



CITY OF LOWELL, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF LOWELL

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Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

November 25, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Oradaxeld 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, 2019.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2019 fiscal year as follows:

- Completed South Broadway utility improvement project
- Installed security upgrades at the city hall.
- Received contributions and a state grant for the showboat project.

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 fund which is considered a major fund. 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 \$22,173,718 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>	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 5,007,040	\$ 3,429,637	\$10,099,304	\$ 9,531,783	\$15,109,344	\$12,961,420
Capital assets	8,780,601	9,118,858	17,668,973	17,475,119	26,449,574	26,593,977
Total assets	13,787,641	12,548,495	27,768,277	27,006,902	41,555,918	39,555,397
Deferred outflows	593,787	200,488	539,450	151,285	1,133,237	351,773
Liabilities						
Current liabilities	251,586	735,474	1,128,218	1,240,414	1,379,804	1,975,888
Long-term liabilities	7,777,388	7,283,889	11,358,245	10,826,708	19,135,633	18,110,597
Total liabilities	8,028,974	8,019,363	12,486,463	12,067,122	20,515,437	20,086,485
Net position						
Net investment in capital						
Assets	5,067,630	5,108,752	11,593,506	10,827,205	16,661,136	15,935,957
Restricted	3,381,304	1,470,142	259,253	333,585	3,640,557	1,803,727
Unrestricted	(2,096,480)	(1,849,274)	3,968,505	3,930,275	1,872,025	2,081,001
Total net position	\$ 6,352,454	\$ 4,729,620	\$15,821,264	\$15,091,065	\$22,173,718	\$19,820,685

The largest portion of the City's net position in the amount of 75% 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 16% 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 \$1,872,025 or 9%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, and the business-type activities. Governmental activities unrestricted net position reports a deficit of \$2,096,480.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2019, was \$16,158,704 while total cost of all programs and services was \$13,805,671. This results in an increase in net position of \$2,353,033. The increase is primarily the result of grants and contributions received for the showboat project which is in the planning phase. The following table presents a summary of the changes in net position for the years ended June 30.

City of Lowell Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 282,113	\$ 196,719	\$10,884,913	\$10,265,556	\$11,167,026	\$10,462,275
Operating grants and contributions	811,483	984,591	-	-	811,483	984,591
Capital grants and contributions	1,741,909	30,000	296,307	255,539	2,038,216	285,539
General revenues						
Property taxes	1,580,774	1,561,389	-	-	1,580,774	1,561,389
State shared revenues	402,241	382,966	-	-	402,241	382,966
Investment earnings	18,124	6,837	62,579	39,140	80,703	45,977
Other	63,611	41,440	14,650	17,979	78,261	59,419
Total revenues	4,900,255	3,203,942	11,258,449	10,578,214	16,158,704	13,782,156
Expenses						
General government	989,910	865,602	-	-	989,910	865,602
Public safety	1,169,334	1,123,385	-	-	1,169,334	1,123,385
Public works	656,319	490,244	-	-	656,319	490,244
Culture and recreation	318,953	726,386	-	-	318,953	726,386
Highways and streets	308,509	239,131	-	-	308,509	239,131
LCTV endowment	79,371	230,139	-	-	79,371	230,139
Interest on long-term debt	119,177	124,127	-	-	119,177	124,127
Wastewater	-	-	1,355,849	1,308,730	1,355,849	1,308,730
Water	-	-	1,141,723	1,063,010	1,141,723	1,063,010
Light and power	-	-	7,587,710	7,479,864	7,587,710	7,479,864
Airport	-	-	78,816	69,247	78,816	69,247
Total expenses	3,641,573	3,799,014	10,164,098	9,920,851	13,805,671	13,719,865
Increase (decrease) before transfers	1,258,682	(595,072)	1,094,351	657,363	2,353,033	62,291
Transfers in (out)	364,152	370,603	(364,152)	(370,603)	-	-
Increase (decrease) in net position	1,622,834	(224,469)	730,199	286,760	2,353,033	62,291
Net position – beginning	4,729,620	4,954,089	15,091,065	14,804,305	19,820,685	19,758,394
Net position – ending	\$6,352,454	\$4,729,620	\$15,821,264	\$15,091,065	\$22,173,718	\$19,820,685

Governmental Activities During the year the City invested in \$1,169,334 or 32% in public safety. General government expenses were \$989,910 or 27% of governmental activities, while public works, culture and recreation, highways and streets, LCTV endowment, and interest on long-term debt made up the remaining 41% of governmental activities. The preceding table shows that the governmental activities increased the City's net position by \$1,622,834 during this fiscal year. The increase is primarily the result of capital grants related to the showboat.

Business-type Activities Business-type activities increased the City's net position by \$730,199 during the year. This increase is primarily the result of reduced costs.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,564,704 an increase of \$1,982,720 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$977,626. 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 35% of total general fund expenditures including transfers out.

Fund balance of the designated contributions fund was \$1,773,505 an increase of \$1,686,935 primarily due to a state grant.

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, water, and light and power funds increased net position by \$181,533 and \$48,786 and \$524,452 respectively. The airport fund experienced a decline in net position of \$24,572. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

- Building inspections initially excluded from the budget was included in the amended amount of \$100,000 with actual expenditures of \$92,762.

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, 2019, amounted to \$26,449,574 (net of accumulated depreciation). Of this amount, \$8,780,601 was for its governmental activities and \$17,668,973 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 water, sewer and electric systems, and city hall improvements.

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 \$10,101,347. Of this amount, \$3,712,971 was for governmental activities while \$6,388,376 was for business-type activities. Principal payments during the year were \$297,135 and \$559,172 for governmental and business-type activities respectively.

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 2019-2020 fiscal year:

- Considering Millage or City income tax to pay for street improvements
- Possible rate increases for upgrades to sanitary sewer, water distribution, water treatment, and wastewater treatment plants.
- 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, 2019

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Downtown Development Authority
	Activities	Activities		Authority
Assets				
Cash and pooled investments	\$ 2,823,481	\$ 5,234,157	\$ 8,057,638	\$ 445,744
Investments	1,972,484	1,023,906	2,996,390	-
Accounts receivable	9,936	1,536,331	1,546,267	-
Special assessments receivable	-	126,041	126,041	-
Prepaid items	15,217	790,826	806,043	-
Due from other governments	148,018	125,579	273,597	-
Advance to MPPA	-	295,702	295,702	-
Internal balances	30,608	(30,608)	-	-
Inventory	7,296	471,747	479,043	-
Restricted assets				
Cash and pooled investments	-	525,623	525,623	-
Capital assets				
Land	568,460	432,618	1,001,078	225,520
Construction in progress	32,579	433,097	465,676	-
Depreciable capital assets, net	8,179,562	16,803,258	24,982,820	1,057,019
Total assets	13,787,641	27,768,277	41,555,918	1,728,283
Deferred outflows of resources				
Pension related	540,489	539,450	1,079,939	-
Deferred charge on refunding	53,298	-	53,298	-
Total deferred outflows of resources	593,787	539,450	1,133,237	-
Liabilities				
Accounts payable	135,098	725,445	860,543	1,279
Accrued liabilities	107,911	121,391	229,302	2,802
Customer deposits	-	271,608	271,608	-
Due to other governments	7,543	-	7,543	-
Unearned revenue	1,034	9,774	10,808	-
Noncurrent liabilities				
Premium on bonds	-	184,645	184,645	-
OPEB obligation	804,637	1,649,288	2,453,925	-
Compensated absences	50,463	29,454	79,917	1,259
Net pension liability	3,209,317	3,106,482	6,315,799	-
Due within one year	302,940	632,202	935,142	-
Due in more than one year	3,410,031	5,756,174	9,166,205	-
Total liabilities	8,028,974	12,486,463	20,515,437	5,340
Net position				
Net investment in capital assets	5,067,630	11,593,506	16,661,136	1,282,539
Restricted for				
Highways and streets	622,154	-	622,154	-
Historic District Commission	11,783	-	11,783	-
Look and Lee memorials	477,070	-	477,070	-
Other purposes	1,773,505	-	1,773,505	-
Debt service	3,055	259,253	262,308	-
Permanent trust				
Expendable portion	32,337	-	32,337	-
Nonexpendable portion	461,400	-	461,400	-
Unrestricted	(2,096,480)	3,968,505	1,872,025	440,404
Total net position	\$ 6,352,454	\$ 15,821,264	\$ 22,173,718	\$ 1,722,943

