



# **CITY OF LOWELL, MICHIGAN**

## **FINANCIAL STATEMENTS**

***FOR THE YEAR ENDED JUNE 30, 2018***



**Vredeveld Haefner LLC**  
**CPAs and Consultants**

# CITY OF LOWELL

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# Vredeveld Haefner LLC

CPAs and Consultants  
10302 20<sup>th</sup> 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

December 17, 2018

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, 2018, 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, 2018, 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 53 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.

*Wendell 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, 2018.

### Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2018 fiscal year as follows:

- Completed South Broadway utility improvement project
- Installed new carpet and security cameras at city hall.
- Received state grant for a new showboat.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general 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 \$19,820,685 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>	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 3,429,637	\$ 5,850,938	\$ 9,531,783	\$10,669,511	\$12,961,420	\$16,520,449
Capital assets	9,118,858	9,335,354	17,475,119	16,001,902	26,593,977	25,337,256
<b>Total assets</b>	<b>12,548,495</b>	<b>15,186,292</b>	<b>27,006,902</b>	<b>26,671,413</b>	<b>39,555,397</b>	<b>41,857,705</b>
<b>Deferred outflows</b>	<b>200,488</b>	<b>525,545</b>	<b>151,285</b>	<b>509,965</b>	<b>351,773</b>	<b>1,035,510</b>
<b>Liabilities</b>						
Current liabilities	735,474	225,678	1,240,414	1,126,545	1,975,888	1,352,223
Long-term liabilities	7,283,889	7,211,248	10,826,708	10,813,402	18,110,597	18,024,650
<b>Total liabilities</b>	<b>8,019,363</b>	<b>7,436,926</b>	<b>12,067,122</b>	<b>11,939,947</b>	<b>20,086,485</b>	<b>19,376,873</b>
<b>Net position</b>						
Net investment in capital						
Assets	5,108,752	4,996,486	10,827,205	10,802,298	15,935,957	15,798,784
Restricted	1,470,142	4,483,895	333,585	331,954	1,803,727	4,815,849
Unrestricted	(1,849,274)	(1,205,470)	3,930,275	4,107,179	2,081,001	2,901,709
<b>Total net position</b>	<b>\$ 4,729,620</b>	<b>\$ 8,274,911</b>	<b>\$15,091,065</b>	<b>\$15,241,431</b>	<b>\$19,820,685</b>	<b>\$23,516,342</b>

The largest portion of the City's net position in the amount of 80% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position in the amount of 9% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$2,081,001 or 11%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, and the business-type activities. Governmental activities unrestricted net position reports a deficit of \$1,849,274.

**Statement of Activities** The City's total revenue for the fiscal year ended June 30, 2018, was \$13,782,156 while total cost of all programs and services was \$13,719,865. This results in an increase in net position of \$62,291. The following table presents a summary of the changes in net position for the years ended June 30.

Net assets at July 1, 2017 were restated to account for post-employment benefits in accordance with implementation of GASB 75 as well as to properly account for capital assets from the prior year.

## City of Lowell Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$196,719	\$230,843	\$10,265,556	\$10,891,167	\$10,462,275	\$11,122,010
Operating grants and contributions	984,591	924,522	-	-	984,591	924,522
Capital grants and contributions	30,000	31,765	255,539	165,190	285,539	196,955
General revenues						
Property taxes	1,561,389	1,573,016	-	-	1,561,389	1,573,016
State shared revenues	382,966	371,994	-	-	382,966	371,994
Investment earnings	6,837	3,005	39,140	28,556	45,977	31,561
Other	41,440	40,703	17,979	35,288	59,419	75,991
<b>Total revenues</b>	<b>3,203,942</b>	<b>3,175,848</b>	<b>10,578,214</b>	<b>11,120,201</b>	<b>13,782,156</b>	<b>14,296,049</b>
<b>Expenses</b>						
General government	865,602	853,280	-	-	865,602	853,280
Public safety	1,123,385	1,078,269	-	-	1,123,385	1,078,269
Public works	490,244	457,549	-	-	490,244	457,549
Culture and recreation	726,386	344,880	-	-	726,386	344,880
Highways and streets	239,131	289,662	-	-	239,131	289,662
LCTV endowment	230,139	135,359	-	-	230,139	135,359
Interest on long-term debt	124,127	133,042	-	-	124,127	133,042
Wastewater	-	-	1,308,730	1,531,119	1,308,730	1,531,119
Water	-	-	1,063,010	993,481	1,063,010	993,481
Light and power	-	-	7,479,864	7,997,758	7,479,864	7,997,758
Airport	-	-	69,247	55,916	69,247	55,916
<b>Total expenses</b>	<b>3,799,014</b>	<b>3,292,041</b>	<b>9,920,851</b>	<b>10,578,274</b>	<b>13,719,865</b>	<b>13,870,315</b>
<b>Increase (decrease) before transfers</b>	<b>(595,072)</b>	<b>(116,193)</b>	<b>657,363</b>	<b>541,927</b>	<b>62,291</b>	<b>425,734</b>
<b>Transfers in (out)</b>	<b>370,603</b>	<b>373,318</b>	<b>(370,603)</b>	<b>(373,318)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>(224,469)</b>	<b>257,125</b>	<b>286,760</b>	<b>168,609</b>	<b>62,291</b>	<b>425,734</b>
<b>Net position – beginning</b>	<b>4,954,089</b>	<b>8,017,786</b>	<b>14,804,305</b>	<b>15,072,822</b>	<b>19,758,394</b>	<b>23,090,608</b>
<b>Net position – ending</b>	<b>\$4,729,620</b>	<b>\$8,274,911</b>	<b>\$15,091,065</b>	<b>\$15,241,431</b>	<b>\$19,820,685</b>	<b>\$23,516,342</b>

**Governmental Activities** During the year the City invested in \$1,123,385 or 30% in public safety. General government expenses were \$865,602 or 23% of governmental activities, while public works, culture and recreation, highways and streets, LCTV endowment, and interest on long-term debt made up the remaining 47% of governmental activities. The preceding table shows that the governmental activities decreased the City's net position by \$224,469 during this fiscal year. The decrease is primarily the result of increased Look Memorial expenditures.

**Business-type Activities** Business-type activities increased the City's net position by \$286,760 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 \$2,581,894 a decrease of \$107,382 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 \$895,619. 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 34% of total general fund expenditures including transfers out.

**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 water, light and power and airport funds increased net position by \$73,640 and \$332,144 and \$300 respectively. The wastewater fund experienced a decline in net position of \$119,324. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## Budgetary Highlights

- Several budget amendments made to adjust for unexpected revenues or expenditures.
- More accurate tracking of labor and equipment rental with new time sheet program
- Lower costs than expected due to DPW building improvements not being completed.
- Lower costs as a result of new VOIP phone system.

## 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, 2018, amounted to \$26,593,977 (net of accumulated depreciation). Of this amount, \$9,118,858 was for its governmental activities and \$17,475,119 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 \$10,460,099. Of this amount, \$4,010,106 was for governmental activities while \$6,449,993 was for business-type activities. Principal payments during the year were \$328,762 and \$564,404 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 2018-2019 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, 2018**

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Downtown
	Activities	Activities		Development
				Authority
<b>Assets</b>				
Cash and pooled investments	\$ 2,728,921	\$ 5,386,220	\$ 8,115,141	\$ 273,119
Investments	495,729	1,002,502	1,498,231	-
Accounts receivable	8,646	1,287,073	1,295,719	-
Special assessments receivable	-	161,432	161,432	-
Prepaid items	11,224	336,246	347,470	-
Due from other governments	147,130	90,074	237,204	-
Advance to MPPA	-	287,291	287,291	-
Internal balances	33,038	(33,038)	-	-
Inventory	4,949	428,145	433,094	-
Restricted assets				
Cash and pooled investments	-	585,838	585,838	-
Capital assets				
Land	568,460	372,618	941,078	225,520
Construction in progress	-	390,445	390,445	-
Depreciable capital assets, net	8,550,398	16,712,056	25,262,454	1,114,098
<b>Total assets</b>	<b>12,548,495</b>	<b>27,006,902</b>	<b>39,555,397</b>	<b>1,612,737</b>
<b>Deferred outflows of resources</b>				
Pension related	140,351	151,285	291,636	-
Deferred charge on refunding	60,137	-	60,137	-
<b>Total deferred outflows of resources</b>	<b>200,488</b>	<b>151,285</b>	<b>351,773</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	196,165	876,895	1,073,060	10,196
Accrued liabilities	113,603	101,794	215,397	2,454
Customer deposits	-	257,598	257,598	-
Due to other governments	7,617	-	7,617	-
Unearned revenue	418,089	4,127	422,216	-
Noncurrent liabilities				
Premium on bonds	-	197,921	197,921	-
OPEB obligation	689,777	1,540,422	2,230,199	-
Compensated absences	55,017	28,413	83,430	1,121
Net pension liability	2,528,989	2,609,959	5,138,948	-
Due within one year	297,139	559,172	856,311	-
Due in more than one year	3,712,967	5,890,821	9,603,788	-
<b>Total liabilities</b>	<b>8,019,363</b>	<b>12,067,122</b>	<b>20,086,485</b>	<b>13,771</b>
<b>Net position</b>				
Net investment in capital assets	5,108,752	10,827,205	15,935,957	1,339,618
Restricted for				
Highways and streets	445,363	-	445,363	-
Historic District Commission	18,274	-	18,274	-
Look and Lee memorials	477,070	-	477,070	-
Other purposes	86,570	-	86,570	-
Debt service	3,254	333,585	336,839	-
Permanent trust				
Expendable portion	2,061	-	2,061	-
Nonexpendable portion	437,550	-	437,550	-
Unrestricted	(1,849,274)	3,930,275	2,081,001	259,348
<b>Total net position</b>	<b>\$ 4,729,620</b>	<b>\$ 15,091,065</b>	<b>\$ 19,820,685</b>	<b>\$ 1,598,966</b>

