LOWELL, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Vredeveld Haefner LLC
CPAs and Consultants

LOWELL LIGHT & POWER

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INDEPENDENT AUDITORS' REPORT

September 30, 2022

Members of the Board
Lowell Light & Power
Lowell, Michigan

Opinions

We have audited the accompanying financial statements of Lowell Light & Power, (an enterprise fund of the City of Lowell, Michigan), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Lowell Light & Power's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lowell Light & Power, (an enterprise fund of the City of Lowell, Michigan),as of June 30, 2022, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lowell, Michigan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in note 1, the financial statements present only the Lowell Light & Power enterprise fund and do not purport to, and do not present fairly the financial position of the City of Lowell, Michigan, or the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lowell Light & Power's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the pension and OPEB schedules on pages 29 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowell Light & Power enterprise fund financial statements as a whole. The schedule of operating revenues and expenses is presented for purposes of additional analysis and is not a required part of the fund financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the fund financial statements. The information has been subjected to the auditing procedures applied in the audit of the fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the fund financial statements or to the fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating revenues and expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vredeveld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Lowell Light and Power (the "LLP"), we offer readers of LLP's financial statements this narrative overview and analysis of the financial activities of LLP for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- LL&P sold approximately 3.2 million kWh's more than they did in FY 2021. This increase is due to increased sales within residential, commercial, and industrial rate classes. This is approximately a 3.9% increase in kWh sales. As a result of the increased sales, LL&P saw an increase in sales revenue of approximately $380,000. This is approximately a 4.5% increase in electric sales revenue as compared to FY 2021.
- Purchased power expenses increased by $906,649, or 21.6%, compared to FY 2021. Purchased power expenses increased due to a variety of influences on the energy industry which caused upward pressure on energy costs.
- Distribution expenses were down $41,500, or 7%, from FY 2021. This reduction is partially due to providing mutual aid assistance to other utilities, reducing LL&P's labor expenses. With rising purchase power expenses, LL&P took a more conservative spending approach as well.
- Generation Expenses were down approximately $20,600, or 6.72%, from FY 2021. This decrease is due to conservative spending practices and the Generation Superintendent's involvement in the capital project to upgrade the substation relays and metering.
- Net Income for the year was $170,249.
- Year-end write-offs totaled $440, which represents 0.00511% of FY 2021's total electric sales and late fees. This is a $259 decrease from the previous fiscal year. LL&P continues to work diligently to proactively control bad debt through procedures and working with customers.
- In July 2021, LL&P received the second payment on the loan that was issued to the Lowell Downtown Development Authority in January 2020. The payment was for $32,422.67 plus accrued interest. The remaining principal balance is $99,577.
- LL&P's total deposits and investments remained relatively consistent with a decrease of approximately $24,984.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to LLP's financial statements. LLP's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The *statement of net position* presents information on all of LLP'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 LLP is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how LLP'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, accrued interest, etc.).

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes this management's discussion and analysis and benefit plan trend information. This report also includes other supplementary information made up of the schedule of operating revenues and expenses.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of LLP, assets exceeded liabilities by $10,449,276 at the close of the most recent fiscal year.

A portion of LLP's net position reflects unrestricted net position which is available for future operations while a more significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. LLP uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although LLP'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.

Net Position

	2022	2021
Current and other assets	$ 5,941,639	$5,117,875
Capital assets	12,574,189	12,052,022
Total assets	18,515,828	17,169,897
Deferred outflows	424,495	69,345
Other liabilities	1,473,532	1,442,963
Long-term liabilities outstanding	5,956,481	5,651,941
Total liabilities	7,430,013	7,094,904
Deferred inflows	1,061,034	-
Net position		
Net investment in capital assets	9,884,189	9,335,298
Restricted	243,355	239,015
Unrestricted	321,732	570,025
Total net position	$10,449,276	$10,144,338

The total net position of LLP at June 30, 2022 is $10,449,276, however, $9,884,189 represents net investment in capital assets including infrastructure. Total net position increased by $170,249 for the year ended June 30, 2022 as LLP charges exceeded expenses and transfers out.

Changes in Net Position

	2022	2021
Operating revenue	$9,139,780	$8,727,533
Operating expenses	8,562,477	7,775,152
Operating income (loss)	577,303	952,381
Nonoperating revenue (expense)	(17,860)	(47,528)
Income (loss) before transfers and grants	559,443	904,853
Transfers and grants	(389,194)	(373,356)
Change in net position	170,249	531,497
Net position-beginning of year	10,279,027	9,612,841
Net position-end of year	$10,449,276	$10,144,338

Beginning net position at July, 1 2021 was restated to reflect the deferred outflow relating to GASB Statement Number 83 recognition of asset retirement obligations.

Capital Asset and Debt Administration

Capital assets. LLP's investment in capital assets as of June 30, 2022, amounted to $12,574,189 (net of accumulated depreciation).

