Lowell
Light & Power

LOWELL, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Vredeveld Haefner LLC
CPAs and Consultants

LOWELL LIGHT & POWER

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INDEPENDENT AUDITORS' REPORT

September 27, 2023

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, 2023, 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, 2023, 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, 2023. 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 428,000 kWhs less than they did in FY 2022. The decrease in sales was largely attributed to a reduction in residential sales from mild weather. This represents approximately a 0.5% reduction in kWh sales. While there was a slight reduction in kWh sales, LL&P's sales revenue increased approximately $846,000 in FY 2023 compared to FY 2022. The increase in sales revenue is approximately a 9.4% increase. The increased revenue is largely attributable to increased power supply costs elevating the Power Cost Adjustment (PCA) and the rate increase that took effect January 2023.
- Purchased power expenses increased by $166,746, or 3.3%, compared to FY 2022.
- Distribution expenses were increased by $114,513, or 20.1%, from FY 2022. This increase is largely attributable to increased operating expenses due to delays in capital projects. As funds were reallocated from the capital budget, O&M expenses increased.
- Generation Expenses were down approximately $29,139, or 10.2%, from FY 2022. In addition to conservative spending practices, the Generation Superintendent is active with MPPA, supporting distribution system planning and analysis, and capital projects.
- Net Income for the year was $310,929.
- Year-end write-offs totaled $210.46, which represents 0.00235% of FY 2022's total electric sales and late fees. This is a $229.98 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 2022, LL&P received the remaining principal balance from the loan that was issued to the Lowell Downtown Development Authority in January 2020. The payment was for $99,577.33 plus accrued interest.
- LL&P's total deposits and investments increased by $189,444 or approximately 7.1%.

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 $10,760,205 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

	2023	2022
Current and other assets	$ 5,976,355	$5,941,639
Capital assets	12,287,516	12,574,189
Total assets	18,263,871	18,515,828
Deferred outflows	1,026,308	424,495
Other liabilities	1,195,414	1,473,532
Long-term liabilities outstanding	6,599,394	5,956,481
Total liabilities	7,794,808	7,430,013
Deferred inflows	735,166	1,061,034
Net position		
Net investment in capital assets	10,089,145	9,884,189
Restricted	174,787	243,355
Unrestricted	496,273	321,732
Total net position	$10,760,205	$10,449,276

The total net position of LLP at June 30, 2023 is $10,760,205, however, $10,089,145 represents net investment in capital assets including infrastructure. Total net position increased by $310,929 for the year ended June 30, 2023 as LLP charges exceeded expenses and transfers out.

Changes in Net Position

	2023	2022
Operating revenue	$9,963,815	$9,139,780
Operating expenses	9,104,897	8,562,477
Operating income (loss)	858,918	577,303
Nonoperating revenue (expense)	(119,807)	(17,860)
Income (loss) before transfers and grants	739,111	559,443
Transfers and grants	(428,182)	(389,194)
Change in net position	310,929	170,249
Net position-beginning of year	10,449,276	10,279,027
Net position-end of year	$10,760,205	$10,449,276

Capital Asset and Debt Administration

Capital assets. LLP's investment in capital assets as of June 30, 2023, amounted to $12,287,516 (net of accumulated depreciation).

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

Capital Assets

	Total
Land	$ 259,157
Construction in progress	166,641
Vehicles, plant and equipment, net	11,823,347
Subscriptions, net	38,371
Total	**$12,287,516**

Capital asset highlights for the year include the following:

Capital Asset Highlights

- During FY 2023, LL&P started planning and purchasing materials for a multi-year project, which will provide a redundant electrical feed to the portion of our distribution system east of the Flat River and north of the Grand River. In FY 2023, LL&P spent $65,122 ordering materials and executed a contract to utilize a line construction contractor to build the new line in FY 2024. This project was delayed approximately 6 months in response to supply chain issues and volatility in the energy markets.
- During FY 2023, LL&P completed a multi-year project converting voltage on circuit #205. This is a continuation from FY 2022 and the project is one of LL&P's System Infrastructure Improvement Plan projects. The project started the year with a balance of $1,300,741, and LL&P spent an additional $27,075 in FY 2023 to complete the project. The total project cost was $1,327,816