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

CITY OF LOWELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities				
General government	\$ 989,910	\$ 103,601	\$ 165,607	\$ (720,702)
Public safety	1,169,334	143,237	-	(1,026,097)
Public works	656,319	17,471	5,142	(633,706)
Culture and recreation	318,953	10,550	76,718	1,486,404
Highways and streets	308,509	7,254	459,645	182,210
LCTV endowment	79,371	-	104,371	25,000
Interest on long-term debt	119,177	-	-	(119,177)
Total governmental activities	3,641,573	282,113	811,483	(806,068)
Business-type activities				
Wastewater	1,355,849	1,242,675	-	183,133
Water	1,141,723	1,161,748	-	20,025
Light and power	7,587,710	8,426,610	-	838,900
Airport	78,816	53,880	-	(24,936)
Total business-type activities	10,164,098	10,884,913	-	1,017,122
Total primary government	\$ 13,805,671	\$ 11,167,026	\$ 811,483	\$ 2,038,216
Component unit				
Downtown Development Authority	\$ 449,466	\$ -	\$ -	\$ (449,466)
Total component unit	\$ 449,466	\$ -	\$ -	\$ (449,466)

(Continued)

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

CITY OF LOWELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Primary Government			Component Unit
	Governmental	Business-type	Total	Downtown
	Activities	Activities		Development
				Authority
Changes in net assets				
Net (expense) revenue	\$ (806,068)	\$ 1,017,122	\$ 211,054	\$ (449,466)
General revenues				
Property taxes	1,580,774	-	1,580,774	567,947
Franchise fees	39,418	-	39,418	-
State shared revenues - unrestricted	402,241	-	402,241	-
Unrestricted investment earnings	18,124	62,579	80,703	5,496
Other general revenues	24,193	14,650	38,843	-
Transfers - internal activities	364,152	(364,152)	-	-
Total general revenues and transfers	<u>2,428,902</u>	<u>(286,923)</u>	<u>2,141,979</u>	<u>573,443</u>
Change in net position	1,622,834	730,199	2,353,033	123,977
Net position, beginning of year	<u>4,729,620</u>	<u>15,091,065</u>	<u>19,820,685</u>	<u>1,598,966</u>
Net position, end of year	<u>\$ 6,352,454</u>	<u>\$ 15,821,264</u>	<u>\$ 22,173,718</u>	<u>\$ 1,722,943</u>

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

CITY OF LOWELL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	<u>General</u>	<u>Designated Contributions</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,064,975	\$ 801,455	\$ 761,722	\$ 2,628,152
Investments	-	1,001,650	970,834	1,972,484
Accounts receivable	9,936	-	-	9,936
Prepaid items	15,217	-	-	15,217
Due from other funds	30,608	-	-	30,608
Due from other governments	75,424	-	72,594	148,018
Total assets	\$ 1,196,160	\$ 1,803,105	\$ 1,805,150	\$ 4,804,415
Liabilities, deferred inflows and fund balances				
Liabilities				
Accounts payable	\$ 78,930	\$ 29,600	\$ 22,231	\$ 130,761
Accrued liabilities	95,007	-	2,442	97,449
Due to other governments	7,543	-	-	7,543
Unearned revenue	1,034	-	-	1,034
Total liabilities	182,514	29,600	24,673	236,787
Deferred inflows of resources				
Unavailable receivables	2,924	-	-	2,924
Fund balances				
Nonspendable				
Permanent fund corpus	-	-	461,400	461,400
Prepaid items	15,217	-	-	15,217
Restricted				
Streets	-	-	622,154	622,154
Historic District Commission	-	-	11,783	11,783
Cemetery operations and maintenance	-	-	29,211	29,211
City enhancement	-	1,773,505	480,196	2,253,701
Police seizures	17,879	-	-	17,879
Debt service	-	-	3,055	3,055
Committed				
City enhancement	-	-	159,154	159,154
Assigned	-	-	13,524	13,524
Unassigned	977,626	-	-	977,626
Total fund balances	1,010,722	1,773,505	1,780,477	4,564,704
Total liabilities, deferred inflows and fund balances	\$ 1,196,160	\$ 1,803,105	\$ 1,805,150	\$ 4,804,415

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, 2019

Fund balances - total governmental funds	\$ 4,564,704
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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)	7,744,270

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

Add - pension deferred outflows	525,252
Add - deferred charge on refunding	53,298

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

Add - long-term receivables	2,924
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An internal service fund is used by management to charge the costs of centralized costs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service funds	289,052
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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	(47,877)
Deduct - OPEB obligation	(791,006)
Deduct - long-term debt payable	(3,460,000)
Deduct - net pension liability	(3,118,844)
Deduct - accrued interest on bonds payable	(10,358)

Net position of governmental activities	<u>\$ 6,352,454</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, 2019

	<u>General</u>	<u>Designated Contributions</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 1,647,798	\$ -	\$ -	\$ 1,647,798
Intergovernmental revenues				
State	402,241	1,718,089	471,320	2,591,650
Local	164,090	-	-	164,090
Licenses and permits	43,573	-	-	43,573
Charges for services	194,787	-	14,100	208,887
Investment earnings	16,623	6,752	33,548	56,923
Contributions and donations	-	25,745	123,947	149,692
Miscellaneous	27,316	-	13,560	40,876
Total revenues	<u>2,496,428</u>	<u>1,750,586</u>	<u>656,475</u>	<u>4,903,489</u>
Expenditures				
Current				
General government	702,396	4,869	85,994	793,259
Public safety	1,062,028	-	-	1,062,028
Public works	276,424	-	-	276,424
Culture and recreation	278,455	58,782	35,019	372,256
Highways and streets	-	-	386,538	386,538
Other functions	14,245	-	-	14,245
Debt service				
Principal	-	-	210,000	210,000
Interest	-	-	120,135	120,135
Total expenditures	<u>2,333,548</u>	<u>63,651</u>	<u>837,686</u>	<u>3,234,885</u>
Revenues over (under) expenditures	<u>162,880</u>	<u>1,686,935</u>	<u>(181,211)</u>	<u>1,668,604</u>
Other financing sources (uses)				
Transfers in	370,169	-	402,546	772,715
Transfers out	(447,546)	-	(11,053)	(458,599)
Total other financing sources (uses)	<u>(77,377)</u>	<u>-</u>	<u>391,493</u>	<u>314,116</u>
Net changes in fund balances	85,503	1,686,935	210,282	1,982,720
Fund balances, beginning of year, as restated	<u>925,219</u>	<u>86,570</u>	<u>1,570,195</u>	<u>2,581,984</u>
Fund balances, end of year	<u>\$ 1,010,722</u>	<u>\$ 1,773,505</u>	<u>\$ 1,780,477</u>	<u>\$ 4,564,704</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, 2019

Net changes in fund balances - total governmental funds	\$ 1,982,720
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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	161,503
Deduct - net book value of capital asset disposals	(75,426)
Deduct - depreciation expense	(316,276)

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

Add - change in personal property tax receivable	139
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Issuance of bonds or notes provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	210,000
Deduct - amortization of deferred charge on refunding	(6,839)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in compensated absences	5,122
Deduct - increase in OPEB obligation	(140,354)
Deduct - increase in net pension liability	(670,626)
add - increase in deferred outflows for pension	389,383
Add - decrease in accrued interest	958

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>82,530</u>
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Change in net position of governmental activities	<u>\$ 1,622,834</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, 2019