LLP's capital assets (net of depreciation) are summarized as follows:

Capital Assets

	Total
Land	$ 259,157
Construction in progress	2,524,181
Vehicles, plant and equipment, net	9,790,851
Total	**$12,574,189**

Capital asset highlights for the year include the following:

Capital Asset Highlights

- During FY 2022, LL&P worked on converting voltage on circuit #205. This is a continuation from FY 2021 and the project is one of LL&P's System Infrastructure Improvement Plan projects. The project started the year with a balance of $1,187,086, and LL&P spent an additional $113,655 in FY 2022, bring the ongoing project total to $1,300,741. A small portion of this project remains and is anticipated to be completed in FY 2023.
- LL&P was awarded the bid to provide electric service to Stony Bluff Phase 4, a residential development. LL&P spent $32,664 to install electrical infrastructure in Stony Bluff Phase 4. This project will add approximately 25 new residential services. As of the end of FY 2022, no new homes have been started yet. LL&P's installation of infrastructure in Stony Bluff Phase 4 will continue into FY 2023.

- LL&P was awarded the bid to provide electric service to Harvest Meadows Phase 3, a residential development. LL&P spent $41,971 to install electric infrastructure in Harvest Meadows Phase 3. This project will add approximately 25 new residential services.
- LL&P completed the third of three major renovation projects at the Energy Center in FY 2022. The FY 2022 project included a complete renovation of the parking area of the Energy Center. This project addressed major storm water issues that resulted in a flooded parking lot during large rain events. In addition to the $995,000 draw down revenue bond that was used to fund the three Energy Center renovation projects, LL&P spent $142,535 during FY 2022 to complete the renovation projects.
- During FY 2022, LL&P completed a substation capital project to replace and update the metering and relays at the substation. The total cost for the project was $122,585.
- In July 2021, LL&P approved the purchase of two (2) Chevy Silverado 2500 pickup trucks. With extended lead times, one truck was received in FY 2022 but LL&P did not receive an invoice for the truck in FY 2022. LL&P anticipates receiving the second truck and an invoice for both trucks in FY 2023. The purchase price for each truck is $41,346.95 or $82,693.90 for both.
- In May 2022, LL&P approved the purchase of a new Altec Model AA55E bucket truck. The quoted price for the bucket truck is $230,475 to be adjusted at the time of manufacturing. LL&P does not anticipate receiving this truck until FY 2026.
- In April 2022, LL&P purchased and received a new Morbark Eeger Beever 1621X Brush Chipper for the price of $76,050.22.

Additional information on LLP's capital assets can be found in Note 3 of these financial statements.

Debt. At the end of the current fiscal year, LLP had total long-term obligations outstanding as follows:

Debt

	Total
Compensated absences	$ 33,964
Long-term debt payable	2,690,000
Total	**$2,723,964**

Debt highlights for the year include the following:

- The $995,000 draw down revenue bond that was issued in FY 2021 was fully drawn down during FY 2022. The draw down revenue bond was issued in order to complete the renovations at the Energy Center. LL&P will make annual principal payments and will make the final payment in FY 2028.
- LL&P's annual bond payment for the Series 2012 Refunding Bond was made in the amount of $255,000, lowering the total principal outstanding to $1,695,000. The final payment will be in July of 2027.
- LL&P made its final monthly payment totaling $125,873 during FY 2022 for the five-year installment purchase agreement for a natural gas compressor. The final payment was made in June 2022.
- LL&P made its final principal payment of $165,851 for the three-year installment purchase agreement for upgrades to the Solar Turbine Control Panel. The final payment was made in April 2022.
- All other capital project costs were paid for through operating revenues and existing cash on hand.

Additional information on LLP's long-term debt can be found in Note 5 of these financial statements.

Requests for Information

This financial report is designed to provide interested individuals including citizens, property owners, customers, investors and creditors with a general overview of LLP's finances and to show LLP's accountability for the money it receives. If you have questions or need additional financial information, please contact Charlie West, General Manager at 616-897-8402

BASIC FINANCIAL STATEMENTS

LOWELL LIGHT & POWER

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 1,260,628
Investments	968,794
Restricted cash and cash equivalents	185,842
Accounts receivable	1,046,563
Inventory	428,466
Prepaid expenses	453,857
Total current assets	4,344,150
Non-current assets	
Restricted investments	243,355
Advance receivable from MPPA	381,005
Advance receivable from City DDA	99,577
Lease receivable	873,552
Capital assets	
Land	259,157
Construction in progress	2,524,181
Vehicles, plant and equipment	21,305,470
Accumulated depreciation	(11,514,619)
Total non-current assets	14,171,678
Total assets	18,515,828
Deferred outflow - pension related	158,886
Deferred outflow - asset retirement obligation	265,609
Total deferred outflow	424,495
Liabilities	
Current liabilities	
Accounts payable	691,189
Accrued liabilities	39,952
Due to other funds	35,721
Current portion of long-term debt	530,000
Customer deposits	176,670
Total current liabilities	1,473,532
Non-current liabilities	
Compensated absences	33,964
OPEB obligation payable	1,232,445
Asset retirement obligation	294,755
Net pension liability	2,235,317
Long-term debt	2,160,000
Total non-current liabilities	5,956,481
Total liabilities	7,430,013
Deferred inflow - pension related	187,482
Deferred intflow - lease	873,552
Deferred inflow	1,061,034
Net position	
Net investment in capital assets	9,884,189
Restricted for debt service	243,355
Unrestricted	321,732
Total net position	$ 10,449,276