- During FY 2023, LL&P continued the project to install electric distribution infrastructure to serve Stony Bluff Phase 4, a residential development. The project started the year with a balance of $32,664, and LL&P spent an additional $21,900 in FY 2023 to complete the project. The total project cost was $54,564. This project will add approximately 25 new residential services.
- During FY 2023, LL&P worked with a contractor to update the access control system at all LL&P facilities. The total cost of the project was $36,195.
- During FY 2023, LL&P completed a project to replace critical IT infrastructure. The scope of the project included replacement of firewalls, switches, and other network equipment. The project balance at the end of FY 2023 was $42,971.
- During FY 2023, LLP started a project to install an emergency generator at LL&P's Energy Center. This project was delayed due to ongoing supply chain issues and will be completed in FY 2024. The balance at the end of FY 2023 is $25,150.
- During FY 2023, LL&P worked with a contractor to update LL&P's security camera system. The project included modernizing the camera platform and the installation of new security cameras. The total cost of the project is $12,903.
- During FY 2023, LL&P replaced the roofing system over the central portion of LL&P's main office. The total cost for the project was $17,840.
- 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 received the second truck and an invoice for both trucks in FY 2023. The purchase price for each truck was $41,346.95 or $82,693.90 for both.
- In June 2023, LL&P purchased and received a used 1999 Sherman Reilly PT-3366-DT wire pulling machine for the price of $14,000.

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	$ 30,421
Long-term debt payable	2,198,371
Total	**$2,228,792**

Debt highlights for the year include the following:

- LL&P made its first two principal payments on the draw down revenue bond that was issued in FY 2021. Each principal payment was made in the amount of $135,000, totaling $270,000 in FY 2023. The outstanding principal is $725,000. The final payment will occur during 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 $1,440,000. The final payment will be in July of 2027.
- 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, 2023

Assets	
Current assets	
Cash and cash equivalents	$ 1,548,153
Investments	939,086
Restricted cash and cash equivalents	186,037
Accounts receivable	1,128,848
Inventory	532,417
Prepaid expenses	354,277
Total current assets	4,688,818
Non-current assets	
Restricted investments	174,787
Advance receivable from MPPA	377,584
Lease receivable	735,166
Capital assets	
Land	259,157
Construction in progress	166,641
Vehicles, plant and equipment	24,027,430
Accumulated depreciation	(12,165,712)
Total non-current assets	13,575,053
Total assets	18,263,871
Deferred outflow - pension related	534,230
Deferred outflow - asset retirement obligation	492,078
Total deferred outflow	1,026,308
Liabilities	
Current liabilities	
Accounts payable	514,249
Accrued liabilities	45,643
Due to other funds	39,274
Current portion of long-term debt	418,842
Customer deposits	177,406
Total current liabilities	1,195,414
Non-current liabilities	
Compensated absences	30,421
OPEB obligation payable	1,150,838
Asset retirement obligation	553,193
Net pension liability	3,085,413
Long-term debt	1,779,529
Total non-current liabilities	6,599,394
Total liabilities	7,794,808
Deferred inflow - lease	735,166
Net position	
Net investment in capital assets	10,089,145
Restricted for debt service	174,787
Unrestricted	496,273
Total net position	$ 10,760,205

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

LOWELL LIGHT & POWER

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

FOR THE YEAR ENDED JUNE 30, 2023

Operating revenue	
Sales	$ 9,803,374
Late fees	56,255
Other	104,186
Total operating revenue	9,963,815
Operating expense	
Operations and maintenance	8,343,558
Depreciation	761,339
Total operating expense	9,104,897
Operating income (loss)	858,918
Non-operating revenue (expense)	
Interest income	(85,909)
Gain (loss) on asset disposal	20,911
Interest expense	(63,949)
Mutual aid revenue	28,493
Direct mutual aid expense	(19,353)
Total non-operating revenue (expense)	(119,807)
Income (loss) before transfers and grants	739,111
Transfers	
Transfers out to the City of Lowell	(428,182)
Changes in net position	310,929
Net position, beginning of year	10,449,276
Net position, end of year	$ 10,760,205