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
Assets	Wastewater	Water	Light and Power	Non-major (Airport)		
Current assets						
Cash and pooled investments	\$ 1,645,089	\$ 1,488,503	\$ 2,088,802	\$ 11,763	\$ 5,234,157	\$ 195,329
Investments	-	-	1,023,906	-	1,023,906	-
Restricted cash and pooled investments	-	-	266,370	-	266,370	-
Accounts receivable	265,228	158,354	1,108,319	4,430	1,536,331	-
Due from other governments	125,579	-	-	-	125,579	-
Prepaid items	-	-	787,701	3,125	790,826	-
Inventory	-	97,640	374,107	-	471,747	7,296
Total current assets	2,035,896	1,744,497	5,649,205	19,318	9,448,916	202,625
Noncurrent assets						
Restricted cash and pooled investments	-	-	259,253	-	259,253	-
Special assessments long-term	126,041	-	-	-	126,041	-
Advance to MPPA	-	-	295,702	-	295,702	-
Capital assets						
Land	4,500	109,908	259,157	59,053	432,618	-
Construction in progress	-	-	433,097	-	433,097	-
Capital assets, net	3,507,791	3,723,599	9,329,887	241,981	16,803,258	435,292
Total noncurrent assets	3,638,332	3,833,507	10,577,096	301,034	18,349,969	435,292
Total assets	5,674,228	5,578,004	16,226,301	320,352	27,798,885	637,917
Deferred outflows of resources						
Pension related	20,952	135,407	383,091	-	539,450	15,237
Liabilities						
Current liabilities						
Accounts payable	101,254	151,005	470,809	2,377	725,445	4,337
Accrued liabilities	19,457	25,164	76,770	-	121,391	104
Due to other funds	-	-	30,608	-	30,608	-
Customer deposits	-	6,485	265,123	-	271,608	-
Unearned revenue	-	-	-	9,774	9,774	-
Current portion of long-term debt	70,000	-	532,202	-	602,202	87,943
Total current liabilities	190,711	182,654	1,375,512	12,151	1,761,028	92,384
Long-term liabilities						
Premium on bonds	126,519	58,126	-	-	184,645	-
Net pension liability	124,407	804,033	2,178,042	-	3,106,482	90,473
Net OPEB obligation	79,548	231,842	1,337,898	-	1,649,288	13,631
Compensated absences	3,089	9,604	16,761	-	29,454	2,586
Bonds payable, net of current portion	2,086,000	924,000	2,776,174	-	5,786,174	165,028
Total long-term liabilities	2,419,563	2,027,605	6,308,875	-	10,756,043	271,718
Total liabilities	2,610,274	2,210,259	7,684,387	12,151	12,517,071	364,102
Net position						
Net investment in capital assets	1,229,772	2,851,381	7,211,319	301,034	11,593,506	182,321
Restricted for revenue bond retirement	-	-	259,253	-	259,253	-
Unrestricted	1,855,134	651,771	1,454,433	7,167	3,968,505	106,731
Total net position	\$ 3,084,906	\$ 3,503,152	\$ 8,925,005	\$ 308,201	\$ 15,821,264	\$ 289,052

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, 2019

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Light and Power	Non-major (Airport)		
Operating revenue						
Charges for services	\$ 1,242,675	\$ 1,161,748	\$ 8,287,422	\$ 53,880	\$ 10,745,725	\$ 323,366
Other	3,438	11,212	139,188	-	153,838	-
Total operating revenue	1,246,113	1,172,960	8,426,610	53,880	10,899,563	323,366
Operating expense						
Treatment	825,692	425,382	-	-	1,251,074	-
Transmission and distribution	102,487	287,112	6,853,070	-	7,242,669	12,629
Customer accounts	118,973	92,041	-	-	211,014	45,968
Administrative and general	130,442	138,352	-	63,037	331,831	105,241
Depreciation	101,396	164,281	632,770	15,779	914,226	122,575
Total operating expense	1,278,990	1,107,168	7,485,840	78,816	9,950,814	286,413
Operating income (loss)	(32,877)	65,792	940,770	(24,936)	948,749	36,953
Non-operating revenue (expense)						
Investment earnings	(5,038)	17,549	49,704	364	62,579	1,501
Interest expense	(76,859)	(34,555)	(82,014)	-	(193,428)	(5,960)
Total non-operating revenue (expense)	(81,897)	(17,006)	(32,310)	364	(130,849)	(4,459)
Income (loss) before transfers and capital items	(114,774)	48,786	908,460	(24,572)	817,900	32,494
Transfers and capital						
Capital grants	296,307	-	-	-	296,307	-
Loss on disposal of capital assets	-	-	(19,856)	-	(19,856)	-
Transfers in	-	-	-	-	-	50,036
Transfers out	-	-	(364,152)	-	(364,152)	-
Total transfers and capital	296,307	-	(384,008)	-	(87,701)	50,036
Changes in net assets	181,533	48,786	524,452	(24,572)	730,199	82,530
Net assets, beginning of year, as restated	2,903,373	3,454,366	8,400,553	332,773	15,091,065	206,522
Net assets, end of year	\$ 3,084,906	\$ 3,503,152	\$ 8,925,005	\$ 308,201	\$ 15,821,264	\$ 289,052

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, 2019

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Light and Power	Non-major (Airport)		
Cash flows from operating activities						
Receipts from customers and users	\$ 1,030,252	\$ 1,190,932	\$ 8,292,672	\$ 57,507	\$ 10,571,363	\$ -
Receipts from internal services provided	-	-	-	-	-	323,366
Payments to employees	46,378	(317,470)	(1,844,682)	-	(2,115,774)	(41,361)
Payments to suppliers	(1,287,526)	(623,599)	(5,356,502)	(67,387)	(7,335,014)	(155,165)
Net cash provided by (used in) operating activities	(210,896)	249,863	1,091,488	(9,880)	1,120,575	126,840
Cash flows from non-capital financing activities						
Loan from other funds	90,074	-	-	-	90,074	-
Transfers in	-	-	-	-	-	50,036
Transfers out	-	-	(364,152)	-	(364,152)	-
Net cash provided by (used in) non-capital financing activities	90,074	-	(364,152)	-	(274,078)	50,036
Cash flows from capital and related financing activities						
Issuance of long-term debt	-	-	497,554	-	497,554	-
Principal paid on long-term debt	(70,000)	(130,000)	(359,172)	-	(559,172)	(87,139)
Interest expense	(85,956)	(38,734)	(82,014)	-	(206,704)	(5,960)
Proceeds on sale of capital assets	-	-	202,496	-	202,496	-
Capital grants	296,307	-	-	-	296,307	-
Acquisitions of capital assets	(308,955)	(324,655)	(668,504)	(28,321)	(1,330,435)	(16,629)
Net cash provided by (used in) capital and related financing activities	(168,604)	(493,389)	(409,640)	(28,321)	(1,099,954)	(109,728)
Cash flows from investing activities						
Purchase of investments	-	-	(21,404)	-	(21,404)	-
Interest income	(5,037)	17,549	49,706	365	62,583	1,504
Net cash provided by (used in) investing activities	(5,037)	17,549	28,302	365	41,179	1,504
Net increase (decrease) in cash and pooled investments	(294,463)	(225,977)	345,998	(37,836)	(212,278)	68,652
Cash and pooled investments, beginning of year	1,939,552	1,714,480	2,268,427	49,599	5,972,058	126,677
Cash and pooled investments, end of year	\$ 1,645,089	\$ 1,488,503	\$ 2,614,425	\$ 11,763	\$ 5,759,780	\$ 195,329
Cash flows from operating activities						
Operating income (loss)	\$ (32,877)	\$ 65,792	\$ 940,770	\$ (24,936)	\$ 948,749	\$ 36,953
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	101,396	164,281	632,770	15,779	914,226	122,575
Deferred outflows of resources	(15,620)	(100,341)	(272,204)	-	(388,165)	(10,755)
Unfunded increase in OPEB obligation	31,255	8,358	69,253	-	108,866	(25,494)
Change in net pension liability	28,328	172,193	296,002	-	496,523	9,702
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	(125,673)	18,772	(148,748)	(2,020)	(257,669)	-
Due from other governmental units	(125,579)	-	-	-	(125,579)	-
Inventory	-	(15,767)	(27,835)	-	(43,602)	(2,347)
Prepaid assets and other items	-	-	(454,580)	-	(454,580)	-
Special assessments long-term	35,391	-	-	-	35,391	-
Customer deposits	-	(800)	14,810	-	14,010	-
Accounts payable	(109,932)	(70,720)	31,122	(4,350)	(153,880)	(1,609)
Accrued liabilities	2,087	7,622	9,888	-	19,597	(2,753)
Compensated absences	328	473	240	-	1,041	568
Net cash provided by (used in) operating activities	\$ (210,896)	\$ 249,863	\$ 1,091,488	\$ (9,880)	\$ 1,120,575	\$ 126,840

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

CITY OF LOWELL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

	Agency Fund
Assets	
Cash and pooled investments	\$ <u>238</u>
Total assets	\$ <u>238</u>
Liabilities	
Accounts payable	\$ <u>238</u>
Total liabilities	\$ <u>238</u>

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

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CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for data processing and equipment. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Budgets and Budgetary Accounting

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

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

Cash and Pooled Investments

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

Restricted Cash and Pooled Investments

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

Investments

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

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

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

CITY OF LOWELL
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- 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 \$2,700 at June 30, 2019.