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

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LOWELL LIGHT & POWER

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2022

Operating revenue	
Sales	$ 8,956,655
Late fees	64,348
Other	118,777
Total operating revenue	9,139,780
Operating expense	
Operations and maintenance	7,836,285
Depreciation	726,192
Total operating expense	8,562,477
Operating income (loss)	577,303
Non-operating revenue (expense)	
Interest income	17,700
Gain (loss) on asset disposal	7,139
Interest expense	(70,844)
Mutual aid revenue	75,042
Direct mutual aid expense	(46,897)
Total non-operating revenue (expense)	(17,860)
Income (loss) before transfers and grants	559,443
Transfers	
Transfers out to the City of Lowell	(389,194)
Changes in net position	170,249
Net position, beginning of year	10,279,027
Net position, end of year	$ 10,449,276

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

LOWELL LIGHT & POWER

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

Cash flows from operating activities	
Receipts from customers and users	$ 9,122,420
Payments to employees	(1,911,981)
Payments to suppliers	(5,523,611)
Net cash provided by (used in) operating activities	1,686,828
Cash flows from non-capital financing activities	
Transfers out	(387,803)
Net cash provided by (used in) non-capital financing activities	(387,803)
Cash flows from capital and related financing activities	
Interest payments	(73,765)
Issuance of bond	520,000
Payments on long-term debt	(546,724)
Proceeds from sale of capital assets	30,931
Acquisitions of capital assets	(1,272,151)
Net cash provided by (used in) capital and related financing activities	(1,341,709)
Cash flows from investing activities	
Proceeds from sale of investments	100,000
Purchase of investments	(16,443)
Interest income	17,700
Net cash provided by (used in) investing activities	101,257
Net increase (decrease) in cash and cash equivalents	58,573
Cash and cash equivalents, beginning of year	1,387,897
Cash and cash equivalents, end of year	$ 1,446,470

Cash and cash equivalents consists of the following captions on the statement of net assets:

Cash and cash equivalents	$ 1,260,628
Restricted cash and cash equivalents - current	185,842
	$ 1,446,470

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

LOWELL LIGHT & POWER

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED JUNE 30, 2022

Cash flows from operating activities	
Operating income (loss)	$ 605,448
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation	726,192
Change in OPEB obligation	75,669
Change in asset retirement obligation	146,157
Change in net pension liability	(52,511)
Change in pension related deferred inflows	187,482
Change in pension related deferred outflows	(89,541)
Change in asset retirement deferred outflows	(130,920)
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	(28,373)
Advances	(72,164)
Prepaid expenses	115,532
Inventory	9,809
Accounts payable	168,205
Accrued liabilities	4,605
Compensated absences	10,225
Customer deposits	11,013
Net cash provided by (used in) operating activities	$ 1,686,828

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lowell Light & Power, Lowell, Michigan (“LLP”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

Lowell Light & Power is an enterprise fund of the City of Lowell (the City). It operates under direction of the City Charter and City Council resolution. The LLP provides electric services to users in the City of Lowell and portions of the surrounding area.

As provided by generally accepted accounting principles, the financial statements of the Lowell Light & Power enterprise fund exclude the funds of the City of Lowell and applicable component units of the City of Lowell. There are no component units of the City of Lowell Light & Power enterprise fund. The criteria for including a component unit include significant operational or financial relationships with the LLP.

Fund Financial Statements

The LLP reports the following enterprise fund:

> Light & Power Fund - This fund is used to account for the electric utility which includes fees and costs associated with the generation, purchase, transmission, distribution and sale of electricity.

Measurement Focus and Basis of Accounting

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Enterprise 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 the fund’s principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses of the LLP include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the LLP considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value.

State statutes authorize the LLP 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. Banker's 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

All receivables are reported at their net value. The allowance for uncollectible receivables was $2,000 at year end.

Inventories

Inventories consist principally of materials and supplies which are generally used for system improvement and replacement. Inventories are stated at cost using the first-in first-out (FIFO) method.

Capital Assets

Capital assets are stated at cost and include items defined by the LLP as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an 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 an 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.

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

	Years
Vehicles	5-15
Plant and equipment	5-50

Compensated Absences

Substantially all LLP employees are granted paid time off, which accumulates subject to per employee maximums. These hours vest with each employee however, only the accumulated paid time off is payable upon termination or retirement. The related liability for accumulated paid time off has been recorded as a long-term liability on the financial statements.