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, 2023

Cash flows from operating activities	
Receipts from customers and users	$ 9,882,266
Payments to employees	(2,126,277)
Payments to suppliers	(6,048,595)
Net cash provided by (used in) operating activities	1,707,394
Cash flows from non-capital financing activities	
Transfers out	(424,629)
Cash flows from capital and related financing activities	
Interest payments	(62,028)
Payments on long-term debt	(530,000)
Proceeds from sale of capital assets	118,175
Acquisitions of capital assets	(533,559)
Net cash provided by (used in) capital and related financing activities	(1,007,412)
Cash flows from investing activities	
Proceeds from sale of investments	543,435
Purchase of investments	(445,159)
Interest income	(85,909)
Net cash provided by (used in) investing activities	12,367
Net increase (decrease) in cash and cash equivalents	287,720
Cash and cash equivalents, beginning of year	1,446,470
Cash and cash equivalents, end of year	$ 1,734,190

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

Cash and cash equivalents	$ 1,548,153
Restricted cash and cash equivalents - current	186,037
	$ 1,734,190

Noncash transactions - The LLP reported an addition of $38,371 to the subscriptions, SBITAs capital assets which is equally offset with SBITAs long-term debt.

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, 2023

Cash flows from operating activities	
Operating income (loss)	$ 868,058
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation	761,339
Change in OPEB obligation	(81,607)
Change in asset retirement obligation	258,438
Change in net pension liability	850,096
Change in pension related deferred inflows	(187,482)
Change in pension related deferred outflows	(375,344)
Change in asset retirement deferred outflows	(226,469)
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	(82,285)
Advances	102,998
Prepaid expenses	99,580
Inventory	(103,951)
Accounts payable	(176,940)
Accrued liabilities	3,770
Compensated absences	(3,543)
Customer deposits	736
Net cash provided by (used in) operating activities	$ 1,707,394

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

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 and LLP Policy 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 $550 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

Subscription-Based Information Technology Arrangements (SBITAs)

Significant subscription-based information technology arrangements are recorded as an intangible right to use subscription, SBITAs asset. These assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets. The assets are disclosed with other capital assets in note 3. The associated liability for the arrangement is recorded as long-term debt. Both the asset and the liability are recorded at the present value of the contract. Details regarding the SBITAs and the long-term debt are discussed in note 5.

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, 2023, 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 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	$1,548,153
Investments	939,086
Restricted cash and cash equivalents - current	186,037
Restricted Investments - long-term	174,787
	$2,848,063

Cash and cash equivalents and investments consist of the following at June 30, 2023:

Deposits	$1,753,603
Investments	1,094,460
Total	**$2,848,063**

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, $1,466,942 of the LLP's bank balance of $1,789,064 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 investments:

	Maturity	Fair Value	Rating	Source
Federal Farm Credit 4.125%	10/17/23	$ 248,960	AA+	S&P
GNMA pool 2%	5/20/51	142,770	Unrated	N/A
GNMA pool 2%	6/20/51	31,570	Unrated	N/A
GNMA pool 4%	5/20/52	107,076	Unrated	N/A
GNMA pool 3.75%	7/20/52	290,631	Unrated	N/A
Federated Gov Obligations	N/A	273,453	AAAm	S&P
		$1,094,460		

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 $1,094,460 of investments, the LLP has a custodial credit risk of $821,007 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, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated				
Land	$ 259,157	$ -	$ -	$ 259,157
Construction in progress	2,524,180	455,510	2,813,049	166,641
Total capital assets, not being depreciated	2,783,337	455,510	2,813,049	425,798
Capital assets, being depreciated or amortized				
Vehicles	670,195	82,694	85,458	667,431
Plant and equipment	20,635,276	2,808,404	122,052	23,321,628
Subscriptions, SBITAs	-	38,371	-	38,371
Total capital assets, depreciated or amortized	21,305,471	2,929,469	207,510	24,027,430
Less accumulated depreciation for:				
Vehicles	393,042	63,345	44,111	412,276
Plant and equipment	11,121,577	697,994	66,135	11,753,436
Total accumulated depreciation	11,514,619	761,339	110,246	12,165,712
Net capital assets, being depreciated or amortized	9,790,852	2,168,130	97,264	11,861,718
Capital assets, net	**$12,574,189**	**$2,623,640**	**$2,910,313**	**$12,287,516**