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

**CITY OF LOWELL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities					
General government	\$ 865,602	\$ 105,110	\$ 200,527	\$ -	\$ (559,965)
Public safety	1,123,385	61,263	4,000	2,000	(1,056,122)
Public works	490,244	9,750	1,178	-	(479,316)
Culture and recreation	722,191	12,725	110,359	28,000	(571,107)
Highways and streets	239,131	7,871	429,193	-	197,933
LCTV endowment	118,046	-	123,046	-	5,000
Interest on long-term debt	124,127	-	-	-	(124,127)
<b>Total governmental activities</b>	<b>3,682,726</b>	<b>196,719</b>	<b>868,303</b>	<b>30,000</b>	<b>(2,587,704)</b>
Business-type activities					
Wastewater	1,308,730	919,176	-	255,539	(134,015)
Water	1,063,010	1,114,494	-	-	51,484
Light and power	7,479,864	8,162,481	-	-	682,617
Airport	69,247	69,405	-	-	158
<b>Total business-type activities</b>	<b>9,920,851</b>	<b>10,265,556</b>	<b>-</b>	<b>255,539</b>	<b>600,244</b>
<b>Total primary government</b>	<b>\$ 13,603,577</b>	<b>\$ 10,462,275</b>	<b>\$ 868,303</b>	<b>\$ 285,539</b>	<b>\$ (1,987,460)</b>
<b>Component unit</b>					
Downtown Development Authority	\$ 402,637	\$ -	\$ -	\$ -	\$ (402,637)
<b>Total component unit</b>	<b>\$ 402,637</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (402,637)</b>

(Continued)

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

**CITY OF LOWELL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
<b>Changes in net assets</b>				
<b>Net (expense) revenue</b>	\$ (2,587,704)	\$ 600,244	\$ (1,987,460)	\$ (402,637)
General revenues				
Property taxes	1,561,389	-	1,561,389	478,785
Franchise fees	38,843	-	38,843	-
State shared revenues - unrestricted	382,966	-	382,966	-
Unrestricted investment earnings	6,837	39,140	45,977	1,401
Other general revenues	2,597	17,979	20,576	73
Transfers - internal activities	370,603	(370,603)	-	-
Total general revenues and transfers	2,363,235	(313,484)	2,049,751	480,259
Change in net position	(224,469)	286,760	62,291	77,622
<b>Net position, beginning of year, as restated</b>	4,954,089	14,804,305	19,758,394	1,521,344
<b>Net position, end of year</b>	<u>\$ 4,729,620</u>	<u>\$ 15,091,065</u>	<u>\$ 19,820,685</u>	<u>\$ 1,598,966</u>

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



**CITY OF LOWELL**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2018**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 958,148	\$ 1,644,096	\$ 2,602,244
Investments	-	495,729	495,729
Accounts receivable	8,646	-	8,646
Prepaid items	11,224	-	11,224
Due from other funds	33,038	-	33,038
Due from other governments	79,217	67,913	147,130
	<u>79,217</u>	<u>67,913</u>	<u>147,130</u>
<b>Total assets</b>	<u>\$ 1,090,273</u>	<u>\$ 2,207,738</u>	<u>\$ 3,298,011</u>
<b>Liabilities, deferred inflows and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 59,400	\$ 128,706	\$ 188,106
Accrued liabilities	95,252	4,178	99,430
Due to other governments	7,617	-	7,617
Unearned revenue	-	418,089	418,089
	<u>-</u>	<u>418,089</u>	<u>418,089</u>
<b>Total liabilities</b>	<u>162,269</u>	<u>550,973</u>	<u>713,242</u>
<b>Deferred inflows of resources</b>			
Unavailable receivables	2,785	-	2,785
	<u>2,785</u>	<u>-</u>	<u>2,785</u>
<b>Fund balances</b>			
Nonspendable			
Permanent fund corpus	-	437,550	437,550
Prepaid items	11,224	-	11,224
Restricted			
Streets	-	445,363	445,363
Historic District Commission	-	18,274	18,274
Cemetery operations and maintenance	-	33,819	33,819
City enhancement	-	565,701	565,701
Police seizures	18,376	-	18,376
Debt service	-	3,254	3,254
Committed			
City enhancement	-	108,203	108,203
Assigned	-	44,601	44,601
Unassigned	895,619	-	895,619
	<u>895,619</u>	<u>-</u>	<u>895,619</u>
<b>Total fund balances</b>	<u>925,219</u>	<u>1,656,765</u>	<u>2,581,984</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 1,090,273</u>	<u>\$ 2,207,738</u>	<u>\$ 3,298,011</u>

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

# CITY OF LOWELL

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

**JUNE 30, 2018**

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<b>Fund balances - total governmental funds</b>	<b>\$ 2,581,984</b>
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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 - capital assets (net of accumulated depreciation)	8,007,048

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

Add - pension deferred outflows	135,869
Add - deferred charge on refunding	60,137

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	2,785
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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	206,522
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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	(52,999)
Deduct - OPEB obligation	(650,652)
Deduct - long-term debt payable	(3,670,000)
Deduct - net pension liability	(2,448,218)
Deduct - accrued interest on bonds payable	(11,316)

<b>Net position of governmental activities</b>	<b><u>\$ 4,729,620</u></b>
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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, 2018**

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>Revenues</b>			
Taxes	\$ 1,624,372	\$ -	\$ 1,624,372
Intergovernmental revenues			
State	382,966	525,298	908,264
Local	163,790	28,000	191,790
Licenses and permits	45,307	-	45,307
Charges for services	110,159	9,750	119,909
Investment earnings	6,517	5,050	11,567
Contributions and donations	1,781	131,206	132,987
Miscellaneous	5,927	47,503	53,430
	<u>2,340,819</u>	<u>746,807</u>	<u>3,087,626</u>
<b>Total revenues</b>			
	<u>2,340,819</u>	<u>746,807</u>	<u>3,087,626</u>
<b>Expenditures</b>			
Current			
General government	635,169	196,772	831,941
Public safety	940,925	-	940,925
Public works	212,426	-	212,426
Culture and recreation	282,520	424,305	706,825
Highways and streets	-	445,626	445,626
Other functions	22,115	-	22,115
Debt service			
Principal	-	245,000	245,000
Interest	-	125,753	125,753
	<u>2,093,155</u>	<u>1,437,456</u>	<u>3,530,611</u>
<b>Total expenditures</b>			
	<u>2,093,155</u>	<u>1,437,456</u>	<u>3,530,611</u>
Revenues over (under) expenditures	<u>247,664</u>	<u>(690,649)</u>	<u>(442,985)</u>
Other financing sources (uses)			
Transfers in	370,603	480,046	850,649
Transfers out	(515,046)	-	(515,046)
	<u>(144,443)</u>	<u>480,046</u>	<u>335,603</u>
Total other financing sources (uses)			
	<u>(144,443)</u>	<u>480,046</u>	<u>335,603</u>
Net changes in fund balances	103,221	(210,603)	(107,382)
<b>Fund balances, beginning of year, as restated</b>	<u>821,998</u>	<u>1,867,368</u>	<u>2,689,366</u>
<b>Fund balances, end of year</b>	<u>\$ 925,219</u>	<u>\$ 1,656,765</u>	<u>\$ 2,581,984</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, 2018**

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (107,382)</b>
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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	240,966
Deduct - depreciation expense	(381,665)

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	482
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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	245,000
Deduct - amortization of deferred charge on refunding	(7,042)

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	1,961
Deduct - increase in OPEB obligation	(29,542)
Add - decrease in net pension liability	126,560
Deduct - decrease in deferred outflows	(306,616)
Add - decrease in accrued interest	1,626

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>(8,817)</u>
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<b>Change in net position of governmental activities</b>	<b>\$ <u>(224,469)</u></b>
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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, 2018**