Special Assessments Receivable

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

Prepaid items

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

Inventory

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

Capital Assets

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

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

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

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

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

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

Unearned Revenue

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

Airport enterprise fund - unearned rental fees	\$9,774
Insurance recovery	1,034

Compensated Absences

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category which are related to deferred charges on bond refunding and the net pension liability which is discussed in Note 6.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources,

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

Pensions

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

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

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

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed, except for the LCTV endowment, Lee Memorial, and Look Memorial special revenue funds which spend unrestricted resources first, then restricted resources as necessary. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF LOWELL
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FOR THE YEAR ENDED JUNE 30, 2019

Property Taxes

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

Intergovernmental Revenues

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

Interfund Transactions

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

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

2. STATUTORY COMPLIANCE

Excess of expenditures over appropriations in budgetary funds

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

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

During the year ended June 30, 2019, 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	\$ 63,031	\$ 74,859	\$(11,828)
Treasurer	102,522	104,954	(2,432)
Police department	731,960	756,122	(24,162)
Fire Department	118,609	120,241	(1,632)
Parks	155,985	156,502	(517)
Designated Contributions Fund	1,000	4,869	(3,869)

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 Fund</u>	<u>Total</u>
Cash and pooled investments	\$ 8,057,638	\$445,744	\$238	\$ 8,503,620
Investments	2,996,390	-	-	2,996,390
Restricted cash and pooled investments	525,623	-	-	525,623
	<u>\$11,579,651</u>	<u>\$445,744</u>	<u>\$238</u>	<u>\$12,025,633</u>

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

Deposits	\$ 10,507,626
Investments	<u>1,518,007</u>
Total	<u>\$12,025,633</u>

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$9,000,659 of the City's bank balance of \$10,686,305 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Governmental agency pools	1-22 years	\$ 5,542	Not rated
GNMA bonds US Government guaranteed	1-23 years	587,444	Not rated
Municipal bonds	2042	186,665	AAA
Kent County Pool	N/A	738,356	Not rated
Total		<u>\$1,518,007</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, 2019

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, 2019, 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	17%	0-3
Certificates of deposits	61%	0-3
Deposits, money markets and other pools	22%	Not applicable

Investment and deposit risk

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

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable are reported above.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$1,518,007 of investments, the City has a custodial credit risk of \$779,651 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investments \$738,356 represents the City's investment in the Kent County Pool, the City's custodial credit risk exposure cannot be determined because the pools do not consist of specifically identifiable securities.

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

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2019 are as follows:

	Transfers in			
Transfers out	General fund	Internal service funds	Nonmajor governmental	Total
General fund	\$ -	\$45,000	\$402,546	\$447,546
Light and power	364,152	-	-	364,152
Nonmajor governmental	6,017	5,036	-	11,053
Total	\$370,169	\$50,036	\$402,546	\$822,751

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 \$30,608.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
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	568,460	32,579	-	601,039
Capital assets, being depreciated				
Land improvements	4,235,230	97,312	-	4,332,542
Buildings	7,205,968	-	120,000	7,085,968
Equipment	1,604,588	16,629	6,877	1,614,340
Other improvements	336,934	31,612	-	368,546
Total capital assets, being depreciated	13,382,720	145,553	126,877	13,401,396
Less accumulated depreciation for				
Land improvements	1,040,826	138,976	-	1,179,802
Buildings	2,711,069	141,173	44,574	2,807,668
Equipment	1,013,063	145,571	4,765	1,153,869
Other improvements	67,364	13,131	-	80,495
Total accumulated depreciation	4,832,322	438,851	49,339	5,221,834
Net capital assets, being depreciated	8,550,398	(293,298)	77,538	8,179,562
Governmental Activities capital assets, net	\$9,118,858	\$(260,719)	\$ 77,538	\$8,780,601

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 372,618	\$ 60,000	\$ -	\$ 432,618
Construction in progress	390,445	480,661	438,009	433,097
Total capital assets, not being depreciated	763,063	540,661	438,009	865,715
Capital assets being depreciated				
Land improvements	1,334,449	235,395	-	1,569,844
Buildings	6,373,653	-	-	6,373,653
Plant and equipment	20,679,088	665,532	748,530	20,596,090
Other improvements	8,388,402	326,855	-	8,715,257
Total capital assets, being depreciated	36,775,592	1,227,782	748,530	37,254,844
Less accumulated depreciation for				
Land improvements	264,078	31,551	-	295,629
Buildings	5,956,494	48,953	-	6,005,447
Plant and equipment	10,906,684	663,652	526,178	11,044,158
Other improvements	2,936,282	170,070	-	3,106,352
Total accumulated depreciation	20,063,538	914,226	526,178	20,451,586
Net capital assets, being depreciated	16,712,054	313,556	222,352	16,803,258
Business-type Activities capital assets, net	\$17,475,117	\$854,217	\$660,361	\$17,668,973
Component Unit				
Capital assets, not being depreciated				
Land	\$ 225,520	\$ -	\$ -	\$ 225,520
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	225,520	-	-	225,520
Capital assets being depreciated				
Land improvements	1,515,236	-	-	1,515,236
Plant and equipment	30,253	-	-	30,253
Other improvements	176,945	-	-	176,945
Total capital assets, being depreciated	1,722,434	-	-	1,722,434
Less accumulated depreciation for				
Land improvements	532,102	50,605	-	582,707
Plant and equipment	20,232	1,009	-	21,241
Other improvements	56,002	5,465	-	61,467
Total accumulated depreciation	608,336	57,079	-	665,415
Net capital assets, being depreciated	1,114,098	(57,079)	-	1,057,019
Component Unit capital assets, net	\$1,339,618	\$(57,079)	\$ -	\$1,282,539

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

Governmental Activities	
General government	\$ 64,871
Public safety	64,872
Public works and streets	186,533
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>122,575</u>
Total depreciation expense - governmental activities	<u>\$438,851</u>
Business-type Activities	
Sewer	\$ 101,396
Water	164,281
Light and power	632,770
Nonmajor enterprise funds	<u>15,779</u>
Total depreciation expense - business- type activities	<u>\$914,226</u>

6. PENSION PLANS

MERS Defined Benefit Plan

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

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

Membership of the defined benefit plans consisted of the following at the date of the latest actuarial valuation (December 31, 2018):

Active plan members	33
Inactive employees entitled but not yet receiving benefits	16
Inactive employees or beneficiaries currently receiving benefits	<u>36</u>
Total	<u>85</u>

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Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was from 0 to 29.13% of annual covered payroll depending on position and classification. Participating employees are required to contribute at a rate of 0 to 6% 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, 2018, 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, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term

Investment rate of return: 7.75%

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	57.5%	6.27%	3.60%
Global Fixed Income	20.0%	3.43%	0.68%
Real Assets	12.5%	5.48%	0.69%
Diversifying Strategies	10.0%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

CITY OF LOWELL

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Discount rate. The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2017	\$14,670,732	\$9,531,784	\$5,138,948
Changes for the Year:			
Service cost	241,911	-	241,911
Interest	1,146,666	-	1,146,666
Change in benefits	(10,024)	-	(10,024)
Differences between expected and actual experience	131,060	-	131,060
Change in assumptions	-	-	-
Contributions: employer	-	482,925	(482,925)
Contributions: employee	-	239,360	(239,360)
Net investment income	-	(371,069)	371,069
Benefit payments, including refunds	(916,716)	(916,716)	-
Administrative expense	-	(18,455)	18,455
Other changes	(1)	-	(1)
Net changes	592,896	(583,955)	1,176,851
Balance at December 31, 2018	\$15,263,628	\$8,947,829	\$6,315,799

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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount rate	1 % Increase
Total Pension Liability	\$16,903,871	\$15,263,628	\$13,867,738
Fiduciary Net Position	8,947,830	8,947,829	8,947,830
Net Pension Liability	\$ 7,956,041	\$ 6,315,799	\$ 4,919,908

CITY OF LOWELL
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Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2019 the employer recognized pension expense of \$943,413. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ 82,970
Differences in assumptions	-
(Excess) deficit investment returns	682,319
Contributions subsequent to the measurement date*	314,650
Total	<u>\$1,079,939</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 2020.