Risk Management

The LLP 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. During the year ended June 30, 2022, the LLP carried commercial insurance to cover risks of losses. The LLP has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

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 LLP has items that qualify for reporting in this category related to the net pension liability which is discussed in note 6 and the asset retirement obligation which is discussed in note 10.

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 LLP has items that qualify for reporting in this category related to the net pension liability which is discussed in note 6 and a lease which is discussed in note 11.

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.

2. DEPOSITS AND INVESTMENTS

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

	Total
Cash and cash equivalents	$1,260,628
Investments	968,794
Restricted cash and cash equivalents - current	185,842
Restricted Investments - long-term	243,355
	$2,658,619

Cash and cash equivalents and investments consist of the following at June 30, 2022:

Deposits	$1,942,598
Investments	716,021
Total	**$2,658,619**

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the LLP's investing options almost exclusively to financial institutions located in Michigan. All accounts are in the name of the LLP and a specific fund or common account. They are recorded in the LLP's 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 LLP's deposits may not be returned. State law does not require, and the LLP does not have, a policy for deposit custodial credit risk. As of year-end, $1,441,457 of the LLP's bank balance of $1,942,598 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The LLP chooses to disclose each investment. As of year-end, the LLP had the following deposits and investments:

	Maturity	Fair Value	Rating	Source
Wells Fargo CD 2.103%	3/31/23	$150,000	Unrated	N/A
GNMA pool 2%	5/20/51	204,661	Unrated	N/A
GNMA pool 2%	6/20/51	129,589	Unrated	N/A
GNMA pool 2%	5/20/51	36,020	Unrated	N/A
GNMA pool 4%	5/20/52	138,405	Unrated	N/A
Federated Gov Obligations	N/A	57,346	AAAm	S&P
		$716,021		

The LLP 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.

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

- The LLP does not have any investments that are valued using quoted market prices (Level 1 inputs).
- All investments held at year end are valued using a pricing model utilizing observable fair value measures and other observable inputs (Level 2 inputs).
- The LLP does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The LLP'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 date 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 deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools 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. The rating for each investment is identified above for investments held at year end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the LLP 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 LLP does not have, a policy for investment custodial credit risk. Of the above $716,021 of investments, the LLP has a custodial credit risk of $658,675 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Custodial credit risk for the Federated Government Obligations fund cannot be determined as the investment does 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 LLP'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.

3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ 259,157	$ -	$ -	$ 259,157
Construction in progress	1,696,688	1,169,017	341,524	2,524,181
Total capital assets, not being depreciated	1,955,845	1,169,017	341,524	2,783,338
Capital assets, being depreciated				
Vehicles	628,848	41,347	-	670,195
Plant and equipment	20,324,506	403,311	92,542	20,635,275
Total capital assets, being depreciated	20,953,354	444,658	92,542	21,305,470
Less accumulated depreciation for:				
Vehicles	340,722	52,320	-	393,042
Plant and equipment	10,516,455	673,872	68,750	11,121,577
Total accumulated depreciation	10,857,177	726,192	68,750	11,514,619
Net capital assets, being depreciated	10,096,177	(281,534)	23,792	9,790,851
Capital assets, net	**$12,052,022**	**$887,483**	**$365,316**	**$12,574,189**

4. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The LLP 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. The LLP prepares the actuarial valuation utilizing the alternative method as provided for by accounting standards.

Benefits provided

In accordance with LLP policy and 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 cease 5 to 10 years after retirement, depending on years of service, or when the employee becomes eligible for Medicare benefits whichever occurs first. 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, 2022):

Retirees and beneficiaries receiving benefits	10
Active plan members	28
Total	38

Contributions

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

Net OPEB Liability

The employer's net OPEB liability was measured as of June 30, 2022, 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, 2022 valuation was determined using the alternative method and the following actuarial assumptions that are 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 2019 life tables for males or females, as appropriate, from the Centers for Disease Control.

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

Discount rate. The discount rate used to measure the total OPEB liability is 2.7% which did not change from the prior year. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets ($0), the long-term expected rate would be used to discount the projected benefits. From the year projected benefits are not projected to be covered by the projected assets (the "depletion date"), projected benefits would be discounted at a discount rate reflecting a 20 year AA/Aa tax exempt municipal bond yield (2.7%). A single equivalent discount rate that yields the same present value of benefits is calculated (2.7%). This discount rate is used to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2021	$1,156,776
Changes for the year:	
Service cost	34,800
Interest	31,233
Change in benefits	-
Differences between expected and actual experience	63,212
Change in assumptions	-
Contributions: employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(53,576)
Administrative expense	-
Other changes	-
Net changes	75,669
Balance at June 30, 2022	$1,232,445

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

	1% Decrease	Current Discount rate	1% Increase
Total OPEB liability	$1,361,352	$1,232,445	$1,18,848

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 higher (4%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total OPEB liability	$1,105,434	$1,232,445	$1,383,285

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022 the employer recognized OPEB expense of $129,245.