	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	\$ 1,939,552	\$ 1,714,480	\$ 1,682,589	\$ 49,599	\$ 5,386,220	\$ 126,677
Investments	-	-	1,002,502	-	1,002,502	-
Restricted cash and pooled investments	-	-	252,253	-	252,253	-
Accounts receivable	139,555	177,126	967,982	2,410	1,287,073	-
Due from other governments	90,074	-	-	-	90,074	-
Prepaid items	-	-	333,121	3,125	336,246	-
Inventory	-	81,873	346,272	-	428,145	4,949
Total current assets	2,169,181	1,973,479	4,584,719	55,134	8,782,513	131,626
Noncurrent assets						
Restricted cash and pooled investments	-	-	333,585	-	333,585	-
Special assessments long-term	161,432	-	-	-	161,432	-
Advance to MPPA	-	-	287,291	-	287,291	-
Capital assets						
Land	4,500	109,908	199,157	59,053	372,618	-
Construction in progress	-	-	390,445	-	390,445	-
Capital assets, net	3,300,232	3,563,226	9,619,158	229,440	16,712,056	543,350
Total noncurrent assets	3,466,164	3,673,134	10,829,636	288,493	18,257,427	543,350
<b>Total assets</b>	<b>5,635,345</b>	<b>5,646,613</b>	<b>15,414,355</b>	<b>343,627</b>	<b>27,039,940</b>	<b>674,976</b>
<b>Deferred outflows of resources</b>						
Pension related	5,332	35,066	110,887	-	151,285	4,482
<b>Liabilities</b>						
Current liabilities						
Accounts payable	211,186	221,725	437,257	6,727	876,895	8,059
Accrued liabilities	17,370	17,542	66,882	-	101,794	2,857
Due to other funds	-	-	33,038	-	33,038	-
Customer deposits	-	7,285	250,313	-	257,598	-
Unearned revenue	-	-	-	4,127	4,127	-
Current portion of long-term debt	70,000	100,000	359,172	-	529,172	87,139
Total current liabilities	298,556	346,552	1,146,662	10,854	1,802,624	98,055
Long-term liabilities						
Premium on bonds	135,615	62,306	-	-	197,921	-
Net pension liability	96,079	631,840	1,882,040	-	2,609,959	80,771
Net OPEB obligation	48,293	223,484	1,268,645	-	1,540,422	39,125
Compensated absences	2,761	9,131	16,521	-	28,413	2,018
Bonds payable, net of current portion	2,156,000	954,000	2,810,821	-	5,920,821	252,967
Total long-term liabilities	2,438,748	1,880,761	5,978,027	-	10,297,536	374,881
<b>Total liabilities</b>	<b>2,737,304</b>	<b>2,227,313</b>	<b>7,124,689</b>	<b>10,854</b>	<b>12,100,160</b>	<b>472,936</b>
<b>Net position</b>						
Net investment in capital assets	943,117	2,556,828	7,038,767	288,493	10,827,205	203,244
Restricted for revenue bond retirement	-	-	333,585	-	333,585	-
Unrestricted	1,960,256	897,538	1,028,201	44,280	3,930,275	3,278
<b>Total net position</b>	<b>\$ 2,903,373</b>	<b>\$ 3,454,366</b>	<b>\$ 8,400,553</b>	<b>\$ 332,773</b>	<b>\$ 15,091,065</b>	<b>\$ 206,522</b>

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, 2018**

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Light and Power	Non-major (Airport)		
<b>Operating revenue</b>						
Charges for services	\$ 919,176	\$ 1,114,494	\$ 8,564,869	\$ 69,405	\$ 10,667,944	\$ 297,243
Other	2,278	15,701	167,800	-	185,779	-
<b>Total operating revenue</b>	<u>921,454</u>	<u>1,130,195</u>	<u>8,732,669</u>	<u>69,405</u>	<u>10,853,723</u>	<u>297,243</u>
<b>Operating expense</b>						
Treatment	777,881	493,047	-	-	1,270,928	-
Transmission and distribution	111,808	170,099	6,709,798	-	6,991,705	72,975
Customer accounts	80,057	79,700	-	-	159,757	50,287
Administrative and general	162,041	136,403	-	55,675	354,119	81,313
Depreciation	97,242	135,117	683,148	13,572	929,079	126,967
<b>Total operating expense</b>	<u>1,229,029</u>	<u>1,014,366</u>	<u>7,392,946</u>	<u>69,247</u>	<u>9,705,588</u>	<u>331,542</u>
Operating income (loss)	<u>(307,575)</u>	<u>115,829</u>	<u>1,339,723</u>	<u>158</u>	<u>1,148,135</u>	<u>(34,299)</u>
Non-operating revenue (expense)						
Other non-operating revenues (expenses)	-	-	(570,188)	-	(570,188)	-
Investment earnings	12,413	6,455	20,130	142	39,140	320
Interest expense	(79,701)	(48,644)	(86,918)	-	(215,263)	(9,838)
Total non-operating revenue (expense)	<u>(67,288)</u>	<u>(42,189)</u>	<u>(636,976)</u>	<u>142</u>	<u>(746,311)</u>	<u>(9,518)</u>
Income (loss) before transfers and capital items	<u>(374,863)</u>	<u>73,640</u>	<u>702,747</u>	<u>300</u>	<u>401,824</u>	<u>(43,817)</u>
Transfers and capital						
Capital grants	255,539	-	-	-	255,539	-
Transfers in	-	-	-	-	-	35,000
Transfers out	-	-	(370,603)	-	(370,603)	-
Total transfers and capital	<u>255,539</u>	<u>-</u>	<u>(370,603)</u>	<u>-</u>	<u>(115,064)</u>	<u>35,000</u>
Changes in net assets	<u>(119,324)</u>	<u>73,640</u>	<u>332,144</u>	<u>300</u>	<u>286,760</u>	<u>(8,817)</u>
<b>Net assets, beginning of year, as restated</b>	<u>3,022,697</u>	<u>3,380,726</u>	<u>8,068,409</u>	<u>332,473</u>	<u>14,804,305</u>	<u>215,339</u>
<b>Net assets, end of year</b>	<u>\$ 2,903,373</u>	<u>\$ 3,454,366</u>	<u>\$ 8,400,553</u>	<u>\$ 332,773</u>	<u>\$ 15,091,065</u>	<u>\$ 206,522</u>

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

**CITY OF LOWELL**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Wastewater	Water	Light and Power	Non-major (Airport)		
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 817,177	\$ 1,125,335	\$ 8,787,576	\$ 61,936	\$ 10,792,024	\$ -
Receipts from internal services provided	-	-	-	-	-	297,243
Payments to employees	(83,013)	(320,540)	(1,642,420)	-	(2,045,973)	(69,173)
Payments to suppliers	(1,045,929)	(275,668)	(5,410,463)	(52,868)	(6,784,928)	(153,202)
<b>Net cash provided by (used in) operating activities</b>	<b>(311,765)</b>	<b>529,127</b>	<b>1,734,693</b>	<b>9,068</b>	<b>1,961,123</b>	<b>74,868</b>
<b>Cash flows from non-capital financing activities</b>						
Transfers in	-	-	-	-	-	35,000
Transfers out	-	-	(370,603)	-	(370,603)	-
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>-</b>	<b>-</b>	<b>(370,603)</b>	<b>-</b>	<b>(370,603)</b>	<b>35,000</b>
<b>Cash flows from capital and related financing activities</b>						
Principal paid on long-term debt	(21,433)	(188,567)	(354,404)	-	(564,404)	(83,762)
Interest expense	(88,944)	(52,893)	(86,918)	-	(228,755)	(9,838)
Proceeds on sale of capital assets	-	-	16,593	-	16,593	-
Capital grants	255,539	-	9,000	-	264,539	-
Acquisitions of capital assets	(643,172)	(675,499)	(1,292,312)	(7,072)	(2,618,055)	(51,200)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(498,010)</b>	<b>(916,959)</b>	<b>(1,708,041)</b>	<b>(7,072)</b>	<b>(3,130,082)</b>	<b>(144,800)</b>
<b>Cash flows from investing activities</b>						
Purchase of investments	-	-	(168,165)	-	(168,165)	-
Interest income	12,413	6,455	20,130	142	39,140	320
<b>Net cash provided by (used in) investing activities</b>	<b>12,413</b>	<b>6,455</b>	<b>(148,035)</b>	<b>142</b>	<b>(129,025)</b>	<b>320</b>
Net increase (decrease) in cash and pooled investments	(797,362)	(381,377)	(491,986)	2,138	(1,668,587)	(34,612)
<b>Cash and pooled investments, beginning of year</b>	<b>2,736,914</b>	<b>2,095,857</b>	<b>2,760,413</b>	<b>47,461</b>	<b>7,640,645</b>	<b>161,289</b>
<b>Cash and pooled investments, end of year</b>	<b>\$ 1,939,552</b>	<b>\$ 1,714,480</b>	<b>\$ 2,268,427</b>	<b>\$ 49,599</b>	<b>\$ 5,972,058</b>	<b>\$ 126,677</b>
<b>Cash flows from operating activities</b>						
Operating income (loss)	\$ (307,575)	\$ 115,829	\$ 1,339,723	\$ 158	\$ 1,148,135	\$ (34,299)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	97,242	135,117	683,148	13,572	929,079	126,967
Deferred outflows of resources	14,683	85,803	258,194	-	358,680	11,399
Unfunded increase in OPEB obligation	3,262	71,228	(83,732)	-	(9,242)	2,418
Change in net pension liability	(20,386)	(71,482)	(109,193)	-	(201,061)	(11,634)
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	(8,744)	(5,460)	38,088	(1,120)	22,764	-
Due from other governmental units	(90,074)	-	-	-	(90,074)	-
Inventory	-	(4,825)	17,397	-	12,572	(509)
Prepaid assets and other items	-	670	(295,512)	(3,125)	(297,967)	-
Special assessments long-term	(5,459)	-	-	-	(5,459)	-
Customer deposits	-	600	16,819	-	17,419	-
Accounts payable	4,619	201,961	(123,412)	5,932	89,100	(21,093)
Accrued liabilities	526	492	(1,220)	-	(202)	1,929
Unearned revenue	-	-	-	(6,349)	(6,349)	-
Compensated absences	141	(806)	(5,607)	-	(6,272)	(310)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (311,765)</b>	<b>\$ 529,127</b>	<b>\$ 1,734,693</b>	<b>\$ 9,068</b>	<b>\$ 1,961,123</b>	<b>\$ 74,868</b>

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

**CITY OF LOWELL**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2018**

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	<b><u>Agency Fund</u></b>
<b>Assets</b>	
Cash and pooled investments	\$ <u>77</u>
<b>Total assets</b>	<u>\$ 77</u>
<b>Liabilities</b>	
Accounts payable	\$ <u>77</u>
<b>Total liabilities</b>	<u>\$ 77</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, 2018

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### 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, 2018

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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, 2018

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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 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 Funds* account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Permanent Fund* is 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.

#### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the general and select 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.

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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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 investments of the Light and Power enterprise fund are held in trust with the Michigan Public Power Agency (MPPA) and can only be distributed to the MPPA for purchased power or specified MPPA payment purposes.

#### ***Investments***

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

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

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

#### ***Receivables/Due From Other Governments***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The light and power enterprise fund has established a reserve for uncollectible customer receivables in the amount of \$4,000 at June 30, 2018.

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### ***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 of accounts.

### ***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 of accounts.

### ***Capital Assets***

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

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

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

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

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

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

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### **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	\$ 4,127
Designated contributions fund – unearned grant revenues	418,089

#### **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 individual enterprise 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, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

#### **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized 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.

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### ***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.

### ***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.



# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### **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, 2018, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance (Unfavorable)</u></b>
<b>General Fund</b>			
City manager	\$ 54,900	\$ 55,770	\$ (870)
Clerk	121,420	128,367	(6,947)
Planning	73,090	81,469	(8,379)
Police department	694,859	726,785	(31,926)
Parks	151,803	153,828	(2,025)
Transfers out	515,046	545,046	(30,000)
<b>Major Streets Fund</b>			
Highways and streets	225,340	276,301	(50,961)
<b>Historic District Commission Fund</b>			
General government	75,000	75,887	(887)
<b>Designated Contributions Fund</b>			
General government	2,397	2,839	(442)
<b>LCTV Endowment Fund</b>			
General government	112,093	118,046	(5,953)
<b>Look Memorial Fund</b>			
Culture and recreation	-	326,250	(326,250)

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### 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	\$ 8,115,141	\$273,119	\$77	\$ 8,388,337
Investments	1,498,231	-	-	1,498,231
Restricted cash and pooled investments	585,838	-	-	585,838
	<u>\$10,199,210</u>	<u>\$273,119</u>	<u>\$77</u>	<u>\$10,472,406</u>

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

Deposits	\$ 9,034,416
Investments	<u>1,437,990</u>
Total	<u>\$10,472,406</u>

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$7,380,650 of the City's bank balance of \$8,942,614 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	\$ 110,306	Not rated
GNMA bonds US Government guaranteed	1-23 years	529,629	N/A
Municipal bonds	2042	74,435	AAA
Kent County Pool	N/A	<u>723,620</u>	Not rated
<b>Total</b>		<u><b>\$1,437,990</b></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, 2018

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, 2018, 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	18%	0-3
Certificates of deposits	67%	0-3
Deposits, money markets and other pools	15%	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 \$1,437,990 of investments, the City has a custodial credit risk of \$714,370 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 \$723,620 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, 2018

### 4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2018 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>			<u>Total</u>
	<u>General fund</u>	<u>Equipment Fund</u>	<u>Nonmajor governmental</u>	
General fund	\$ -	\$35,000	\$480,046	\$515,046
Light and power	370,603	-	-	370,603
<b>Total</b>	<b>\$370,603</b>	<b>\$35,000</b>	<b>\$480,046</b>	<b>\$885,649</b>

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 \$33,038.

### 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 568,460	\$ -	\$ -	\$ 568,460
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	568,460	-	-	568,460
<b>Capital assets, being depreciated</b>				
Land improvements	4,011,694	223,536	-	4,235,230
Buildings	7,205,968	-	-	7,205,968
Equipment	1,547,988	56,600	-	1,604,588
Other improvements	324,934	12,000	-	336,934
Total capital assets, being depreciated	13,090,584	292,136	-	13,382,720
Less accumulated depreciation for				
Land improvements	839,930	200,896	-	1,040,826
Buildings	2,570,258	140,811	-	2,711,069
Equipment	859,807	153,256	-	1,013,063
Other improvements	53,695	13,669	-	67,364
Total accumulated depreciation	4,323,690	508,632	-	4,832,322
<b>Net capital assets, being depreciated</b>	<b>8,766,894</b>	<b>(216,496)</b>	<b>-</b>	<b>8,550,398</b>
<b>Governmental Activities capital assets, net</b>	<b>\$9,335,354</b>	<b>\$(216,496)</b>	<b>\$ -</b>	<b>\$9,118,858</b>

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 372,618	\$ -	\$ -	\$ 372,618
Construction in progress	75,933	562,017	247,505	390,445
Total capital assets, not being depreciated	448,551	562,017	247,505	763,063
<b>Capital assets being depreciated</b>				
Land improvements	679,643	654,806	-	1,334,449
Buildings	6,368,083	5,570	-	6,373,653
Plant and equipment	23,674,434	1,064,272	4,059,618	20,679,088
Other improvements	7,432,486	955,916	-	8,388,402
Total capital assets, being depreciated	38,154,646	2,680,564	4,059,618	36,775,592
Less accumulated depreciation for				
Land improvements	244,073	20,005	-	264,078
Buildings	5,915,321	41,173	-	5,956,494
Plant and equipment	13,666,097	704,423	3,463,838	10,906,682
Other improvements	2,772,804	163,478	-	2,936,282
Total accumulated depreciation	22,598,295	929,079	3,463,838	20,063,536
<b>Net capital assets, being depreciated</b>	15,556,351	1,751,485	595,780	16,712,056
<b>Business-type Activities capital assets, net</b>	<b>\$16,004,902</b>	<b>\$2,313,502</b>	<b>\$843,285</b>	<b>\$17,475,119</b>
<b>Component Unit</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 225,520	\$ -	\$ -	\$ 225,520
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	225,520	-	-	225,520
<b>Capital assets being depreciated</b>				
Land improvements	1,433,810	81,426	-	1,515,236
Plant and equipment	30,253	-	-	30,253
Other improvements	148,744	28,201	-	176,945
Total capital assets, being depreciated	1,612,807	109,627	-	1,722,434
Less accumulated depreciation for				
Land improvements	473,748	48,221	-	521,969
Plant and equipment	19,229	1,003	-	20,232
Other improvements	58,925	7,210	-	66,135
Total accumulated depreciation	551,902	56,434	-	608,336
<b>Net capital assets, being depreciated</b>	1,060,905	53,193	-	1,114,098
<b>Component Unit capital assets, net</b>	<b>\$1,286,425</b>	<b>\$53,193</b>	<b>\$ -</b>	<b>\$1,339,618</b>

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

<b>Governmental Activities</b>	
General government	\$ 78,283
Public safety	78,284
Public works and streets	225,098
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>126,967</u>
<b>Total depreciation expense - governmental activities</b>	<u><b>\$508,632</b></u>
<b>Business-type Activities</b>	
Sewer	\$ 97,242
Water	135,117
Light and power	683,148
Nonmajor enterprise funds	<u>13,572</u>
<b>Total depreciation expense - business- type activities</b>	<u><b>\$929,079</b></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](http://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, 2017):

Active plan members	34
Inactive employees entitled but not yet receiving benefits	8
Inactive employees or beneficiaries currently receiving benefits	<u>35</u>
<b>Total</b>	<u><b>77</b></u>

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was from 0 to 22.7% 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, 2017, 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, 2076 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: 8%

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2016	\$14,223,997	\$8,745,794	\$5,478,203
Changes for the Year:			
Service cost	226,646	-	226,646
Interest	1,111,041	-	1,111,041
Change in benefits	-	-	-
Differences between expected and actual experience	7,653	-	7,653
Change in assumptions	-	-	-
Contributions: employer	-	478,711	(478,711)
Contributions: employee	-	88,435	(88,435)
Net investment Income	-	1,135,449	(1,135,449)
Benefit payments, including refunds	(898,605)	(898,605)	-
Administrative expense	-	(18,000)	18,000
Other changes	-	-	-
Net changes	446,735	785,990	(339,255)
Balance at December 31, 2017	\$14,670,732	\$9,531,784	\$5,138,948

#### 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	\$16,260,602	\$14,670,732	\$13,319,191
Fiduciary Net Position	9,531,784	9,531,784	9,531,784
Net Pension Liability	\$ 6,728,818	\$ 5,138,948	\$ 3,787,407



# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

#### Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2018 the employer recognized pension expense of \$718,927. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Differences in experience	\$ 63,015
Differences in assumptions	158,175
(Excess) deficit investment returns	(172,264)
Contributions subsequent to the measurement date*	<u>242,710</u>
Total	<u>\$291,636</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 2019.