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:

2019	\$258,461
2020	113,977
2021	167,831
2022	225,020
2023	-
Thereafter	-
Total	<u>\$765,289</u>

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities					
Public Offerings:					
\$300,000 2005 Transportation Improvement Bonds; due in annual installments of \$15,000 to \$20,000 through August 2019; plus interest at 3.5% to 4.25%	\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
\$4,545,000 2012 Building Authority Bonds; due in annual installments of \$120,000 to \$355,000 through 2032; plus interest at 2.0% to 3.70%	3,620,000	-	185,000	3,435,000	190,000
Total Public Offerings	<u>3,670,000</u>	<u>-</u>	<u>210,000</u>	<u>3,460,000</u>	<u>215,000</u>

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Private Placement:					
2015 Act 99 installment purchase with annual payments of \$9,460 through May 1, 2024, including interest at 2.55%	\$ 56,760	\$ -	\$ 9,460	\$ 47,300	\$ 9,460
2016 Act 99 installment purchase with annual payments of \$19,113 through April 1, 2021, plus interest at 1.55%	57,339	-	19,113	38,226	19,113
2016 Act 99 installment purchase with annual payments of \$14,674 through April 1, 2021, plus interest at 1.55%	44,022	-	14,674	29,348	14,674
2017 Act 99 installment purchase with annual payments of \$34,147 to \$37,210 through June 30, 2022, plus interest at 1.80%	144,853	-	35,230	109,623	35,874
2017 Act 99 installment purchase with annual payments of \$7,898 to \$9,142 through June 30, 2022, plus interest at 1.80%	37,132	-	8,658	28,474	8,819
Total Private Placement:	<u>340,106</u>	<u>-</u>	<u>87,135</u>	<u>252,971</u>	<u>87,940</u>
Total long-term debt	4,010,106	-	297,135	3,712,971	302,940
Unamortized refunding charge	(60,137)	-	(6,839)	(53,298)	-
Accrued employee benefits	55,017	-	4,554	50,463	-
Total Governmental Activities	<u>\$4,004,986</u>	<u>\$ -</u>	<u>\$294,854</u>	<u>\$3,710,136</u>	<u>\$302,940</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%	\$2,680,000	\$ -	\$240,000	\$2,440,000	\$245,000
\$3,280,000 2016 General Obligation Capital Improvement Bonds, due in annual installments of \$100,000 to \$200,000 through November 2041; plus interest at 2% to 4.5%	3,180,000	-	100,000	3,080,000	100,000
Total Public Offerings	<u>5,860,000</u>	<u>-</u>	<u>340,000</u>	<u>5,520,000</u>	<u>345,000</u>

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Private Placement:					
2017 Act 99 installment purchase with monthly payments of \$10,594 through June 2022, including interest at 1.80%	\$489,994	\$ -	\$119,172	\$ 370,822	\$121,350
2019 Act 99 installment purchase of a control panel with annual payments of \$165,851 through June 2022, including interest at 2.15%	-	497,554	-	497,554	165,852
\$990,000 2012 Water Supply System Revenue Refunding Bonds, due in annual installments of \$100,000 to \$185,000 through June 2019; plus interest at 1.98%	100,000	-	100,000	-	-
Total Private Placement	589,994	497,554	219,172	868,376	287,202
Total bonds	6,449,994	497,554	559,172	6,388,376	632,202
Bond premium	197,921	-	13,276	184,645	-
Accrued employee benefits	28,413	1,041	-	29,454	-
Total Business-type Activities	\$6,676,328	\$ 498,595	\$ 572,448	\$6,602,475	\$632,202
Component Units					
Accrued employee benefits	\$1,121	\$138	\$ -	\$1,259	\$ -

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits and unamortized refunding charge) as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>			
	<u>Public Offering</u>		<u>Private Placement</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$215,000	\$114,213	\$87,940	\$4,388
2021	200,000	108,632	88,765	2,791
2022	210,000	102,632	57,342	1,186
2023	225,000	96,332	9,460	482
2024	235,000	89,582	9,464	241
2025-2029	1,365,000	329,192	-	-
2030-2034	1,010,000	76,036	-	-
2035-2039	-	-	-	-
2040-2041	-	-	-	-
Total	\$3,460,000	\$916,619	\$252,971	\$9,088

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Year Ending June 30	Business-type Activities			
	Public Offering		Private Placement	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$345,000	\$190,737	\$287,202	\$16,469
2021	345,000	182,614	289,449	10,656
2022	355,000	173,987	291,725	4,827
2023	360,000	163,975	-	-
2024	370,000	153,175	-	-
2025-2029	1,700,000	579,674	-	-
2030-2034	510,000	309,100	-	-
2035-2039	780,000	256,900	-	-
2040-2041	755,000	69,864	-	-
Total	\$5,520,000	\$2,080,026	\$868,376	\$31,952

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

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

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

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

8. RISK MANAGEMENT

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

9. OTHER POST-EMPLOYMENT BENEFITS

Primary government (excluding Light and Power Enterprise Fund)

Plan Description

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

Benefits provided

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

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2019):

Retirees and beneficiaries receiving benefits	3
Active plan members	<u>20</u>
Total	<u>23</u>

Contributions

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

Net OPEB Liability

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

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

Inflation: implicit in expected payroll increases

Salary Increases: 3.5%

Discount rate: 3.0%

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

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

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

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

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Changes in the Net OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2018	<u>\$961,554</u>
Changes for the Year:	
Service cost	70,729
Interest	29,526
Change in benefits	-
Differences between expected and actual experience	-
Change in assumptions	79,691
Contributions : employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(25,473)
Administrative expense	-
Other changes	-
Net changes	<u>154,473</u>
Balance at June 30, 2019	<u>\$1,116,027</u>

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

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

	1% Decrease	Current Discount rate	1 % increase
Total OPEB liability	\$1,150,664	\$1,116,027	\$1,065,387

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

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

	1% Decrease	Current Healthcare rate	1 % increase
Total OPEB liability	\$1,016,515	\$1,116,027	\$1,229,328

For the year ended June 30, 2019 the employer recognized OPEB expense of \$179,946.

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.

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019):

Retirees and beneficiaries receiving benefits	11
Active plan members	<u>15</u>
Total	<u>26</u>

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, 2019 using the alternative measurement method, and the total OPEB liability used to calculate the net OPEB liability was determined by an annual actuarial valuation as of that date.

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

Inflation: implicit in expected payroll increases

Salary Increases: 3.0%

Discount rate: 3.0%

Healthcare cost trend rates: 3%

Mortality rates were based on the 2016 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 3.0% which did not change from the prior year. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets (\$0), the long-term expected rate would be used to discount the projected benefits. From the year projected benefits are not projected to be covered by the projected assets (the "depletion date"), projected benefits would be discounted at a discount rate reflecting a 20 year AA/Aa tax exempt municipal bond yield (3.0%). A single equivalent discount rate that yields the same present value of benefits is calculated (3.0%). This discount rate is used to determine the total OPEB liability. A discount rate is used of determine the total OPEB liability.

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Balance at June 30, 2018	\$1,268,645
Changes for the year:	
Service cost	63,075
Interest	34,355
Change in benefits	-
Differences between expected and actual experience	27,409
Change in assumptions	-
Contributions: employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(55,586)
Administrative expense	-
Other changes	-
Net changes	69,253
Balance at June 30, 2019	\$1,337,898

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

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

	<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1 % increase</u>
Total OPEB liability	\$1,473,792	\$1,337,898	\$1,212,305

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

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

	<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1 % increase</u>
Total OPEB liability	\$1,186,142	\$1,337,898	\$1,520,130

For the year ended June 30, 2019 the employer recognized OPEB expense of \$124,839.

CITY OF LOWELL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, the LLP recognized expenses totaling \$3,432,403 under the terms of the contract, which represented approximately \$842,780 for fixed operating costs, \$657,020 for debt service and \$1,932,603 for the purchase of power. Accounts payable to MPPA totaled \$339,153 at June 30, 2019. 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 2015 calendar year costs adjusted for inflation. Debt service costs are the LLP's known share of debt service requirements associated with each contract.

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

CITY OF LOWELL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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

	Debt		
	Campbell	Combustion Turbine	AFEC Project
2019	\$ 500,545	\$ 135,204	\$ 18,339
2020	499,674	135,416	18,344
2021	248,913	135,387	18,351
2022	-	135,120	18,342
2023-2027	-	541,113	91,738
2028-2032	-	-	91,760
2033-2037	-	-	91,705
2038-2043	-	-	91,718
Total	\$1,249,132	\$1,082,240	\$440,297

	Operating		
	Campbell	Combustion Turbine	AFEC Project
2019	\$ 487,999	\$ 171,957	\$ 34,987
2020	502,639	177,116	36,036
2021	517,718	182,429	37,117
2022	533,250	187,902	38,231
2023-2027	-	1,027,527	209,062
2028-2032	-	824,821	242,360
2033-2037	-	-	280,962
2038-2042	-	-	325,712
2043	-	-	71,121
Total	\$2,041,606	\$2,571,752	\$1,275,588

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. 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.