5. LONG-TERM DEBT

The following is a summary of the debt transactions of the LLP for the year ended June 30, 2022.

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Public Offering:					
Electric Supply System Refunding Bonds, Series 2012; payable in annual amounts of $215,000 to $305,000 through August 2027, with interest ranging from 2% to 3%	$1,950,000	$ -	$255,000	$1,695,000	$260,000
Private Placement:					
2017 Act 99 installment purchase of a compressor with monthly payments of $10,594 through June 2022, including interest at 1.80%	125,873	-	125,873	-	-
2020 revenue bonds with annual payments ranging from $135,000 to $150,000 through June 2028, including interest at 2.2%	475,000	520,000	-	995,000	270,000

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
2019 Act 99 installment purchase of a control panel with annual payments of $165,851 through June 2022, including interest at 2.15%	$ 165,851	$ -	$165,851	$ -	$ -
Total Private Placement:	766,724	520,000	291,724	995,000	270,000
Grand Total	**$2,716,724**	**$520,000**	**$546,724**	**$2,690,000**	**$530,000**

The annual debt service requirements for long-term debt outstanding as of June 30, 2022 are as follows:

	Public Offerings		Private Placement	
Year Ending June 30	Principal	Interest	Principal	Interest
2023	$ 260,000	$ 46,950	$270,000	$18,920
2024	270,000	39,000	140,000	15,950
2025	280,000	30,750	140,000	12,870
2026	285,000	22,275	145,000	9,790
2027	295,000	13,575	150,000	6,600
2028	305,000	4,575	150,000	3,300
Total	**$1,695,000**	**$157,125**	**$995,000**	**$67,430**

The outstanding bond agreement contains a provision that the LLP will establish rates sufficient to service the bonds.

The LLP has pledged future revenues, net of specified operating expenses, to repay the above revenue bonds outstanding. Proceeds from these bonds provided financing for improvements to the electric system. These particular bonds are payable solely from electric system net revenues and are payable through 2028. Annual principal and interest payments on these bonds are expected to require less than 15 percent of gross revenues.

6. PENSION PLANS

Defined Benefit Traditional and Hybrid Plan

Plan Description

The LLP participates with the City of Lowell in a defined benefit and hybrid plan providing certain retirement, disability and death benefits to plan members and beneficiaries. The plan information for the LLP is not separately available from information provided for the City of Lowell as a whole. The following information is for the City as a whole unless otherwise noted.

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

Benefits Provided

Pension benefits approved by the City Council are provided to all full-time employees based on division/bargaining unit and hire date. Eligible employees hired before 10/1/12 participate in a defined benefit plan which includes a multiplier of 2.5 times final average compensation, vesting period of 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 10/1/12 and before 1/9/20 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 City defined benefit plans consisted of the following at the date of the latest actuarial valuation (December 31, 2021):

Active plan members	23
Inactive employees entitled but not yet receiving benefits	18
Inactive employees or beneficiaries currently receiving benefits	39
Total	80

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was from 7.14% to 29.20% 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 City's net pension liability was measured as of December 31, 2021, 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, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 6.7% based on years of service)

Investment rate of return: 7.00%, net of investment expense, including inflation

Mortality rates used for non-disabled plan member were based on a weighted blend of MP-2019 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of MP-2019 disabled retiree mortality tables of a 50% Male and 50% Female blend of disabled retirees

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money Weighted Rate of Return*
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			7.25%

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2020	$16,573,875	$ 10,919,881	$5,653,994
Changes for the year:			
Service cost	197,725	-	197,725
Interest	1,228,756	-	1,228,756
Change in benefits	-	-	-
Differences between expected and actual experience	134,235	-	134,235
Change in assumptions	620,856	-	620,856
Contributions: employer	-	769,393	(769,393)
Contributions: employee	-	79,106	(79,106)
Net investment income	-	1,521,231	(1,521,231)
Benefit payments, including refunds	(1,009,776)	(1,009,776)	-
Administrative expense	-	(17,463)	17,463
Other changes	-	-	-
Net changes	1,171,796	1,342,491	(170,695)
Balance at December 31, 2021	$17,745,671	$12,262,372	$5,483,299

The LLP's share of the net pension liability at year-end was $2,235,317.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease	Current Discount Rate	1 % Increase
Total pension liability	$19,759,849	$17,745,671	$16,063,673
Fiduciary net position	12,262,372	12,262,372	12,262,372
Net pension liability	**$ 7,497,477**	**$ 5,483,299**	**$ 3,801,301**

Pension Expense and Deferred Outflows of Resources Related to Pensions
For the year ended June 30, 2022 the City recognized pension expense of $915,141. The City reported deferred outflows and inflows of resources related to pensions from the following sources (excluding contributions subsequent to the measurement date):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ 67,118	$(157,782)
Differences in assumptions	463,404	-
(Excess) deficit investment returns	-	(832,640)
Contributions subsequent to the measurement date*	158,886	-
Total	**$689,408**	**$(990,422)**

* 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 2023.