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	\$282,009
2020	677
2021	(143,807)
2022	(89,953)
2023	-
Thereafter	<u>-</u>
Total	<u>\$48,926</u>

#### 7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2018:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
\$495,000 2002 transportation fund improvement bonds; due in annual installments of \$25,000 to \$45,000 through August 2017; plus interest at 2.0% to 4.8%	\$ 45,000	\$ -	\$ 45,000	\$ -	\$ -
\$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%	75,000	-	25,000	50,000	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%	3,795,000	-	175,000	3,620,000	185,000

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
2015 Act 99 installment purchase with annual payments of \$9,460 through May 1, 2024, including interest at 2.55%	\$ 66,220	\$ -	\$ 9,460	\$ 56,760	\$ 9,460
2016 Act 99 installment purchase with annual payments of \$19,113 through April 1, 2021, plus interest at 1.55%	76,452	-	19,113	57,339	19,113
2016 Act 99 installment purchase with annual payments of \$14,674 through April 1, 2021, plus interest at 1.55%	58,696	-	14,674	44,022	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%	179,000	-	34,147	144,853	35,230
2017 Act 99 installment purchase with annual payments of \$7,898 to \$9,142 through June 30, 2022, plus interest at 1.80%	43,500	-	6,368	37,132	8,662
Total long-term debt	4,338,868	-	328,762	4,010,106	297,139
Unamortized refunding charge	(67,179)	-	(7,042)	(60,137)	-
Accrued employee benefits	57,288	-	2,271	55,017	-
<b>Total Governmental Activities</b>	<b><u>\$4,328,977</u></b>	<b><u>\$ -</u></b>	<b><u>\$323,991</u></b>	<b><u>\$4,004,986</u></b>	<b><u>\$297,139</u></b>
<b>Business-type Activities</b>					
\$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%	\$2,915,000	\$ -	\$235,000	\$2,680,000	\$240,000
2015 Act 99 installment purchase with monthly payments of \$1,306 through September 2017, including interest at 2.88%	3,897	-	3,897	-	-
2017 Act 99 installment purchase with monthly payments of \$10,594 through June 2022, including interest at 1.80%	605,500	-	115,507	489,993	119,172

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
\$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%	\$ 210,000	\$ -	\$ 110,000	\$ 100,000	\$100,000
\$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%	3,280,000	-	100,000	3,180,000	100,000
Total bonds	7,014,397	-	564,404	6,449,993	559,172
Bond premium	211,413	-	13,492	197,921	
Accrued employee benefits	34,685	-	6,272	28,413	-
<b>Total Business-type Activities</b>	<b>\$7,260,495</b>	<b>\$ -</b>	<b>\$ 584,168</b>	<b>\$6,676,327</b>	<b>\$559,172</b>
<b>Component Units</b>					
Accrued employee benefits	\$995	\$126	\$ -	\$1,121	\$ -

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits and unamortized refunding charge) as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 297,139	\$ 125,092	\$ 559,172	\$ 207,468
2020	302,940	118,601	466,350	196,509
2021	288,765	111,423	468,598	186,138
2022	267,342	103,818	480,873	175,248
2023	234,460	96,814	360,000	163,975
2024-2028	1,309,460	371,145	1,955,000	643,324
2029-2034	1,310,000	123,906	625,000	398,625
2035-2039	-	-	780,000	256,900
2040-2041			755,000	69,864
<b>Total</b>	<b>\$4,010,106</b>	<b>\$1,050,799</b>	<b>\$6,449,993</b>	<b>\$2,298,051</b>

The City is a party to certain agreements relating to Industrial Revenue and Economic Development bond issues. The agreements provide that the bonds are self-liquidating revenue bonds and are not obligations to the City. The bonds are collateralized by the private assets constructed with the bond proceeds and are guaranteed by the recipient corporations. The amount of such bonds outstanding at June 30, 2018 was \$770,000.

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

### 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) and Component Unit

##### **Plan Description**

The City maintains a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, 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.

##### **Benefits provided**

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

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2018):

Retirees and beneficiaries receiving benefits	5
Active plan members	37
	<hr/>
Total	42
	<hr/>

##### **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, 2018, 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, 2018 annual actuarial valuation was determined using 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%

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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 the results of the most recent actuarial experience study.

Discount rate. The discount rate used to measure the total OPEB liability is 3.0%. 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, 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. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. A discount rate is used of determine the total OPEB liability. June 30, 2018 is the first year of required compliance with GASB 75, so there is no required discount rate change to disclose.

#### Changes in the Net OPEB Liability

	<b>Total OPEB Liability (a)</b>
Balance at June 30, 2017	<u>\$855,134</u>
Changes for the Year:	
Service cost	54,970
Interest	26,232
Change in benefits	-
Differences between expected and actual experience	-
Change in assumptions	41,650
Contributions : employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(16,432)
Administrative expense	-
Other changes	-
Net changes	<u>106,420</u>
Balance at June 30, 2018	<u>\$961,554</u>

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### **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.

	<b>1% Decrease</b>	<b>Current Discount rate</b>	<b>1 % increase</b>
Total OPEB liability	\$992,311	\$961,554	\$916,589

#### **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.

	<b>1% Decrease</b>	<b>Current Healthcare rate</b>	<b>1 % increase</b>
Total OPEB liability	\$873,003	\$961,554	\$1,063,129

For the year ended June 30, 2018 the employer recognized OPEB expense of \$122,852.

#### **Light and Power Enterprise Fund**

##### ***Plan Description***

The Utility administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). In addition to the retirement benefits described in Note 6, 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.

##### ***Benefits provided***

In accordance with the collective bargaining agreements, 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, 2018):

Retirees and beneficiaries receiving benefits	13
Active plan members	21
Total	<u>34</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.

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### **Net OPEB Liability**

The employer's net OPEB liability was measured as of June 30, 2018, 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, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: implicit in expected payroll increases

Salary Increases: 3.0%

Discount rate: 2.7%

Healthcare cost trend rates: 3%

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

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

Discount rate. The discount rate used to measure the total OPEB liability is 2.7%. 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, 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. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. June 30, 2018 is the first year of required compliance with GASB 75, so there is no required discount rate change to disclose.

#### **Changes in the Net OPEB Liability**

	Increase (Decrease)
	Total OPEB Liability (a)
Balance at June 30, 2017	<u>\$1,352,377</u>
Changes for the Year:	
Service cost	60,317
Interest	37,328
Change in benefits	-
Differences between expected and actual experience	(126,352)
Change in assumptions	-
Contributions : employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(55,025)
Administrative expense	-
Other changes	-
Net changes	<u>(83,732)</u>
Balance at June 30, 2018	<u>\$1,268,645</u>

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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#### 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 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 Discount rate	1 % increase
Total OPEB liability	\$1,395,108	\$1,268,645	\$1,151,342

#### 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 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	\$1,136,185	\$1,268,645	\$1,426,411

For the year ended June 30, 2018 the employer recognized OPEB expense of \$(83,732).

## 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, 2018, the LLP recognized expenses totaling \$3,593,880 under the terms of the contract, which represented approximately \$757,068 for fixed operating costs, \$994,739 for debt service and \$1,842,072 for the purchase of power. Accounts payable to MPPA totaled \$377,137 at June 30, 2018. 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.



# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

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.

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

	<b><u>Campbell</u></b>	<b><u>Combustion Turbine</u></b>	<b><u>AFEC Project</u></b>
2018	\$500,491	\$ 135,345	\$ 18,369
2019	499,993	135,204	18,339
2020	500,437	135,416	18,344
2021	500,043	135,387	18,351
2022	-	135,000	18,342
2023-2027	-	441,234	91,738
2028-2032	-	-	91,760
2033-2037	-	-	91,705
2038-2043	-	-	91,718
<b>Total</b>	<b>\$2,000,964</b>	<b>\$1,117,586</b>	<b>\$458,666</b>

	<b><u>Campbell</u></b>	<b><u>Combustion Turbine</u></b>	<b><u>AFEC Project</u></b>
2018	\$419,438	\$ 130,681	\$ 32,183
2019	432,021	134,602	33,148
2020	444,982	138,640	34,143
2021	458,331	142,799	35,167
2022	472,081	147,083	36,222
2023-2027	-	150,000	198,078
2028-2032	-	824,821	229,627
2033-2037	-	-	266,200
2038-2042	-	-	308,599
2043	-	-	67,385
<b>Total</b>	<b>\$2,226,853</b>	<b>\$1,668,626</b>	<b>\$1,240,752</b>

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.

# CITY OF LOWELL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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### 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 .455MW of renewable energy from North American Natural Resources, Inc.

### 13. PRIOR PERIOD ADJUSTMENT

Beginning net position was decreased in accordance with the implementation of Governmental Accounting Standards Board Statement No, 75 (OPEB) as follows:

<u>Opinion Unit</u>	<u>Decrease in net position</u>
Sewer fund	\$ 32,246
Water fund	103,160
Light and Power fund	672,371
Business-type activities	807,777
Equipment fund	29,136
Governmental activities	509,938

Beginning net position of the sewer fund and the business-type activities were increased by \$380,021 to properly record capital assets purchased in prior years.

Beginning net position of the Light and Power fund and the business-type activities were decreased by \$9,370 to properly reflect receivable balances at July 1, 2017

Beginning fund balance of the Look Memorial fund and net position of the governmental activities were decreased by \$269,644 to remove funds held by the community foundation which has variance power over the funds.

Beginning fund balance of the LCTV endowment and net position of the governmental activities were decreased by \$2,541,240 to remove funds held by the community foundation which has variance power over the funds.

