



809 Centennial Way
Lansing, Michigan 48917

FINANCIAL STATEMENTS

December 31, 2019

MICHIGAN PUBLIC POWER AGENCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Michigan Public Power Agency
Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Michigan Public Power Agency, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Michigan Public Power Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Michigan Public Power Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Michigan Public Power Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Michigan Public Power Agency as of December 31, 2019 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the Michigan Public Power Agency adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Michigan Public Power Agency's basic financial statements. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information as of and for the year ended December 31, 2019 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information as of and for the year ended December 31, 2019 is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The prior year supplementary information included in the financial statements has been derived from the Michigan Public Power Agency's December 31, 2018 financial statements, which were audited by other auditors whose reports thereon dated March 18, 2019, expressed an unqualified opinion on the financial statements. Their report on the 2018 supplementary schedules stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended December 31, 2018, taken as a whole.

Other Matters (cont.)

Prior-Year Comparative Information

The Michigan Public Power Agency's December 31, 2018 financial statements were audited by other auditors whose report, dated March 18, 2019, expressed unmodified audit opinions on the respective financial statements of the business-type activities and each major fund. The summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent with the audited financial statements from which it has been derived.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 3, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

The management of the Michigan Public Power Agency (MPPA) offers all persons interested in the financial position of MPPA this narrative, overview and analysis of MPPA's financial performance during the years ended December 31, 2019 and 2018. It should be read in conjunction with MPPA's financial statements and the accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. MPPA is a self-supporting entity and follows proprietary fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund statements offer financial information about the activities and operations of MPPA.

The financial statements are designed to provide readers with a broad overview of MPPA's finances, in a manner similar to a private sector business.

MPPA's operations consist of seven power related projects:

- Campbell No. 3
- Belle River
- Combustion Turbine #1
- Energy Services
- Transmission
- Landfill Renewable Energy
- AMP Fremont Energy Center (AFEC)

MPPA members share in the administrative and general costs incurred to operate these projects.

Due to contractual arrangements, which are the basis of each power project, no monies can be shared between projects. The cash flow of one power project cannot and should not be considered available for any other project.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how MPPA's net position changed during the most recent 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 the 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

The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

MICHIGAN PUBLIC POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 14 of this report.

MPPA FINANCIAL ANALYSIS

An analysis of MPPA's financial position begins with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information. These two statements report MPPA's net position and changes therein. Great care must be taken when evaluating MPPA's financial position and results of operations when using the financial presentations due to the legal separation that must be maintained between projects. However, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each project.

A summary of MPPA's Statement of Net Position is presented below in Table 1. The Statement of Revenues, Expenses and Changes in Net Position is summarized in Table 2.

MPPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements.

MICHIGAN PUBLIC POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

MPPA FINANCIAL ANALYSIS (cont.)

Table 1
Statement of Net Position

	<u>2019</u>	<u>2018 (restated)</u>
Current Assets	\$ 61,009,693	\$ 89,338,917
Non-Current Assets		
Capital assets	212,688,612	219,204,108
Other assets	44,330,688	25,671,480
Total Assets	<u>318,028,993</u>	<u>334,214,505</u>
Deferred Outflows of Resources	<u>1,480,074</u>	<u>1,548,972</u>
Current Liabilities		
Accrued Interest Payable	1,219,324	1,317,076
Revenue Bonds Payable - Current	6,290,000	6,095,000
Other Current Liabilities	17,950,202	21,434,876
Total Current Liabilities	<u>25,459,526</u>	<u>28,846,952</u>
Non-Current Liabilities		
Liabilities payable from restricted assets		
Member capital	18,954,202	17,075,304
Asset Retirement Obligation	1,251,294	1,171,587
Revenue bonds payable, less current portion	49,995,301	56,536,423
Total Non-Current Liabilities	<u>70,200,797</u>	<u>74,783,314</u>
Total Liabilities	<u>95,660,323</u>	<u>103,630,266</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Net Position		
Net investment in capital assets	156,748,868	158,181,839
Restricted	8,533,257	9,297,238
Unrestricted	58,566,619	64,654,134
Total Net Position	<u>\$ 223,848,744</u>	<u>\$ 232,133,210</u>

MICHIGAN PUBLIC POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

MPPA FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>
Gross Operating Revenues	\$ 161,374,304	\$ 166,740,912
Non-Operating Revenues	2,197,790	1,163,819
Total Revenues	<u>163,572,093</u>	<u>167,904,731</u>
Depreciation Expense	19,192,149	20,073,952
Other Operating Expenses	150,362,205	155,576,211
Non-Operating Expenses	2,302,206	2,487,921
Total Expenses	<u>171,856,560</u>	<u>178,138,085</u>
Change in Net Position	\$ (8,284,463)	\$ (10,233,353)
Beginning Net Position	<u>232,133,210</u>	<u>242,366,564</u>
Ending Net Position	<u>\$ 223,848,744</u>	<u>\$ 232,133,210</u>