12. COMMITMENTS

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

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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, 2019

	<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				
Taxes				
Property taxes	\$ 1,687,346	\$ 1,644,646	\$ 1,647,798	\$ 3,152
Intergovernmental revenues				
State	387,903	397,000	402,241	5,241
Local	161,233	161,233	164,090	2,857
Licenses and permits	43,600	43,600	43,573	(27)
Charges for services	66,800	180,800	194,787	13,987
Investment earnings	4,500	15,000	16,623	1,623
Contributions and donations	1,800	1,800	-	(1,800)
Miscellaneous	2,400	22,950	27,316	4,366
Total revenues	<u>2,355,582</u>	<u>2,467,029</u>	<u>2,496,428</u>	<u>29,399</u>
Expenditures				
Current				
General government	646,375	722,776	702,396	20,380
Public safety	949,389	1,050,238	1,062,028	(11,790)
Public works	325,650	326,290	276,424	49,866
Culture and recreation	301,797	285,634	278,455	7,179
Other functions	26,307	21,782	14,245	7,537
Total expenditures	<u>2,249,518</u>	<u>2,406,720</u>	<u>2,333,548</u>	<u>73,172</u>
Revenues over (under) expenditures	<u>106,064</u>	<u>60,309</u>	<u>162,880</u>	<u>102,571</u>
Other financing sources (uses)				
Transfers in	372,227	372,227	370,169	(2,058)
Transfers out	(447,546)	(447,546)	(447,546)	-
Total other financing sources (uses)	<u>(75,319)</u>	<u>(75,319)</u>	<u>(77,377)</u>	<u>(2,058)</u>
Net changes in fund balance	<u>30,746</u>	<u>(15,010)</u>	<u>85,503</u>	<u>100,513</u>
Fund balance, beginning of year	<u>925,219</u>	<u>925,219</u>	<u>925,219</u>	<u>-</u>
Fund balance, end of year	<u>\$ 955,965</u>	<u>\$ 910,209</u>	<u>\$ 1,010,722</u>	<u>\$ 100,513</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, 2019

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 500,000	\$ 1,718,088	\$ 1,718,089	\$ 1
Investment earnings	-	-	6,752	6,752
Contributions and donations	5,000	28,595	25,745	(2,850)
Total revenues	505,000	1,746,683	1,750,586	3,903
Expenditures				
Current				
General government	1,000	1,000	4,869	(3,869)
Culture and recreation	504,000	61,460	58,782	2,678
Total expenditures	505,000	62,460	63,651	(1,191)
Net changes in fund balance	-	1,684,223	1,686,935	2,712
Fund balance, beginning of year	86,570	86,570	86,570	-
Fund balance, end of year	\$ 86,570	\$ 1,770,793	\$ 1,773,505	\$ 2,712

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2019

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

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, 2019

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%

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 years for 2014)
Inflation	2.5% (3-4% for 2014)
Salary increases	3.75% (4.5 for 2014)
Investment rate of return	7.75% (8.00 for 2014)
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, 2019

	2018	2019
Total OPEB liability		
Service cost	\$ 54,970	\$ 70,729
Interest	26,232	29,526
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	41,650	79,691
Benefit payments including employee refunds	(16,432)	(25,473)
Other	-	-
Net change in total OPEB liability	<u>106,420</u>	<u>154,473</u>
Total OPEB liability, beginning of year	<u>855,134</u>	<u>961,554</u>
Total OPEB liability, end of year	<u><u>\$ 961,554</u></u>	<u><u>\$ 1,116,027</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>
Plan fiduciary net position, beginning of year	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<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>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered employee payroll	\$ 1,303,483	\$ 1,202,712
Employer's net OPEB liability as a percentage of covered employee payroll	74%	93%

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, 2019

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%

Notes to schedule

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

Notes to schedule:

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

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2019

	2018	2019
Total OPEB liability		
Service cost	\$ 60,317	\$ 63,075
Interest	37,328	34,355
Changes in benefit terms	-	-
Difference between expected and actual experience	(126,352)	27,409
Changes in assumptions	-	-
Benefit payments including employee refunds	(55,025)	(55,586)
Other	-	-
Net change in total OPEB liability	<u>(83,732)</u>	<u>69,253</u>
Total OPEB liability, beginning of year	<u>1,352,377</u>	<u>1,268,645</u>
Total OPEB liability, end of year	<u><u>\$ 1,268,645</u></u>	<u><u>\$ 1,337,898</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>
Plan fiduciary net position, beginning of year	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Employer net OPEB liability	<u><u>\$ 1,268,645</u></u>	<u><u>\$ 1,337,898</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered employee payroll	\$ 960,003	\$ 996,957
Employer's net OPEB liability as a percentage of covered employee payroll	132%	134%

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, 2019

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%

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	3.00%
Retirement age	MERS
Mortality	2014 CDC life tables

Notes to schedule:

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, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes				
Property taxes	\$ 1,630,346	\$ 1,580,346	\$ 1,580,635	\$ 289
Administrative fee, penalties and interest	57,000	64,300	67,163	2,863
	<u>1,687,346</u>	<u>1,644,646</u>	<u>1,647,798</u>	<u>3,152</u>
Licenses and permits				
Business	4,600	4,600	4,155	(445)
Cable tv franchise fees	39,000	39,000	39,418	418
	<u>43,600</u>	<u>43,600</u>	<u>43,573</u>	<u>(27)</u>
Intergovernmental				
Sales tax	382,903	392,000	393,233	1,233
Liquor licenses	5,000	5,000	9,008	4,008
Contributions from local units	8,710	8,710	11,612	2,902
Contributions from DDA	151,273	151,273	151,273	-
Other	1,250	1,250	1,205	(45)
	<u>549,136</u>	<u>558,233</u>	<u>566,331</u>	<u>8,098</u>
Charges for services				
Cemetery openings	5,500	14,000	14,125	125
Building inspections	7,000	107,000	100,732	(6,268)
Public safety	10,250	15,750	22,032	6,282
Planning and zoning	-	-	16,100	16,100
Tower and cable room leases	2,400	2,400	2,400	-
Other	41,650	41,650	39,398	(2,252)
	<u>66,800</u>	<u>180,800</u>	<u>194,787</u>	<u>13,987</u>
Investment income	4,500	15,000	16,623	1,623
Contributions and donations	1,800	1,800	-	(1,800)
Other miscellaneous	2,400	22,950	27,316	4,366
Total revenues	<u>2,355,582</u>	<u>2,467,029</u>	<u>2,496,428</u>	<u>29,399</u>

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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, 2019

	<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	\$ 21,659	\$ 23,159	\$ 16,739	\$ 6,420
City Manager	60,714	63,031	74,859	(11,828)
Elections	14,860	14,860	7,836	7,024
Assessor	54,900	56,371	56,133	238
City attorney	45,000	70,000	64,825	5,175
Clerk	129,384	131,968	130,435	1,533
Treasurer	98,421	102,522	104,954	(2,432)
City hall	150,925	166,915	162,324	4,591
Other	5,000	10,000	7,991	2,009
Planning	65,512	83,951	76,300	7,651
	<u>646,375</u>	<u>722,776</u>	<u>702,396</u>	<u>20,380</u>
Public safety				
Police department	736,429	731,960	756,122	(24,162)
Code enforcement	87,900	99,669	92,903	6,766
Building inspections	-	100,000	92,762	7,238
Fire department	125,060	118,609	120,241	(1,632)
	<u>949,389</u>	<u>1,050,238</u>	<u>1,062,028</u>	<u>(11,790)</u>
Public works				
Cemetery	123,890	137,071	134,287	2,784
Department of public works	197,851	185,310	139,561	45,749
Sidewalks	3,909	3,909	2,576	1,333
	<u>325,650</u>	<u>326,290</u>	<u>276,424</u>	<u>49,866</u>
Culture and recreation				
Parks	158,142	155,985	156,502	(517)
Showboat	7,600	4,710	3,663	1,047
Recreation contributions	-	5,000	5,000	-
Library	82,229	72,509	67,568	4,941
Museum	53,826	47,431	45,722	1,709
	<u>301,797</u>	<u>285,634</u>	<u>278,455</u>	<u>7,179</u>
Other functions				
Economic development	19,807	15,282	10,960	4,322
Chamber/riverwalk	6,500	6,500	3,285	3,215
	<u>26,307</u>	<u>21,782</u>	<u>14,245</u>	<u>7,537</u>
Total expenditures	<u>2,249,518</u>	<u>2,406,720</u>	<u>2,333,548</u>	<u>73,172</u>
Revenues over (under) expenditures	<u>106,064</u>	<u>60,309</u>	<u>162,880</u>	<u>102,571</u>
Other financing sources (uses)				
Transfers in	372,227	372,227	370,169	(2,058)
Transfers out	(447,546)	(447,546)	(447,546)	-
Total other financing sources (uses)	<u>(75,319)</u>	<u>(75,319)</u>	<u>(77,377)</u>	<u>(2,058)</u>
Net changes in fund balances	30,746	(15,010)	85,503	100,513
Fund balances, beginning of year	<u>925,219</u>	<u>925,219</u>	<u>925,219</u>	<u>-</u>
Fund balances, end of year	<u>\$ 955,965</u>	<u>\$ 910,209</u>	<u>\$ 1,010,722</u>	<u>\$ 100,513</u> <u>(concluded)</u>