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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, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Taxes				
Property taxes	\$ 1,684,497	\$ 1,619,976	\$ 1,624,372	\$ 4,396
Intergovernmental revenues				
State	365,326	381,478	382,966	1,488
Local	160,872	160,872	163,790	2,918
Licenses and permits	40,100	41,400	45,307	3,907
Charges for services	72,500	92,300	110,159	17,859
Investment earnings	2,000	4,500	6,517	2,017
Contributions and donations	500	500	1,781	1,281
Miscellaneous	2,500	5,446	5,927	481
<b>Total revenues</b>	<b>2,328,295</b>	<b>2,306,472</b>	<b>2,340,819</b>	<b>34,347</b>
<b>Expenditures</b>				
Current				
General government	626,459	667,238	635,169	32,069
Public safety	895,940	914,155	940,925	(26,770)
Public works	330,770	291,920	212,426	79,494
Culture and recreation	302,670	293,793	282,520	11,273
Other functions	25,100	25,100	22,115	2,985
<b>Total expenditures</b>	<b>2,180,939</b>	<b>2,192,206</b>	<b>2,093,155</b>	<b>99,051</b>
<b>Revenues over (under) expenditures</b>	<b>147,356</b>	<b>114,266</b>	<b>247,664</b>	<b>133,398</b>
Other financing sources (uses)				
Transfers in	393,500	383,000	370,603	(12,397)
Transfers out	(511,046)	(515,046)	(515,046)	-
<b>Total other financing sources (uses)</b>	<b>(117,546)</b>	<b>(132,046)</b>	<b>(144,443)</b>	<b>(12,397)</b>
<b>Net changes in fund balance</b>	<b>29,810</b>	<b>(17,780)</b>	<b>103,221</b>	<b>121,001</b>
<b>Fund balance, beginning of year</b>	<b>821,998</b>	<b>821,998</b>	<b>821,998</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 851,808</b>	<b>\$ 804,218</b>	<b>\$ 925,219</b>	<b>\$ 121,001</b>

**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

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

**FOR THE YEAR ENDED JUNE 30, 2018**

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

**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, 2018**

<b>Fiscal Year end</b>	<b>Actuarial determined contributions</b>	<b>Contributions in relation to the actuarially determined contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered employee payroll</b>	<b>Contributions as a percentage of covered employee payroll</b>
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%

### **Notes to schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization per	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, 2018**

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 54,970
Interest	26,232
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	41,650
Benefit payments including employee refunds	(16,432)
Other	-
<b>Net change in total OPEB liability</b>	<b>106,420</b>
<b>Total OPEB liability, beginning of year</b>	<b>855,134</b>
<b>Total OPEB liability, end of year</b>	<b><u>\$ 961,554</u></b>
<b>Plan Fiduciary Net Position</b>	
Contributions-employer	\$ -
Contributions/benefit payments made from general operating funds	-
Net investment income	-
Benefit payments including employee refunds	-
Administrative expense	-
Other	-
<b>Net change in plan fiduciary net position</b>	<b>-</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>-</b>
<b>Plan fiduciary net position, end of year</b>	<b><u>\$ -</u></b>
<b>Employer net OPEB liability</b>	<b><u>\$ 961,554</u></b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0%</b>
<b>Covered employee payroll</b>	<b>\$ 1,303,483</b>
<b>Employer's net OPEB liability as a percentage of covered employee payroll</b>	<b>74%</b>

**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, 2018

Fiscal Year end	Actuarial 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%

### 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, 2018**

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 60,317
Interest	37,328
Changes in benefit terms	-
Difference between expected and actual experience	(126,352)
Changes in assumptions	-
Benefit payments including employee refunds	(55,025)
Other	-
<b>Net change in total OPEB liability</b>	<b>(83,732)</b>
<b>Total OPEB liability, beginning of year</b>	<b>1,352,377</b>
<b>Total OPEB liability, end of year</b>	<b><u>\$ 1,268,645</u></b>
 <b>Plan Fiduciary Net Position</b>	
Contributions-employer	\$ -
Contributions/benefit payments made from general operating funds	-
Net investment income	-
Benefit payments including employee refunds	-
Administrative expense	-
Other	-
<b>Net change in plan fiduciary net position</b>	<b>-</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>-</b>
<b>Plan fiduciary net position, end of year</b>	<b><u>\$ -</u></b>
 <b>Employer net OPEB liability</b>	 <b><u>\$ 1,268,645</u></b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	  0%
 <b>Covered employee payroll</b>	 <b>\$ 960,003</b>
 <b>Employer's net OPEB liability as a percentage of covered employee payroll</b>	  132%

**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, 2018**

<b>Fiscal Year end</b>	<b>Actuarial determined contributions</b>	<b>Contributions in relation to the actuarially determined contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered employee payroll</b>	<b>Contributions as a percentage of covered employee payroll</b>
6/30/2018	\$ 101,935	\$ 55,025	\$ 46,910	\$ 960,003	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	2.70%
Retirement age	MERS
Mortality	2014 CDC life tables

**Notes to schedule:**

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

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**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, 2018

	<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>
<b>Revenues</b>				
Taxes				
Property taxes	\$ 1,627,497	\$ 1,561,476	\$ 1,560,907	\$ (569)
Administrative fee, penalties and interest	57,000	58,500	63,465	4,965
	<u>1,684,497</u>	<u>1,619,976</u>	<u>1,624,372</u>	<u>4,396</u>
Licenses and permits				
Business	4,100	5,400	6,464	1,064
Cable tv franchise fees	36,000	36,000	38,843	2,843
	<u>40,100</u>	<u>41,400</u>	<u>45,307</u>	<u>3,907</u>
Intergovernmental				
Sales tax	360,326	376,478	378,993	2,515
Liquor licenses	5,000	5,000	3,973	(1,027)
Contributions from local units	11,600	11,600	14,514	2,914
Contributions from DDA	148,022	148,022	148,022	-
Other	1,250	1,250	1,254	4
	<u>526,198</u>	<u>542,350</u>	<u>546,756</u>	<u>4,406</u>
Charges for services				
Cemetery openings	5,000	11,500	10,953	(547)
Building inspections	7,000	8,000	9,360	1,360
Public safety	10,500	15,250	15,008	(242)
Planning and zoning	5,000	5,000	10,950	5,950
Tower and cable room leases	2,400	2,400	2,400	-
Other	42,600	50,150	61,488	11,338
	<u>72,500</u>	<u>92,300</u>	<u>110,159</u>	<u>17,859</u>
Investment income	2,000	4,500	6,517	2,017
Contributions and donations	500	500	1,781	1,281
Other miscellaneous	2,500	5,446	5,927	481
<b>Total revenues</b>	<u>2,328,295</u>	<u>2,306,472</u>	<u>2,340,819</u>	<u>34,347</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, 2018

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
<b>Expenditures</b>				
Current				
General government				
Council	\$ 16,141	\$ 18,141	\$ 16,929	\$ 1,212
City Manager	56,400	54,900	55,770	(870)
Elections	7,760	5,760	2,817	2,943
Assessor	54,000	55,000	54,843	157
City attorney	40,000	57,700	54,993	2,707
Clerk	117,620	121,420	128,367	(6,947)
Treasurer	98,478	98,478	86,838	11,640
City hall	170,970	177,749	149,336	28,413
Other	5,000	5,000	3,807	1,193
Planning	60,090	73,090	81,469	(8,379)
	<u>626,459</u>	<u>667,238</u>	<u>635,169</u>	<u>32,069</u>
Public safety				
Police department	676,280	694,859	726,785	(31,926)
Code enforcement	94,660	80,860	79,755	1,105
Fire department	125,000	120,485	116,591	3,894
Emergency management	-	17,951	17,794	157
	<u>895,940</u>	<u>914,155</u>	<u>940,925</u>	<u>(26,770)</u>
Public works				
Cemetery	124,485	132,485	129,981	2,504
Department of public works	179,900	153,450	80,132	73,318
Sidewalks	26,385	5,985	2,313	3,672
	<u>330,770</u>	<u>291,920</u>	<u>212,426</u>	<u>79,494</u>
Culture and recreation				
Parks	162,680	151,803	153,828	(2,025)
Showboat	8,100	8,100	6,082	2,018
Recreation contributions	2,500	2,500	2,000	500
Library	86,950	88,950	80,628	8,322
Historical district commission	165	165	164	1
Museum	42,275	42,275	39,818	2,457
	<u>302,670</u>	<u>293,793</u>	<u>282,520</u>	<u>11,273</u>
Other functions				
Economic development	21,100	21,100	18,774	2,326
Chamber/riverwalk	4,000	4,000	3,341	659
	<u>25,100</u>	<u>25,100</u>	<u>22,115</u>	<u>2,985</u>
<b>Total expenditures</b>	<u>2,180,939</u>	<u>2,192,206</u>	<u>2,093,155</u>	<u>99,051</u>
Revenues over (under) expenditures	<u>147,356</u>	<u>114,266</u>	<u>247,664</u>	<u>133,398</u>
<b>Other financing sources (uses)</b>				
Transfers in	393,500	383,000	370,603	(12,397)
Transfers out	(511,046)	(515,046)	(515,046)	-
Total other financing sources (uses)	<u>(117,546)</u>	<u>(132,046)</u>	<u>(144,443)</u>	<u>(12,397)</u>
Net changes in fund balances	29,810	(17,780)	103,221	121,001
<b>Fund balances, beginning of year</b>	<u>821,998</u>	<u>821,998</u>	<u>821,998</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 851,808</u>	<u>\$ 804,218</u>	<u>\$ 925,219</u>	<u>\$ 121,001</u>
				(concluded)



**CITY OF LOWELL**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2018**

	Special Revenue				
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Historic District Commission</u>	<u>Designated Contributions</u>	<u>LCTV Endowment</u>
<b>Assets</b>					
Cash and pooled investments	\$ 317,053	\$ 189,775	\$ 20,700	\$ 505,739	\$ 36,053
Investments	-	-	-	-	-
Due from other governments	49,948	17,965	-	-	-
<b>Total assets</b>	<u>\$ 367,001</u>	<u>\$ 207,740</u>	<u>\$ 20,700</u>	<u>\$ 505,739</u>	<u>\$ 36,053</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 116,202	\$ 8,998	\$ 2,426	\$ 1,080	\$ -
Accrued liabilities	392	3,786	-	-	-
Unearned revenue	-	-	-	418,089	-
<b>Total liabilities</b>	<u>116,594</u>	<u>12,784</u>	<u>2,426</u>	<u>419,169</u>	<u>-</u>
<b>Fund balances</b>					
Nonspendable					
Permanent fund corpus	-	-	-	-	-
Restricted					
Streets	250,407	194,956	-	-	-
Historic District Commission	-	-	18,274	-	-
Cemetery operations and maintenance	-	-	-	-	-
City enhancement	-	-	-	86,570	-
Debt service	-	-	-	-	-
Committed					
City enhancement	-	-	-	-	-
Assigned					
City enhancement	-	-	-	-	36,053
<b>Total fund balances</b>	<u>250,407</u>	<u>194,956</u>	<u>18,274</u>	<u>86,570</u>	<u>36,053</u>
<b>Total liabilities and fund balances</b>	<u>\$ 367,001</u>	<u>\$ 207,740</u>	<u>\$ 20,700</u>	<u>\$ 505,739</u>	<u>\$ 36,053</u>