The LLP's share of net deferred outflow for differences in experience, assumptions and investment returns was ($187,482) and contributions subsequent to the measurement date were $158,886.

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

2023	$(339,221)
2024	(239,594)
2025	(139,621)
2026	-
2027	-
Thereafter	-
Total	**$(718,436)**

Defined Contribution Plan

The LLP defined contribution pension plan (the Plan) provides pension benefits for all full-time employees exclusive of those participating in the defined benefit plans. The Plan is administered by Municipal Employees Retirement System (MERS) of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employees are eligible to participate immediately upon employment. LLP contributes 9 – 12% of each participant's compensation to the Plan. LLP's contributions are completely vested with the employee after a five year period of employment. The Plan provisions and contribution amounts were established by the LLP Board, and may be amended by the LLP Board. During the year, the LLP contributed $55,084 to the plan.

7. JOINT VENTURE

The LLP is a member of a joint venture, the Michigan Public Power Agency (MPPA), with 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 LLP 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 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, 2022, the LLP recognized expenses totaling $3,668,548 under the terms of the contracts, which represented approximately $891,104 for fixed operating costs, $536,379 for debt service and $2,241,064 for the purchase of power. Accounts payable to MPPA totaled $545,576 at June 30, 2022. 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 2020 calendar year audited costs adjusted for inflation. Debt service costs are the LLP's known share of debt service requirements associated with each contract.

Debt Service requirements expire in the MPPA fiscal years 2022, 2027, and 2032 for the Campbell, Combustion Turbine and AFEC Project, respectively. The following amounts include estimated operating costs for the same period as the Debt Service. The contracts for the LLP's commitments for operating costs to extend beyond these dates are dependent upon the use of the facilities.

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

Debt Service Costs

Year	Campbell	Combustion Turbine	AFEC Project
2022	$248,913	$121,405	$ 808
2023	-	120,905	23,574
2024	-	121,089	23,607
2025	-	121,251	23,591
2026	-	121,108	23,571
2027-2031	-	121,229	117,930
2032-2036	-	-	23,555
Total	**$248,587**	**$726,987**	**$236,636**

Operating Costs

Year	Campbell	Combustion Turbine	AFEC Project
2022	$483,186	$ 161,656	$ 26,161
2023	-	166,505	26,946
2024	-	171,500	27,754
2025	-	176,645	28,587
2026	-	181,945	29,444
2027-2031	-	187,404	161,013
2032-2036	-	-	186,658
2037-2041	-	-	216,388
2042-2043	-	-	146,041
Total	**$483,186**	**$1,045,655**	**$848,992**

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

8. COMMITMENT

The LLP has agreements with the MPPA committing it to the purchase up to .854 MW of renewable energy from Granger Electric of Michigan, LLC, .273 MW of renewable energy from North American Natural Resources, Inc, 1.4 MW of renewable energy from Assembly Solar, LLC, 3.8 MW of renewable energy from Pegasus Wind, .4 MW of renewable energy from Calhoun County Solar Project, LLC and .9MW of renewable energy from Hart Solar Partners, LLC. The LLP also has an agreement with the MPPA committing to the purchase of additional capacity to meet planning reserve requirements of the Midcontinent Independent System Operator (MISO) for a cumulative total of $84,000 over planning years 2025-2028.

The LLP had outstanding commitments of $271,000 for the purchase of two new vehicles at year end.

9. CONCENTRATIONS

Current year sales to two industrial customers made up 25% of total sales revenues.

10. ASSET RETIREMENT OBLIGATION

LLP's participation in various MPPA projects includes a responsibility to fund asset retirement obligations. As of December 31, 2022, the MPPA has two projects that have identified asset retirement obligations totaling $3,035,676. LLP has calculated their portion of MPPA's asset retirement obligations to be $294,755 based on LLP's participation percentage in each project.

11. LEASES

Lowell Light and Power has entered into a lease arrangement with a company to lease a portion of the LLP building at 625 Chatham Street, S.E. for the purpose of water treatment operations. The terms of the lease are as follows.

Initial ten-year term ending February 28, 2029, with options to extend for an additional two consecutive five-year terms; currently in initial ten-year term; current monthly payment of $4,367.76 and increased annually by CPI. Lessee can terminate this lease upon three hundred sixty-five (365) day notice to LLP.

2022 is the first year of implementation of the new guidance under GASB Statement 87, LLP has recognized a total deferred inflow of resources of $873,552 in the current fiscal year along with the corresponding lease receivable of the same amount. LLP recognized a total of $50,282 in lease revenue and no interest revenue for the current fiscal year.