CITY OF LOWELL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2019

	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	\$ 349,654	\$ 218,406	\$ 11,783	\$ 50,000	\$ 1,440
Investments	-	-	-	-	220,034
Due from other governments	53,107	19,487	-	-	-
Total assets	\$ 402,761	\$ 237,893	\$ 11,783	\$ 50,000	\$ 221,474
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 4,906	\$ 11,152	\$ -	\$ -	\$ 2,073
Accrued liabilities	394	2,048	-	-	-
Total liabilities	5,300	13,200	-	-	2,073
Fund balances					
Nonspendable					
Permanent fund corpus	-	-	-	-	-
Restricted					
Streets	397,461	224,693	-	-	-
Historic District Commission	-	-	11,783	-	-
Cemetery operations and maintenance	-	-	-	-	-
City enhancement	-	-	-	-	201,194
Debt service	-	-	-	-	-
Committed					
City enhancement	-	-	-	50,000	10,945
Assigned					
City enhancement	-	-	-	-	7,262
Total fund balances	397,461	224,693	11,783	50,000	219,401
Total liabilities and fund balances	\$ 402,761	\$ 237,893	\$ 11,783	\$ 50,000	\$ 221,474

<u>Debt Service</u>		<u>Capital Projects</u>	<u>Permanent</u>			
<u>Look Memorial</u>	<u>Building Authority</u>	<u>Riverfront Development</u>	<u>Cemetery Perpetual Care</u>	<u>Carr I Memorial</u>	<u>Carr II Memorial</u>	<u>Total</u>
\$ 97,405	\$ 3,055	\$ -	\$ 7,667	\$ 20,614	\$ 1,698	\$ 761,722
287,042	-	-	393,186	-	70,572	970,834
-	-	-	-	-	-	72,594
<u>\$ 384,447</u>	<u>\$ 3,055</u>	<u>\$ -</u>	<u>\$ 400,853</u>	<u>\$ 20,614</u>	<u>\$ 72,270</u>	<u>\$ 1,805,150</u>
\$ 4,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,231
-	-	-	-	-	-	2,442
<u>4,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,673</u>
-	-	-	371,642	20,000	69,758	461,400
-	-	-	-	-	-	622,154
-	-	-	-	-	-	11,783
-	-	-	29,211	-	-	29,211
275,876	-	-	-	614	2,512	480,196
-	3,055	-	-	-	-	3,055
98,209	-	-	-	-	-	159,154
<u>6,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,524</u>
<u>380,347</u>	<u>3,055</u>	<u>-</u>	<u>400,853</u>	<u>20,614</u>	<u>72,270</u>	<u>1,780,477</u>
<u>\$ 384,447</u>	<u>\$ 3,055</u>	<u>\$ -</u>	<u>\$ 400,853</u>	<u>\$ 20,614</u>	<u>\$ 72,270</u>	<u>\$ 1,805,150</u>

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 324,694	\$ 146,626	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Investment earnings	3,776	2,063	132	-	4,594
Contributions and donations	-	-	-	104,371	-
Miscellaneous	6,780	6,780	-	-	-
Total revenues	<u>335,250</u>	<u>155,469</u>	<u>132</u>	<u>104,371</u>	<u>4,594</u>
Expenditures					
Current					
General government	-	-	6,623	79,371	-
Culture and recreation	-	-	-	-	3,123
Highways and streets	188,196	198,342	-	-	-
Debt Service					
Principal	-	25,000	-	-	-
Interest	-	2,390	-	-	-
Total expenditures	<u>188,196</u>	<u>225,732</u>	<u>6,623</u>	<u>79,371</u>	<u>3,123</u>
Revenues over (under) expenditures	147,054	(70,263)	(6,491)	25,000	1,471
Other financing sources (uses)					
Transfers in	-	100,000	-	-	-
Transfers out	-	-	-	(11,053)	-
Net changes in fund balances	147,054	29,737	(6,491)	13,947	1,471
Fund balances, beginning of year	<u>250,407</u>	<u>194,956</u>	<u>18,274</u>	<u>36,053</u>	<u>217,930</u>
Fund balances, end of year	<u>\$ 397,461</u>	<u>\$ 224,693</u>	<u>\$ 11,783</u>	<u>\$ 50,000</u>	<u>\$ 219,401</u>

	Debt Service	Capital Projects	Permanent			
<u>Look Memorial</u>	<u>Building Authority</u>	<u>Riverfront Development</u>	<u>Cemetery Perpetual Care</u>	<u>Carr I Memorial</u>	<u>Carr II Memorial</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 471,320
-	-	-	14,100	-	-	14,100
16,776	-	-	5,142	226	839	33,548
19,576	-	-	-	-	-	123,947
-	-	-	-	-	-	13,560
<u>36,352</u>	<u>-</u>	<u>-</u>	<u>19,242</u>	<u>226</u>	<u>839</u>	<u>656,475</u>
-	-	-	-	-	-	85,994
31,896	-	-	-	-	-	35,019
-	-	-	-	-	-	386,538
-	185,000	-	-	-	-	210,000
-	<u>117,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,135</u>
<u>31,896</u>	<u>302,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>837,686</u>
4,456	(302,745)	-	19,242	226	839	(181,211)
-	302,546	-	-	-	-	402,546
-	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,053)</u>
4,456	(199)	-	19,242	226	839	210,282
<u>375,891</u>	<u>3,254</u>	<u>-</u>	<u>381,611</u>	<u>20,388</u>	<u>71,431</u>	<u>1,570,195</u>
<u>\$ 380,347</u>	<u>\$ 3,055</u>	<u>\$ -</u>	<u>\$ 400,853</u>	<u>\$ 20,614</u>	<u>\$ 72,270</u>	<u>\$ 1,780,477</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, 2019

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 272,500	\$ 298,500	\$ 324,694	\$ 26,194
Investment earnings	500	500	3,776	3,276
Miscellaneous	<u>-</u>	<u>-</u>	<u>6,780</u>	<u>6,780</u>
Total revenues	273,000	299,000	335,250	36,250
Expenditures				
Current				
Highways and streets	<u>226,802</u>	<u>237,116</u>	<u>188,196</u>	<u>48,920</u>
Net changes in fund balance	46,198	61,884	147,054	85,170
Fund balance, beginning of year	<u>250,407</u>	<u>250,407</u>	<u>250,407</u>	<u>-</u>
Fund balance, end of year	<u>\$ 296,605</u>	<u>\$ 312,291</u>	<u>\$ 397,461</u>	<u>\$ 85,170</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, 2019

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 102,000	\$ 126,000	\$ 146,626	\$ 20,626
Investment earnings	-	-	2,063	2,063
Miscellaneous	-	-	6,780	6,780
Total revenues	<u>102,000</u>	<u>126,000</u>	<u>155,469</u>	<u>29,469</u>
Expenditures				
Current				
Highways and streets	188,134	216,431	198,342	18,089
Debt service				
Principal	25,000	25,000	25,000	-
Interest	1,587	1,587	2,390	(803)
Total expenditures	<u>214,721</u>	<u>243,018</u>	<u>225,732</u>	<u>17,286</u>
Revenues over (under) expenditures	(112,721)	(117,018)	(70,263)	46,755
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	-
Net changes in fund balance	(12,721)	(17,018)	29,737	46,755
Fund balance, beginning of year	<u>194,956</u>	<u>194,956</u>	<u>194,956</u>	<u>-</u>
Fund balance, end of year	<u>\$ 182,235</u>	<u>\$ 177,938</u>	<u>\$ 224,693</u>	<u>\$ 46,755</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, 2019

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Investment earnings	<u>100</u>	<u>100</u>	<u>132</u>	<u>32</u>
Total revenues	50,100	50,100	132	(49,968)
Expenditures				
Current				
General government	<u>50,000</u>	<u>50,000</u>	<u>6,623</u>	<u>43,377</u>
Net changes in fund balance	100	100	(6,491)	(6,591)
Fund balance, beginning of year	<u>18,274</u>	<u>18,274</u>	<u>18,274</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,374</u>	<u>\$ 18,374</u>	<u>\$ 11,783</u>	<u>\$ (6,591)</u>

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

FOR THE YEAR ENDED JUNE 30, 2019

	<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	\$ 114,000	\$ 105,000	\$ 104,371	\$ (629)
Expenditures				
Current				
General government	<u>114,000</u>	<u>105,000</u>	<u>79,371</u>	<u>25,629</u>
Revenues over (under) expenditures	-	-	25,000	25,000
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(11,053)</u>	<u>(11,053)</u>
Net changes in fund balance	-	-	13,947	13,947
Fund balance, beginning of year	<u>36,053</u>	<u>36,053</u>	<u>36,053</u>	<u>-</u>
Fund balance, end of year	<u>\$ 36,053</u>	<u>\$ 36,053</u>	<u>\$ 50,000</u>	<u>\$ 13,947</u>

CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2019

	<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	\$ 4,594	\$ 594
Expenditures				
Current				
Culture and recreation	<u>4,000</u>	<u>4,000</u>	<u>3,123</u>	<u>877</u>
Net changes in fund balance	-	-	1,471	1,471
Fund balance, beginning of year	<u>217,930</u>	<u>217,930</u>	<u>217,930</u>	-
Fund balance, end of year	<u>\$ 217,930</u>	<u>\$ 217,930</u>	<u>\$ 219,401</u>	<u>\$ 1,471</u>

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

FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Investment earnings	\$ 18,000	\$ 20,000	\$ 16,776	\$ (3,224)
Contributions and donations	-	20,000	19,576	(424)
Total revenues	18,000	40,000	36,352	(3,648)
Expenditures				
Current				
Culture and recreation	18,000	40,000	31,896	8,104
Net changes in fund balance	-	-	4,456	4,456
Fund balance, beginning of year	375,891	375,891	375,891	-
Fund balance, end of year	\$ 375,891	\$ 375,891	\$ 380,347	\$ 4,456

CITY OF LOWELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2019

Assets	Data Processing	OPEB Activity	Equipment	Total
Current assets				
Cash and pooled investments	\$ 30,605	\$ 20,704	\$ 144,020	\$ 195,329
Inventory	-	-	7,296	7,296
Total current assets	30,605	20,704	151,316	202,625
Capital assets				
Capital assets, net	73,253	-	362,039	435,292
Total assets	103,858	20,704	513,355	637,917
Deferred outflows of resources				
Pension related	-	-	15,237	15,237
Liabilities				
Current liabilities				
Accounts payable	884	-	3,453	4,337
Accrued liabilities	-	-	104	104
Current portion of long-term debt	-	-	87,943	87,943
Total current liabilities	884	-	91,500	92,384
Long-term liabilities				
Compensated absences	-	-	2,586	2,586
Long-term debt, net of current portion	-	-	165,028	165,028
Net pension liability	-	-	90,473	90,473
Net OPEB obligation	-	-	13,631	13,631
Total long-term liabilities	-	-	271,718	271,718
Total liabilities	884	-	363,218	364,102
Net position				
Net investment in capital assets	73,253	-	109,068	182,321
Unrestricted	29,721	20,704	56,306	106,731
Total net position	\$ 102,974	\$ 20,704	\$ 165,374	\$ 289,052

CITY OF LOWELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Data Processing</u>	<u>OPEB Activity</u>	<u>Equipment</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 84,685	\$ 20,550	\$ 218,131	\$ 323,366
Operating expense				
Administrative and general				
Personnel services	-	-	12,629	12,629
Supplies	26,875	-	19,093	45,968
Services and other charges	53,515	-	51,726	105,241
Depreciation	19,374	-	103,201	122,575
Total operating expense	<u>99,764</u>	<u>-</u>	<u>186,649</u>	<u>286,413</u>
Operating income (loss)	<u>(15,079)</u>	<u>20,550</u>	<u>31,482</u>	<u>36,953</u>
Non-operating revenue (expense)				
Interest income	263	154	1,084	1,501
Interest expense	-	-	(5,960)	(5,960)
Total non-operating revenue (expense)	<u>263</u>	<u>154</u>	<u>(4,876)</u>	<u>(4,459)</u>
Income (loss) before transfers and capital items	(14,816)	20,704	26,606	32,494
Transfers and capital				
Transfers in	<u>5,036</u>	<u>-</u>	<u>45,000</u>	<u>50,036</u>
Changes in net position	(9,780)	20,704	71,606	82,530
Net position, beginning of year	<u>112,754</u>	<u>-</u>	<u>93,768</u>	<u>206,522</u>
Net position, end of year	<u>\$ 102,974</u>	<u>\$ 20,704</u>	<u>\$ 165,374</u>	<u>\$ 289,052</u>

CITY OF LOWELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Data Processing</u>	<u>OPEB Activity</u>	<u>Equipment</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from internal services provided	\$ 84,685	\$ 20,550	\$ 218,131	\$ 323,366
Payments to employees	-	-	(41,361)	(41,361)
Payments to suppliers	(83,532)	-	(71,633)	(155,165)
Net cash provided by (used in) operating activities	<u>1,153</u>	<u>20,550</u>	<u>105,137</u>	<u>126,840</u>
Cash flows from non-capital financing activities				
Transfers in	<u>5,036</u>	<u>-</u>	<u>45,000</u>	<u>50,036</u>
Cash flows from capital and related financing activities				
Principal paid on long-term debt	-	-	(87,139)	(87,139)
Interest expense	-	-	(5,960)	(5,960)
Acquisitions of capital assets	(8,870)	-	(7,759)	(16,629)
Net cash provided by (used in) capital and related financing activities	<u>(8,870)</u>	<u>-</u>	<u>(100,858)</u>	<u>(109,728)</u>
Cash flows from investing activities				
Interest income	<u>262</u>	<u>154</u>	<u>1,088</u>	<u>1,504</u>
Net increase (decrease) in cash and pooled investments	<u>(2,419)</u>	<u>20,704</u>	<u>50,367</u>	<u>68,652</u>
Cash and pooled investments, beginning of year	<u>33,024</u>	<u>-</u>	<u>93,653</u>	<u>126,677</u>
Cash and pooled investments, end of year	<u>\$ 30,605</u>	<u>\$ 20,704</u>	<u>\$ 144,020</u>	<u>\$ 195,329</u>
Cash flows from operating activities				
Operating income (loss)	\$ (15,079)	\$ 20,550	\$ 31,482	\$ 36,953
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	19,374	-	103,201	122,575
Deferred outflows of resources	-	-	(10,755)	(10,755)
Net OPEB obligation	-	-	(25,494)	(25,494)
Net pension liability	-	-	9,702	9,702
Change in operating assets and liabilities which provided (used) cash				
Inventory	-	-	(2,347)	(2,347)
Accounts payable	(3,142)	-	1,533	(1,609)
Accrued liabilities	-	-	(2,753)	(2,753)
Compensated absences	-	-	568	568
Net cash provided by (used in) operating activities	<u>\$ 1,153</u>	<u>\$ 20,550</u>	<u>\$ 105,137</u>	<u>\$ 126,840</u>

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

JUNE 30, 2019

	Governmental Fund Type General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 445,744	\$ -	\$ 445,744
Capital assets			
Land	-	225,520	225,520
Depreciable capital assets, net	-	1,057,019	1,057,019
Total assets	\$ 445,744	1,282,539	1,728,283
Liabilities and fund balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 1,279	-	1,279
Accrued liabilities	2,802	-	2,802
Noncurrent liabilities			
Compensated absences	-	1,259	1,259
Total liabilities	4,081	1,259	5,340
Fund balances			
Unassigned	441,663		
Total liabilities and fund balances	\$ 445,744		
Net position			
Net investment in capital assets			1,282,539
Unrestricted			440,404
Total net position			\$ 1,722,943
Reconciliation of fund balances to net position			
Fund balances of governmental funds			\$ 441,663
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			225,520
Add - capital assets (net of accumulated depreciation)			1,057,019
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Deduct - compensated absences			(1,259)
Net position of governmental activities			\$ 1,722,943

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, 2019

	Governmental Fund Type General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 567,947	\$ -	\$ 567,947
Intergovernmental revenues			
Investment earnings	5,496	-	5,496
Total revenues	<u>573,443</u>	<u>-</u>	<u>573,443</u>
Expenditures/expenses			
Current			
General government	392,249	57,217	449,466
Total expenditures/expenses	<u>392,249</u>	<u>57,217</u>	<u>449,466</u>
Net changes in fund balance	181,194	(181,194)	
Change in net position		123,977	123,977
Fund balance/net position, beginning of year	<u>260,469</u>		<u>1,598,966</u>
Fund balance/net position, end of year	<u>\$ 441,663</u>		<u>\$ 1,722,943</u>
Reconciliation of change in fund balances to change in net position			
Net change in fund balances of governmental funds			\$ 181,194
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.			
Deduct - depreciation expense			(57,079)
Certain liabilities are not expected to be liquidated with expendable available resources and are not report in the funds			
Add - decrease in compensated absences			(138)
Change in net position of governmental activities			<u>\$ 123,977</u>