		<b>Debt Service</b>		<b>Permanent</b>			
<b>Lee Memorial</b>	<b>Look Memorial</b>	<b>Building Authority</b>	<b>Cemetery Perpetual Care</b>	<b>Carr I Memorial</b>	<b>Carr II Memorial</b>	<b>Total</b>	
\$ 2,467	\$ 95,625	\$ 3,254	\$ 381,611	\$ 20,388	\$ 71,431	\$ 1,644,096	
215,463	280,266	-	-	-	-	495,729	
-	-	-	-	-	-	67,913	
<u>\$ 217,930</u>	<u>\$ 375,891</u>	<u>\$ 3,254</u>	<u>\$ 381,611</u>	<u>\$ 20,388</u>	<u>\$ 71,431</u>	<u>\$ 2,207,738</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,706	
-	-	-	-	-	-	4,178	
-	-	-	-	-	-	418,089	
-	-	-	-	-	-	550,973	
-	-	-	347,792	20,000	69,758	437,550	
-	-	-	-	-	-	445,363	
-	-	-	-	-	-	18,274	
-	-	-	33,819	-	-	33,819	
201,194	275,876	-	-	388	1,673	565,701	
-	-	3,254	-	-	-	3,254	
10,486	97,717	-	-	-	-	108,203	
6,250	2,298	-	-	-	-	44,601	
<u>217,930</u>	<u>375,891</u>	<u>3,254</u>	<u>381,611</u>	<u>20,388</u>	<u>71,431</u>	<u>1,656,765</u>	
<u>\$ 217,930</u>	<u>\$ 375,891</u>	<u>\$ 3,254</u>	<u>\$ 381,611</u>	<u>\$ 20,388</u>	<u>\$ 71,431</u>	<u>\$ 2,207,738</u>	

# CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue				
	Major Streets	Local Streets	Historic District Commission	Designated Contributions	LCTV Endowment
<b>Revenues</b>					
Intergovernmental revenues					
State	\$ 283,081	\$ 110,306	\$ 50,000	\$ 81,911	\$ -
Local	-	-	-	28,000	-
Charges for services	-	-	-	-	-
Investment earnings	835	59	105	-	-
Contributions and donations	-	-	-	8,160	123,046
Miscellaneous	7,452	35,331	-	4,720	-
<b>Total revenues</b>	<u>291,368</u>	<u>145,696</u>	<u>50,105</u>	<u>122,791</u>	<u>123,046</u>
<b>Expenditures</b>					
Current					
General government	-	-	75,887	2,839	118,046
Culture and recreation	-	-	-	98,055	-
Highways and streets	276,301	169,325	-	-	-
Debt Service					
Principal	-	70,000	-	-	-
Interest	-	4,508	-	-	-
<b>Total expenditures</b>	<u>276,301</u>	<u>243,833</u>	<u>75,887</u>	<u>100,894</u>	<u>118,046</u>
Revenues over (under) expenditures	15,067	(98,137)	(25,782)	21,897	5,000
Other financing sources (uses)					
Transfers in	-	180,000	-	4,000	-
Total other financing sources (uses)	-	180,000	-	4,000	-
Net changes in fund balances	15,067	81,863	(25,782)	25,897	5,000
<b>Fund balances, beginning of year</b>	<u>235,340</u>	<u>113,093</u>	<u>44,056</u>	<u>60,673</u>	<u>31,053</u>
<b>Fund balances, end of year</b>	<u>\$ 250,407</u>	<u>\$ 194,956</u>	<u>\$ 18,274</u>	<u>\$ 86,570</u>	<u>\$ 36,053</u>

		<b>Debt Service</b>		<b>Permanent</b>			
<b><u>Lee Memorial</u></b>	<b><u>Look Memorial</u></b>	<b><u>Building Authority</u></b>	<b><u>Cemetery Perpetual Care</u></b>	<b><u>Carr I Memorial</u></b>	<b><u>Carr II Memorial</u></b>	<b><u>Total</u></b>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	525,298
-	-	-	-	-	-	-	28,000
-	-	-	9,750	-	-	-	9,750
421	2,167	-	1,178	63	222	-	5,050
-	-	-	-	-	-	-	131,206
-	-	-	-	-	-	-	47,503
<u>421</u>	<u>2,167</u>	<u>-</u>	<u>10,928</u>	<u>63</u>	<u>222</u>	<u>-</u>	<u>746,807</u>
-	-	-	-	-	-	-	196,772
-	326,250	-	-	-	-	-	424,305
-	-	-	-	-	-	-	445,626
-	-	175,000	-	-	-	-	245,000
-	-	<u>121,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,753</u>
-	<u>326,250</u>	<u>296,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,437,456</u>
421	(324,083)	(296,245)	10,928	63	222	-	(690,649)
-	-	<u>296,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,046</u>
-	-	<u>296,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,046</u>
421	(324,083)	(199)	10,928	63	222	-	(210,603)
<u>217,509</u>	<u>699,974</u>	<u>3,453</u>	<u>370,683</u>	<u>20,325</u>	<u>71,209</u>	<u>-</u>	<u>1,867,368</u>
<u>\$ 217,930</u>	<u>\$ 375,891</u>	<u>\$ 3,254</u>	<u>\$ 381,611</u>	<u>\$ 20,388</u>	<u>\$ 71,431</u>	<u>\$</u>	<u>1,656,765</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, 2018

	<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>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 208,000	\$ 223,500	\$ 283,081	\$ 59,581
Investment earnings	200	200	835	635
Miscellaneous	200	200	7,452	7,252
<b>Total revenues</b>	208,400	223,900	291,368	67,468
<b>Expenditures</b>				
Current				
Highways and streets	246,790	225,340	276,301	(50,961)
Net changes in fund balance	(38,390)	(1,440)	15,067	16,507
<b>Fund balance, beginning of year</b>	235,340	235,340	235,340	-
<b>Fund balance, end of year</b>	<u>\$ 196,950</u>	<u>\$ 233,900</u>	<u>\$ 250,407</u>	<u>\$ 16,507</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, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 80,000	\$ 107,000	\$ 110,306	\$ 3,306
Investment earnings	-	-	59	59
Miscellaneous	-	-	35,331	35,331
<b>Total revenues</b>	<u>80,000</u>	<u>107,000</u>	<u>145,696</u>	<u>38,696</u>
<b>Expenditures</b>				
Current				
Highways and streets	171,250	203,002	169,325	33,677
Debt service				
Principal	70,000	70,000	70,000	-
Interest	5,205	5,205	4,508	697
<b>Total expenditures</b>	<u>246,455</u>	<u>278,207</u>	<u>243,833</u>	<u>34,374</u>
Revenues over (under) expenditures	(166,455)	(171,207)	(98,137)	73,070
Other financing sources (uses)				
Transfers in	180,000	180,000	180,000	-
<b>Total other financing sources (uses)</b>	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Net changes in fund balance	13,545	8,793	81,863	73,070
<b>Fund balance, beginning of year</b>	<u>113,093</u>	<u>113,093</u>	<u>113,093</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 126,638</u>	<u>\$ 121,886</u>	<u>\$ 194,956</u>	<u>\$ 73,070</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, 2018***

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	<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>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Investment earnings	100	100	105	5
<b>Total revenues</b>	50,100	50,100	50,105	5
<b>Expenditures</b>				
Current				
General government	50,000	75,000	75,887	(887)
Net changes in fund balance	100	(24,900)	(25,782)	(882)
<b>Fund balance, beginning of year</b>	44,056	44,056	44,056	-
<b>Fund balance, end of year</b>	<u>\$ 44,156</u>	<u>\$ 19,156</u>	<u>\$ 18,274</u>	<u>\$ (882)</u>

# CITY OF LOWELL

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<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>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ -	\$ 500,000	\$ 81,911	\$ (418,089)
Local	-	28,000	28,000	-
Contributions and donations	5,700	13,160	8,160	(5,000)
Miscellaneous	-	(4,720)	4,720	9,440
<b>Total revenues</b>	<u>5,700</u>	<u>536,440</u>	<u>122,791</u>	<u>(413,649)</u>
<b>Expenditures</b>				
Current				
General government	700	2,397	2,839	(442)
Culture and recreation	<u>5,000</u>	<u>540,000</u>	<u>98,055</u>	<u>441,945</u>
<b>Total expenditures</b>	<u>5,700</u>	<u>542,397</u>	<u>100,894</u>	<u>441,503</u>
Revenues over (under) expenditures	-	(5,957)	21,897	27,854
Other financing sources (uses)				
Transfers in	-	<u>4,000</u>	<u>4,000</u>	-
Net changes in fund balance	-	(1,957)	25,897	27,854
<b>Fund balance, beginning of year</b>	<u>60,673</u>	<u>60,673</u>	<u>60,673</u>	-
<b>Fund balance, end of year</b>	<u>\$ 60,673</u>	<u>\$ 58,716</u>	<u>\$ 86,570</u>	<u>\$ 27,854</u>