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, 2023):

Retirees and beneficiaries receiving benefits	13
Active plan members	27
Total	40

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, 2023, 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, 2023 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 2020 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, 2022	$1,232,445
Changes for the year:	
Service cost	30,688
Interest	33,276
Change in benefits	-
Differences between expected and actual experience	(92,111)
Change in assumptions	-
Contributions: employer	-
Contributions: employee	-
Net investment income	-
Benefit payments, including refunds	(53,460)
Administrative expense	-
Other changes	-
Net changes	(81,607)
Balance at June 30, 2023	$1,150,838

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	$1,278,469	$1,150,838	$1,038,503

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 of 3%, as well as what the employer's net OPEB liability would be using a trend 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	$1,035,510	$1,150,838	$1,286,358

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

For the year ended June 30, 2023 the employer recognized OPEB expense of ($38,651).

5. LONG-TERM DEBT

The following is a summary of the debt transactions of the LLP for the year ended June 30, 2023.

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	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%	$1,695,000	$ -	$260,000	$1,435,000	$270,000
Private Placement:					
2020 Revenue Bonds with annual payments ranging from $135,000 to $150,000 through June 2028, including interest at 2.2%	995,000	-	270,000	725,000	140,000
SBITAs:	-	38,371	-	38,371	8,842
Grand Total	**$2,690,000**	**$38,371**	**$530,000**	**$2,198,371**	**$418,842**

The annual debt service requirements for long-term debt outstanding as of June 30, 2023 are as follows:

Year Ending June 30	Public Offerings Principal	Public Offerings Interest	Private Placement Principal	Private Placement Interest	SBITAs Principal	SBITAs Interest
2024	$ 270,000	$ 39,000	$140,000	$15,950	$ 8,842	$ 998
2025	280,000	30,750	140,000	12,870	9,072	768
2026	285,000	22,275	145,000	9,790	9,308	532
2027	295,000	13,575	150,000	6,600	9,550	290
2028	305,000	4,575	150,000	3,300	1,599	42
Total	**$1,435,000**	**$110,175**	**$725,000**	**$48,510**	**$38,371**	**$2,630**

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.

The LLP has entered into a subscription-based information technology arrangement (SBITA) for software. The agreement commenced in September 2022 for a five year term with annual payments of $9,840. As the first year of implementation of GASBS 96, a right to use subscription asset and corresponding liability were recorded totaling $38,371.

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, 2022):

Active plan members	21
Inactive employees entitled but not yet receiving benefits	19
Inactive employees or beneficiaries currently receiving benefits	39
Total	79

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was $621,552. 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, 2022, 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, 2022 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% annually

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

Mortality rates used for non-disabled plan member were based on 106% of PubG-2010 tables with future mortality improvements using MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan member were based on PubNS-2010 Disabled Retiree Tables.

The actuarial assumptions used in the valuation were based on the results of the 2018 actuarial experience study first used in the December 31, 2020 valuation.

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%
Discount rate			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, 2021	$17,745,671	$12,262,372	$5,483,299
Changes for the year:			
Service cost	198,272	-	198,272
Interest	1,256,608	-	1,256,608
Change in benefits	-	-	-
Differences between expected and actual experience	(279,650)	-	(279,650)
Change in assumptions	-	-	-
Contributions: employer	-	747,335	(747,335)
Contributions: employee	-	74,018	(74,018)
Net investment income	-	(1,265,247)	1,265,247
Benefit payments, including refunds	(1,024,567)	(1,024,567)	-
Administrative expense	-	(22,489)	22,489
Other changes	-	-	-
Net changes	150,663	(1,490,950)	1,641,613
Balance at December 31, 2022	$17,896,334	$10,771,422	$7,124,912

The LLP's share of the net pension liability at year-end was $3,085,413.