12. RESTATEMENT OF NET POSITION

The beginning of year net position was adjusted by $134,689 to properly reflect the deferred outflow of resources relating to the asset retirement obligation.

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REQUIRED SUPPLEMENTARY INFORMATION

LOWELL LIGHT & POWER

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

FOR THE YEAR ENDED JUNE 30, 2022

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Service cost	$ 211,215	$ 226,719	$ 221,995	$ 226,646	$ 241,911	$ 253,182	$ 213,566	$ 197,725
Interest	968,262	973,757	1,084,670	1,111,041	1,146,666	1,193,992	1,210,106	1,228,756
Changes in benefit terms	-	(3,794)	-	-	(10,024)	-	(170,309)	-
Difference between expected and actual experience	-	382,316	(76,607)	7,653	131,060	60,445	(473,346)	134,235
Changes in assumptions	-	632,698	-	-	-	455,772	458,927	620,856
Benefit payments including employee refunds	(703,688)	(799,852)	(906,870)	(898,605)	(916,716)	(930,631)	(961,458)	(1,009,776)
Other	-	30,429	1	-	-	-	-	-
Net change in total pension liability	475,789	1,442,273	323,189	446,735	592,897	1,032,760	277,486	1,171,796
Total pension liability, beginning of year	11,982,746	12,458,535	13,900,808	14,223,997	14,670,732	15,263,629	16,296,389	16,573,875
Total pension liability, ending of year	$ 12,458,535	$ 13,900,808	$ 14,223,997	$ 14,670,732	$ 15,263,629	$ 16,296,389	$ 16,573,875	$ 17,745,671
Plan Fiduciary Net Position								
Contributions-employer	$ 360,904	$ 390,446	$ 339,082	$ 478,711	$ 482,925	$ 532,507	$ 688,751	$ 769,393
Contributions-employee	95,994	99,696	86,729	88,435	239,360	118,205	121,227	79,106
Net investment income	532,436	(129,061)	924,514	1,135,449	(371,069)	1,201,925	1,241,897	1,521,231
Benefit payments including employee refunds	(703,688)	(799,852)	(906,870)	(898,605)	(916,716)	(930,631)	(961,458)	(1,009,776)
Administrative expense	(19,532)	(18,997)	(18,271)	(18,000)	(18,454)	(20,699)	(19,673)	(17,463)
Net change in plan fiduciary net position	266,114	(457,768)	425,184	785,990	(583,954)	901,307	1,070,744	1,342,491
Plan fiduciary net position, beginning of year	8,512,264	8,778,378	8,320,610	8,745,794	9,531,784	8,947,830	9,849,137	10,919,881
Plan fiduciary net position, ending of year	$ 8,778,378	$ 8,320,610	$ 8,745,794	$ 9,531,784	$ 8,947,830	$ 9,849,137	$ 10,919,881	$ 12,262,372
Employer net pension liability	$ 3,680,157	$ 5,580,198	$ 5,478,203	$ 5,138,948	$ 6,315,799	$ 6,447,252	$ 5,653,994	$ 5,483,299
Employer net pension liability reported by Lowell Light and Power **	$ 1,318,064	$ 1,814,418	$ 1,991,233	$ 1,882,040	$ 2,178,042	$ 2,299,637	$ 2,287,828	$ 2,235,317
Plan fiduciary net position as a percentage of the total pension liability	70%	60%	61%	65%	59%	60%	66%	69%
Covered employee payroll (entire City)	$ 1,892,987	$ 2,048,657	$ 2,050,553	$ 2,164,938	$ 2,277,076	$ 2,380,001	$ 2,008,617	$ 1,982,057
Employer's net pension liability as a percentage of covered employee payroll	70%	89%	97%	87%	96%	97%	114%	113%

Notes to schedule:

**The above schedule provides information for the City of Lowell plan as a whole with the exception of this item.
Above dates are based on a measurement date of December 31.

LOWELL LIGHT & POWER

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2022

Fiscal Year end	Actuarially determined contributions **	Contributions in relation to the actuarially determined contribution **	Contribution deficiency (excess) **	Covered employee payroll **	Contributions as a percentage of covered employee payroll **
6/30/2015	$ 157,050	$ 157,050	$ -	$ 811,917	19%
6/30/2016	160,342	160,342	-	795,145	20%
6/30/2017	148,874	148,874	-	809,109	18%
6/30/2018	162,892	162,892	-	987,878	16%
6/30/2019	203,682	203,682	-	1,100,128	19%
6/30/2020	204,402	204,402	-	1,104,809	19%
6/30/2021	127,393	127,393	-	783,040	16%
6/30/2022	158,886	158,886	-	823,887	19%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	5 year smoothed (10 year smothing 2014)
Inflation	2.5% (3.5% 2014)
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.35% (7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

Notes to schedule:

**The above schedule provides information for the City of Lowell plan as a whole with the exception of this item.
Above balances are based on a measurement date of June 30.