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

**FOR THE YEAR ENDED JUNE 30, 2018**

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	<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>
<b>Revenues</b>				
Contributions and donations	\$ 133,000	\$ 112,093	\$ 123,046	\$ 10,953
<b>Expenditures</b>				
Current				
General government	<u>133,000</u>	<u>112,093</u>	<u>118,046</u>	<u>(5,953)</u>
Net changes in fund balance	-	-	5,000	5,000
<b>Fund balance, beginning of year, as restated</b>	<u>31,053</u>	<u>31,053</u>	<u>31,053</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 31,053</u>	<u>\$ 31,053</u>	<u>\$ 36,053</u>	<u>\$ 5,000</u>

# CITY OF LOWELL

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

FOR THE YEAR ENDED JUNE 30, 2018

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	<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>
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 421	\$ 421
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Net changes in fund balance	-	-	421	421
<b>Fund balance, beginning of year</b>	<u>217,509</u>	<u>217,509</u>	<u>217,509</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 217,509</u>	<u>\$ 217,509</u>	<u>\$ 217,930</u>	<u>\$ 421</u>

# CITY OF LOWELL

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

**FOR THE YEAR ENDED JUNE 30, 2018**

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	<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>
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 2,167	\$ 2,167
<b>Expenditures</b>				
Current				
Culture and recreation	-	-	326,250	(326,250)
Net changes in fund balance	-	-	(324,083)	(324,083)
<b>Fund balance, beginning of year, as restated</b>	<u>699,974</u>	<u>699,974</u>	<u>699,974</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 699,974</u>	<u>\$ 699,974</u>	<u>\$ 375,891</u>	<u>\$ (324,083)</u>

**CITY OF LOWELL**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Data</b>		
<b>Assets</b>	<b><u>Processing</u></b>	<b><u>Equipment</u></b>	<b><u>Total</u></b>
Current assets			
Cash and pooled investments	\$ 33,024	\$ 93,653	\$ 126,677
Inventory	<u>-</u>	<u>4,949</u>	<u>4,949</u>
Total current assets	33,024	98,602	131,626
Capital assets			
Capital assets, net	<u>85,869</u>	<u>457,481</u>	<u>543,350</u>
<b>Total assets</b>	<u>118,893</u>	<u>556,083</u>	<u>674,976</u>
<b>Deferred outflows of resources</b>			
Pension related	<u>-</u>	<u>4,482</u>	<u>4,482</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	6,139	1,920	8,059
Accrued liabilities	-	2,857	2,857
Current portion of long-term debt	<u>-</u>	<u>87,139</u>	<u>87,139</u>
Total current liabilities	<u>6,139</u>	<u>91,916</u>	<u>98,055</u>
Long-term liabilities			
Compensated absences	-	2,018	2,018
Long-term debt, net of current portion	-	252,967	252,967
Net pension liability	-	80,771	80,771
Net OPEB obligation	<u>-</u>	<u>39,125</u>	<u>39,125</u>
Total long-term liabilities	<u>-</u>	<u>374,881</u>	<u>374,881</u>
<b>Total liabilities</b>	<u>6,139</u>	<u>466,797</u>	<u>472,936</u>
<b>Net position</b>			
Net investment in capital assets	85,869	117,375	203,244
Unrestricted	<u>26,885</u>	<u>(23,607)</u>	<u>3,278</u>
<b>Total net position</b>	<u>\$ 112,754</u>	<u>\$ 93,768</u>	<u>\$ 206,522</u>

**CITY OF LOWELL**

**INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES**

**AND CHANGES IN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Data</u> <u>Processing</u>	<u>Equipment</u>	<u>Total</u>
<b>Operating revenue</b>			
Charges for services	\$ 82,730	\$ 214,513	\$ 297,243
<b>Total operating revenue</b>	<u>82,730</u>	<u>214,513</u>	<u>297,243</u>
<b>Operating expense</b>			
Administrative and general			
Personnel services	-	72,975	72,975
Supplies	24,739	25,548	50,287
Services and other charges	47,652	33,661	81,313
Depreciation	<u>18,797</u>	<u>108,170</u>	<u>126,967</u>
<b>Total operating expense</b>	<u>91,188</u>	<u>240,354</u>	<u>331,542</u>
Operating income (loss)	<u>(8,458)</u>	<u>(25,841)</u>	<u>(34,299)</u>
Non-operating revenue (expense)			
Interest income	86	234	320
Interest expense	<u>-</u>	<u>(9,838)</u>	<u>(9,838)</u>
Total non-operating revenue (expense)	<u>86</u>	<u>(9,604)</u>	<u>(9,518)</u>
Income (loss) before transfers and capital items	(8,372)	(35,445)	(43,817)
Transfers and capital			
Transfers in	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Changes in net position	(8,372)	(445)	(8,817)
<b>Net position, beginning of year</b>	<u>121,126</u>	<u>94,213</u>	<u>215,339</u>
<b>Net position, end of year</b>	<u>\$ 112,754</u>	<u>\$ 93,768</u>	<u>\$ 206,522</u>

**CITY OF LOWELL**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Data</u> <u>Processing</u>	<u>Equipment</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from internal services provided	\$ 82,730	\$ 214,513	\$ 297,243
Payments to employees	-	(69,173)	(69,173)
Payments to suppliers	(90,489)	(62,713)	(153,202)
<b>Net cash provided by (used in) operating activities</b>	(7,759)	82,627	74,868
<b>Cash flows from non-capital financing activities</b>			
Transfers in	-	35,000	35,000
<b>Cash flows from capital and related financing activities</b>			
Principal paid on long-term debt	-	(83,762)	(83,762)
Interest expense	-	(9,838)	(9,838)
Acquisitions of capital assets	(24,148)	(27,052)	(51,200)
<b>Net cash provided by (used in) capital and related financing activities</b>	(24,148)	(120,652)	(144,800)
<b>Cash flows from investing activities</b>			
Interest income	86	234	320
<b>Net increase (decrease) in cash and pooled investments</b>	(31,821)	(2,791)	(34,612)
<b>Cash and pooled investments, beginning of year</b>	64,845	96,444	161,289
<b>Cash and pooled investments, end of year</b>	<u>\$ 33,024</u>	<u>\$ 93,653</u>	<u>\$ 126,677</u>
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ (8,458)	\$ (25,841)	\$ (34,299)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	18,797	108,170	126,967
Deferred outflows of resources	-	11,399	11,399
Net OPEB obligation	-	2,418	2,418
Net pension liability	-	(11,634)	(11,634)
Change in operating assets and liabilities which provided (used) cash			
Inventory	-	(509)	(509)
Accounts payable	(18,098)	(2,995)	(21,093)
Accrued liabilities	-	1,929	1,929
Compensated absences	-	(310)	(310)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (7,759)</u>	<u>\$ 82,627</u>	<u>\$ 74,868</u>

**CITY OF LOWELL**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**COMBINING BALANCE SHEET/STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Fund Type General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>			
Cash and pooled investments	\$ 273,119	\$ -	\$ 273,119
Capital assets			
Land	-	225,520	225,520
Depreciable capital assets, net	-	1,114,098	1,114,098
<b>Total assets</b>	<u>\$ 273,119</u>	<u>1,339,618</u>	<u>1,612,737</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 10,196	-	10,196
Accrued liabilities	2,454	-	2,454
Noncurrent liabilities			
Compensated absences	-	1,121	1,121
<b>Total liabilities</b>	12,650	<u>1,121</u>	<u>13,771</u>
<b>Fund balances</b>			
Unassigned	<u>260,469</u>		
<b>Total liabilities and fund balances</b>	<u>\$ 273,119</u>		
<b>Net position</b>			
Net investment in capital assets			1,339,618
Unrestricted			<u>259,348</u>
<b>Total net position</b>			<u>\$ 1,598,966</u>
<b>Reconciliation of fund balances to net position</b>			
<b>Fund balances of governmental funds</b>			\$ 260,469
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)			1,114,098
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Deduct - compensated absences			<u>(1,121)</u>
<b>Net position of governmental activities</b>			<u>\$ 1,598,966</u>

**CITY OF LOWELL**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE/STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Governmental Fund Type General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Taxes	\$ 478,785	\$ -	\$ 478,785
Intergovernmental revenues			
Investment earnings	1,401	-	1,401
Miscellaneous	<u>73</u>	<u>-</u>	<u>73</u>
<b>Total revenues</b>	<u>480,259</u>	<u>-</u>	<u>480,259</u>
<b>Expenditures/expenses</b>			
Current			
General government	<u>455,704</u>	<u>(53,067)</u>	<u>402,637</u>
<b>Total expenditures/expenses</b>	<u>455,704</u>	<u>(53,067)</u>	<u>402,637</u>
Net changes in fund balance	24,555	<u>(24,555)</u>	
Change in net position			77,622
<b>Fund balance/net position, beginning of year</b>	<u>235,914</u>		<u>1,521,344</u>
<b>Fund balance/net position, end of year</b>	<u>\$ 260,469</u>		<u>\$ 1,598,966</u>
<b>Reconciliation of change in fund balances to change in net position</b>			
<b>Net change in fund balances of governmental funds</b>			\$ 24,555
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.			
Add - capital outlay			109,627
Deduct - depreciation expense			(56,434)
Certain liabilities are not expected to be liquidated with expendable available financial resources and are not report in the funds			
Add - decrease in compensated absences			<u>(126)</u>
<b>Change in net position of governmental activities</b>			<u>\$ 77,622</u>