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	$19,892,274	$17,896,334	$16,228,158
Fiduciary net position	10,771,422	10,771,422	10,771,422
Net pension liability	**$ 9,120,852**	**$ 7,124,912**	**$ 5,456,736**

Pension Expense and Deferred Outflows of Resources Related to Pensions
For the year ended June 30, 2023 the City recognized pension expense of $1,070,442. 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	$ -	$(139,825)
Differences in assumptions	-	-
(Excess) deficit investment returns	998,430	-
Contributions subsequent to the measurement date*	162,414	-
Total	**$1,160,844**	**$(139,825)**

* 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 2024.

The LLP's share of net deferred outflow for differences in experience, assumptions and investment returns was $371,816 and contributions subsequent to the measurement date were $162,414.

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:

2024	$(49,828)
2025	189,621
2026	289,595
2027	429,217
2028	-
Thereafter	-
Total	**$858,605**

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 $113,637 to the plan.

7. JOINT VENTURE AND RELATED COMMITMENTS

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 .2 megawatts of power annually, respectively.

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 debt service costs are estimated based on MPPA 2022 calendar year audited financial statements.

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

A summary of projected future debt service payments with the MPPA are as follows for the combustion turbine and AFEC project:

	Debt Service Costs	
Year	**Combustion Turbine No.1**	**AFEC Project**
2023	176,239	27,868
2024	181,526	28,704
2025	186,972	29,565
2026	192,581	30,452
2027	198,358	31,365
2028-2032	-	171,519
Total	**$935,676**	**$319,473**

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.

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, 1.08 MW of renewable energy from Assembly Solar 1, 1.4 MW of renewable energy from Assembly Solar 2, 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 planning years 2025-2028. The LLP also entered into a 10-year agreement to purchase up to 2.8 MW of capacity from White Ox LLC during yeas 1-3 and .6 MW during years 4-10 which is expected to begin between June 2025 and September 2026.

The MPPA Transmission Project was financed with initial capital contributions of MPPA participants which were utilized to purchase an undivided interest in the transmission grid by the MPPA. The LLP participate in multiple MPPA renewable energy projects to meet Michigan requirements. The Energy Services Project (ESP) provides MPPA participants with capacity and energy provided by third parties through the MPPA.

The LLP participates in MPPA projects for generation, purchase, storage and transmission of electricity. The amounts in the following table reflect anticipated future expenses associated with the various commitments made through the MPPA. The amounts shown below reflect anticipated costs, including outstanding debt for the Combustion Turbine Project and the AFEC Project. The following table does not reflect maximum commitments for the term of the agreements.

				Anticipated expense			
Fuel	**Resource**	**Equity/PPA**	**MW**	**2024**	**2025**	**2026**	**2027**
Coal	Bell River #1 *1	Equity	1.30	$1,114,255	$1,030,027	$ 795,788	$ 739,683
Coal	Campbell #3 *2	Equity	4.80	1,497,472	730,267	143,365	147,977
Natural gas	Combustion turbine #1	Equity	2.85	571,346	569,105	536,423	408,176
Natural gas	AFEC	Equity	.20	84,020	80,354	79,300	76,226
Landfill gas	Landfill gas project	PPA	1.13	876,147	874,282	895,264	642,760
Bilateral agreement	Bilateral	PPA	Various	91,725	682,121	518,934	271,223
Solar/wind	ESP Renewables	PPA	Various	595,162	689,899	752,479	761,389
Forecasted market balancing commitments *3			N/A	480,671	1,182,336	2,224,526	2,759,432

*1 - Bell River #1 is scheduled to be repowered with natural gas in 2026
*2 - Cambell #3 is scheduled to be decommissioned in 2025
*3 - Forecasted market balancing is based on LLP's current open energy position and forward market curves. LLP participates in MPPA's Stability Hedge Plan and will enter into additional agreements on an annual basis to fill open market positions with firm price certainty commitments per MPPA's Stability Hedge Plan.
Equity - MMPA ownership in project
PPA - power purchase agreement

The following table provides additional information on ESP renewable energy.

