfers and capital contributions	(9,318)	(7,574)	57,673	40,781
Transfers and capital contributions				
Transfers in	-	-	25,000	25,000
Changes in net position	(9,318)	(7,574)	82,673	65,781
Net position, beginning of year	<u>81,201</u>	<u>57,771</u>	<u>231,126</u>	<u>370,098</u>
Net position, end of year	<u>\$ 71,883</u>	<u>\$ 50,197</u>	<u>\$ 313,799</u>	<u>\$ 435,879</u>

CITY OF LOWELL

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Data Processing</u>	<u>OPEB Activity</u>	<u>Equipment</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from internal services provided	\$ 123,198	\$ 35,754	\$ 239,824	\$ 398,776
Payments to employees	-	-	(53,018)	(53,018)
Payments to suppliers	(111,437)	(48,982)	(41,178)	(201,597)
Net cash provided by (used in) operating activities	<u>11,761</u>	<u>(13,228)</u>	<u>145,628</u>	<u>144,161</u>
Cash flows from non-capital financing activities				
Transfers in	-	-	25,000	25,000
Cash flows from capital and related financing activities				
Principal paid on long-term debt	-	-	(88,766)	(88,766)
Interest expense	-	-	(2,774)	(2,774)
Acquisitions of capital assets	-	-	(23,397)	(23,397)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(114,937)</u>	<u>(114,937)</u>
Cash flows from investing activities				
Interest income	16	-	30	46
Net increase (decrease) in cash and pooled investments	<u>11,777</u>	<u>(13,228)</u>	<u>55,721</u>	<u>54,270</u>
Cash and pooled investments, beginning of year	<u>10,843</u>	<u>57,771</u>	<u>72,725</u>	<u>141,339</u>
Cash and pooled investments, end of year	<u>\$ 22,620</u>	<u>\$ 44,543</u>	<u>\$ 128,446</u>	<u>\$ 195,609</u>
Cash flows from operating activities				
Operating income (loss)	\$ (9,334)	\$ (7,574)	\$ 60,417	\$ 43,509
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	17,379	-	113,700	131,079
Deferred outflows of resources	-	-	2,624	2,624
Net OPEB obligation	-	-	(6,815)	(6,815)
Net pension liability	-	-	(23,560)	(23,560)
Change in operating assets and liabilities which provided (used) cash				
Prepaid and other assets	-	(5,654)	-	(5,654)
Inventory	-	-	1,692	1,692
Accounts payable	3,716	-	(2,474)	1,242
Accrued liabilities	-	-	(86)	(86)
Compensated absences	-	-	130	130
Net cash provided by (used in) operating activities	<u>\$ 11,761</u>	<u>\$ (13,228)</u>	<u>\$ 145,628</u>	<u>\$ 144,161</u>

CITY OF LOWELL
DOWNTOWN DEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Fund Type General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 403,249	\$ -	\$ 403,249
Capital assets			
Land	-	452,306	452,306
Depreciable capital assets, net	-	1,045,546	1,045,546
Total assets	\$ 403,249	1,497,852	1,901,101
Liabilities and fund balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 2,066	-	2,066
Accrued liabilities	4,718	2,887	7,605
Noncurrent liabilities			
Advance from City	-	132,000	132,000
Compensated absences	-	1,866	1,866
Total liabilities	6,784	136,753	143,537
Fund balances			
Unassigned	396,465		
Total liabilities and fund balances	\$ 403,249		
Net position			
Net investment in capital assets			1,365,852
Unrestricted			391,712
Total net position			\$ 1,757,564
Reconciliation of fund balances to net position			
Fund balances of governmental funds			\$ 396,465
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)			1,045,546
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Deduct - accrued interest			(2,887)
Deduct - advance payable			(132,000)
Deduct - compensated absences			(1,866)
Net position of governmental activities			\$ 1,757,564

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, 2021

	Governmental Fund Type General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 706,177	\$ -	\$ 706,177
Investment earnings	<u>324</u>	<u>-</u>	<u>324</u>
Total revenues	<u>706,501</u>	<u>-</u>	<u>706,501</u>
Expenditures/expenses			
Current			
General government	<u>695,706</u>	<u>(18,114)</u>	<u>677,592</u>
Debt Service			
Principal	33,000	(33,000)	-
Interest	<u>1,263</u>	<u>-</u>	<u>1,263</u>
Total expenditures/expenses	<u>729,969</u>	<u>(51,114)</u>	<u>678,855</u>
Revenues over (under) expenditures/expenses	<u>(23,468)</u>	<u>(51,114)</u>	<u>27,646</u>
Net changes in fund balance	<u>(23,468)</u>	<u>23,468</u>	
Change in net position		123,977	27,646
Fund balance/net position, beginning of year	<u>419,933</u>		<u>1,729,918</u>
Fund balance/net position, end of year	<u>\$ 396,465</u>		<u>\$ 1,757,564</u>
Reconciliation of change in fund balances to change in net position			
Net change in fund balances of governmental funds			\$ (23,468)
Amounts reported for <i>governmental activities</i> 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			83,285
Deduct - depreciation expense			(65,373)
Certain liabilities are not expected to be liquidated with expendable available resources and are not reported in the funds			
Add - decrease in advances payable			33,000
Add - decrease in compensated absences			<u>202</u>
Change in net position of governmental activities			<u>\$ 27,646</u>