LOWELL LIGHT & POWER

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

FOR THE YEAR ENDED JUNE 30, 2022

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 60,317	$ 63,075	$ 53,669	$ 47,902	$ 34,800
Interest	37,328	34,355	36,111	30,537	31,233
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(126,352)	27,409	(240,948)	(3,561)	63,212
Changes in assumptions	-	-	-	-	-
Benefit payments including employee refunds	(55,025)	(55,586)	(54,558)	(50,274)	(53,576)
Other	-	-	-	-	-
Net change in total OPEB liability	(83,732)	69,253	(205,726)	24,604	75,669
Total OPEB liability, beginning of year	1,352,377	1,268,645	1,337,898	1,132,172	1,156,776
Total OPEB liability, end of year	$ 1,268,645	$ 1,337,898	$ 1,132,172	$ 1,156,776	$ 1,232,445
Plan Fiduciary Net Position					
Contributions-employer	$ 55,025	$ 55,586	$ 54,558	$ 50,247	$ 53,576
Contributions/benefit payments made from general operating fund	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments including employee refunds	(55,025)	(55,586)	(54,558)	(50,247)	(53,576)
Administrative expense	-	-	-	-	-
Other	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position, beginning of year	-	-	-	-	-
Plan fiduciary net position, end of year	$ -	$ -	$ -	$ -	$ -
Employer net OPEB liability	$ 1,268,645	$ 1,337,898	$ 1,132,172	$ 1,156,776	$ 1,232,445
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered employee payroll	$ 960,003	$ 996,957	$ 1,116,306	$ 1,004,292	$ 1,292,619
Employer's net OPEB liability as a percentage of covered employee payroll	132%	134%	101%	115%	95%

Notes to schedule:

The above schedule provides information for Lowell Light and Power and excluded the City of Lowell
Above data is based on a June 30 measurement date.

LOWELL LIGHT & POWER

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2022

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2018	$ 101,935	$ 55,025	$ 46,910	$ 960,003	6%
6/30/2019	106,965	55,586	51,379	996,957	6%
6/30/2020	92,259	54,558	37,701	1,116,306	5%
6/30/2021	85,851	50,247	35,604	1,004,292	5%
6/30/2022	76,171	53,576	22,595	1,292,619	4%

Notes to schedule

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

2021 normal costs for employees hired after June 30, 2018 were $7,177.

Notes to schedule:
The above schedule provides information for Lowell Light and Power and excluded the City of Lowell
Above returns are based on a measurement date of June 30.

SUPPLEMENTARY INFORMATION

LOWELL LIGHT & POWER

SCHEDULE OF OPERATING REVENUES AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

Operating revenue	
Sales	
Residential	$ 2,702,128
Commercial	6,254,527
Standby power and security lights	6,181
Late fees	64,348
Other charges	112,596
Total operating revenue	9,139,780
Operating expense	
Operations and maintenance	
Generation	
Fuel	10,777
Maintenance	45,555
Supervision/engineering	10,290
Generation	97,163
Training	711
Other	122,043
Total generation	286,539
Purchased power	
Campbell	1,563,258
Belle River	870,692
Traverse City	449,757
Other	2,212,508
Total purchased power	5,096,215
Transmission	11,092
Distribution	
Customer installation	59,108
Transformers	13,532
Meters	8,033
Overhead lines	27,566
Street lighting	10,590
Structures	33,504
Substation	8,960
Underground lines	32,672
Miscellaneous	69,163
Supervision/engineering	87,629
Overhead lines	12,061
Substation	34,931
Training	50,695
Tools	17,558
Trucks	34,833
Tree trimming	35,079
Underground lines	16,202
Total distribution	552,116

(Continued)

LOWELL LIGHT & POWER

SCHEDULE OF OPERATING REVENUES AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

Operating expense	
Operations and maintenance	
Customer accounting	
Supervision	$ 16,729
Customer assistance	37,225
Customer records and collections	76,585
Uncollectible accounts expense	(1,060)
Meter reading	12,244
Miscellaneous	57,565
Total customer accounting	199,288
Energy optimization	
Residential program portfolio	12,556
Commercial program portfolio	47,094
Administration and evaluation of program portfolio	8,824
Total energy optimization	68,474
Marketing & advertising	
Advertising	13,943
Miscellaneous	16,314
Total marketing & advertising	30,257
Unallocated	
Salary	193,251
Board	28,516
Outside services	55,765
Injuries, damage, and safety	51,305
Office building	6,775
Supplies	155,433
Insurance	36,238
Compensated absences	173,983
Pension and benefits	560,301
Other post employment benefits	129,245
Other compensation	84,248
Payroll tax - unallocated	98,096
Conferences, meetings and training	19,148
Total general and administrative	1,592,304
Total operations and maintenance	7,836,285
Depreciation	726,192
Total operating expense	8,562,477
Operating income (loss)	$ 577,303

(Concluded)