Fuel	**Project**	**MW**	**Initial price per MW**	**Annual escalator**	**Term**	**Notes**
Wind	Pegasus	3.80	$41.54	1.5%	20 years through 2039	
Solar	Assembly 1	1.08	43.75	2.0%	25 years through 2045	
Solar	Assembly 2	1.4	36.95	2.0%	25 years through 2046	
Solar	Invenergy Calhoun	1.35	42.45	2.0%	25 years through 2048	
Solar	Hart	.90	48.50	None	20 years through 2045	COD no later than 12/01/25
Solar	Calhoun County Solar	.40	62.00	None	20 years through 2045	COD no later than 3/30/25
Battery	White Ox year 1-3	2.80			Below	Capacity only agreement
Battery	White Ox year 4-10	.60			10 years through 2035	Capacity only agreement

During the current year the LLP incurred the following expenses for MPPA projects and other purchases through the MPPA:

Belle River Unit No.1	$1,163,245
Campbell Unit No. 3	1,471,736
Kalkaska Combustion Turbine Project No. 1	497,281
AFEC	100,807
Renewable Energy	1,279,646
Other purchased power	754,975
MPPA transmission	48,415
Other transmission	45,500
Other and adjustments	(98,644)
Total	$5,262,961

8. COMMITMENT

The LLP and the City of Lowell entered into an agreement for information technology services and support. The 5 year term is through January 2028 with monthly recurring charges of $8,490 per month plus hourly rates for actual support time used. The LLP also had an outstanding commitment of $230,475 for the purchase of a bucket truck at year end.

9. CONCENTRATIONS

Current year sales to two industrial customers made up 24% 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 $4,586,626. LLP has calculated their portion of MPPA's asset retirement obligations to be $553,193 with corresponding deferred outflows of $492,078 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 $4,631 and increased annually by CPI. Lessee can terminate this lease upon three hundred sixty-five (365) day notice to LLP.

LLP recognized a total of $49,926 in lease revenue for the current fiscal year.

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, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability									
Service cost	$ 211,215	$ 226,719	$ 221,995	$ 226,646	$ 241,911	$ 253,182	$ 213,566	$ 197,725	$ 198,272
Interest	968,262	973,757	1,084,670	1,111,041	1,146,666	1,193,992	1,210,106	1,228,756	1,256,608
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	(279,650)
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)	(1,024,567)
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	150,663
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	17,745,671
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	$ 17,896,334
Plan Fiduciary Net Position									
Contributions-employer	$ 360,904	$ 390,446	$ 339,082	$ 478,711	$ 482,925	$ 532,507	$ 688,751	$ 769,393	$ 747,335
Contributions-employee	95,994	99,696	86,729	88,435	239,360	118,205	121,227	79,106	74,018
Net investment income	532,436	(129,061)	924,514	1,135,449	(371,069)	1,201,925	1,241,897	1,521,231	(1,265,247)
Benefit payments including employee refunds	(703,688)	(799,852)	(906,870)	(898,605)	(916,716)	(930,631)	(961,458)	(1,009,776)	(1,024,567)
Administrative expense	(19,532)	(18,997)	(18,271)	(18,000)	(18,454)	(20,699)	(19,673)	(17,463)	(22,489)
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	(1,490,950)
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	12,262,372
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	$ 10,771,422
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	$ 7,124,912
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	$ 3,085,413
Plan fiduciary net position as a percentage of the total pension liability	70%	60%	61%	65%	59%	60%	66%	69%	60%
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	$ 1,879,985
Employer's net pension liability as a percentage of covered employee payroll	70%	89%	97%	87%	96%	97%	114%	113%	164%

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, 2023

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%
6/30/2023	273,469	273,469	-	825,568	33%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 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	7.00% (7.35% for 2020-2022; 7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	Mortality rates used for non-disabled plan member were based on 106% of PubG-2010 tables with future mortality improvements using MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan members were based on PubNS-2010 Disabled Retiree Tables.

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, 2023

	2018	2019	2020	2021	2022	2022
Total OPEB liability						
Service cost	$ 60,317	$ 63,075	$ 53,669	$ 47,902	$ 34,800	$ 30,688
Interest	37,328	34,355	36,111	30,537	31,233	33,276
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(126,352)	27,409	(240,948)	(3,561)	63,212	(92,111)
Changes in assumptions	-	-	-	-	-	-
Benefit payments including employee refunds	(55,025)	(55,586)	(54,558)	(50,274)	(53,576)	(53,460)
Other	-	-	-	-	-	-
Net change in total OPEB liability	(83,732)	69,253	(205,726)	24,604	75,669	(81,607)
Total OPEB liability, beginning of year	1,352,377	1,268,645	1,337,898	1,132,172	1,156,776	1,232,445
Total OPEB liability, end of year	$ 1,268,645	$ 1,337,898	$ 1,132,172	$ 1,156,776	$ 1,232,445	$ 1,150,838
Plan Fiduciary Net Position						
Contributions-employer	$ 55,025	$ 55,586	$ 54,558	$ 50,247	$ 53,576	$ 53,460
Contributions/benefit payments made from general operating funds	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments including employee refunds	(55,025)	(55,586)	(54,558)	(50,247)	(53,576)	(53,460)
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	$ 1,150,838
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%
Covered employee payroll	$ 960,003	$ 996,957	$ 1,116,306	$ 1,004,292	$ 1,292,619	$ 1,278,093
Employer's net OPEB liability as a percentage of covered employee payroll	132%	134%	101%	115%	95%	90%

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, 2023

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%
6/30/2023	69,271	53,460	15,811	1,278,093	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	2020 CDC United States Life Tables

2023 normal costs for employees hired after June 30, 2018 were $11,122

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, 2023

Operating revenue	
Sales	
Residential	$ 2,886,564
Commercial	6,916,810
Standby power and security lights	6,011
Late fees	56,255
Other charges	98,175
Total operating revenue	9,963,815
Operating expense	
Operations and maintenance	
Generation	
Fuel	6,108
Maintenance	40,651
Supervision/engineering	25,082
Generation	61,187
Training	3,339
Other	121,033
Total generation	257,400
Purchased power	
Campbell	1,471,736
Belle River	1,163,245
Traverse City	497,281
Other	2,130,699
Total purchased power	5,262,961
Transmission	236
Distribution	
Customer installation	35,311
Transformers	11,906
Meters	3,848
Overhead lines	59,737
Street lighting	18,956
Structures	25,115
Substation	11,302
Underground lines	63,643
Miscellaneous	60,682
Supervision/engineering	110,129
Overhead lines	804
Substation	699
Training	47,666
Tools	5,659
Trucks	60,819
Tree trimming	128,041
Underground lines	22,312
Total distribution	666,629

(Continued)

LOWELL LIGHT & POWER

SCHEDULE OF OPERATING REVENUES AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

Operating expense	
Operations and maintenance	
Customer accounting	
Supervision	$ 16,629
Customer assistance	39,961
Customer records and collections	81,219
Uncollectible accounts expense	260
Meter reading	14,932
Miscellaneous	56,402
Total customer accounting	209,403
Energy optimization	
Residential program portfolio	18,082
Commercial program portfolio	47,708
Administration and evaluation of program portfolio	7,442
Total energy optimization	73,232
Marketing & advertising	
Advertising	19,196
Miscellaneous	19,489
Total marketing & advertising	38,685
Unallocated	
Salary	216,534
Board	20,417
Outside services	68,857
Injuries, damage, and safety	34,004
Office building	11,778
Supplies	172,749
Insurance	45,856
Compensated absences	178,900
Pension and benefits	911,801
Other post employment benefits	(28,147)
Other compensation	83,033
Payroll tax - unallocated	101,689
Conferences, meetings and training	17,541
Total general and administrative	1,835,012
Total operations and maintenance	8,343,558
Depreciation	761,339
Total operating expense	9,104,897
Operating income (loss)	$ 858,918

(Concluded)