Campbell No. 3 Project

MPPA jointly owns the Campbell Unit No. 3 electric generation facility with Consumer's Energy. Ten of MPPA's members participate in this project, consisting of a 4.8% undivided ownership interest in the coal-fired generating plant in Ottawa County, Michigan. MPPA's 2019 share of the plant generation was 270,669 MWH compared with 2018's generation of 277,347 MWH. The total operating costs for the plant were \$51.66/MWH vs \$55.40/MWH in 2018. Plant availability and capacity factor in 2019 for the plant was 78.5% and 71.6% respectively compared to 85.2% availability and 78.5% capacity factor in 2018.

Belle River Project

With eleven of the member communities participating in this project, MPPA jointly owns the Belle River Power Plant with Detroit Edison. MPPA has a 37.22% ownership interest in Belle River Unit No. 1, a coal-fired electric generating unit located in St. Clair County, Michigan. MPPA's 2019 share of the plant generation was 1,011,959 MWH compared with 2018's generation of 1,401,145 MWH. The total operating costs for the plant were \$42.14/MWH vs \$33.04/MWH in 2018. Plant availability and capacity factor in 2019 for the plant was 62.7% and 49.8 % respectively compared to 79.2% availability and 68.9% capacity factor in 2018. MPPA's bond debt was fully paid on January 2, 2018.

MICHIGAN PUBLIC POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

MPPA FINANCIAL ANALYSIS (cont.)

Combustion Turbine #1 Project

MPPA owns and operates the Combustion Turbine #1 Project (CT Project) for the benefit of five of its members. The natural gas-fired plant serves as a peaking power plant and generation will vary from year to year. MPPA's 2019 share of the plant generation was 25,356 MWH compared with 2018's generation of 38,368 MWH. Plant availability and capacity factor in 2019 for the plant was 97.2% and 5.3% respectively compared to 93.4% availability and 8.20% capacity factor in 2018.

Energy Services Project

The Energy Services Project facilitates the purchase of capacity and energy from third parties for sale to twenty-one of MPPA's member municipalities. During 2019, the Energy Services Project provided 1,427,012 MWHs of energy to its members at an average energy cost of \$37.76/MWH compared to 1,316,448 MWHs at an average energy cost of \$40.38/MWH in 2018.

Landfill Renewable Energy Project

Fourteen members of MPPA participate in this project which was created to assist members in meeting renewable energy requirements for compliance with Michigan Public Act 295. The members began taking landfill gas energy in 2010 from Energy Developments Ltd (formerly Granger). In 2012, MPPA contracted with and began taking energy from North American Natural Resources (NANR). In 2019, MPPA purchased a total of 133,890 MWHs of renewable energy for the benefit of its members.

Transmission Project

The Transmission Project was created to purchase an undivided ownership interest in the METC transmission system with the objective of reducing transmission costs to MPPA and its thirteen members.

AMP Fremont Energy Center Project (AFEC)

MPPA owns a 5.16% interest in a natural gas fired intermediate plant located in Fremont, Sandusky County, Ohio. American Municipal Power (AMP) is the majority owner of this power plant and serves as the operator. Thirteen of MPPA's municipal members committed to power purchases under the AFEC Project. MPPA's 2019 share of the plant generation was 182,131 MWH compared with 2018's generation of 209,603 MWH. The total operating costs for the plant were \$58.52/MWH vs \$52.42/MWH in 2018. Plant availability and capacity factor in 2019 for the plant was 74.7% and 58.3% respectively compared to 89.5% availability and 67.3% capacity factor in 2018.

General Office Operations

Through this fund, MPPA accounts for the general office operations that cannot be attributed to any one specific project. Member dues are based on the annual budgeted operating costs, with a portion of the operating costs allocated to each project as overhead. Net revenues are used to fund capital improvements to the office building and equipment.

MICHIGAN PUBLIC POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

MPPA FINANCIAL ANALYSIS (cont.)

General Office Operations (cont.)

The General Office Operations fund also includes revenue and expenses from numerous service committees. The service committees provide a venue for municipal utilities that are not MPPA members to participate in activities that do not require financing or the acquisition of assets while also exploring and studying potential new projects. The service committees are treated as separate sub-accounts under the General Office Operations for accounting purposes.

CAPITAL ASSETS

MPPA's investment in capital assets as of December 31, 2019 amounts to \$212,688,612 (net of accumulated depreciation). This investment in capital assets includes investment in plants, transmission systems, land, buildings, improvements, machinery and equipment. See Note 5 for additional details.

LONG-TERM DEBT

At December 31, 2019, MPPA had a total of \$95,660,323 in total outstanding liabilities. Of this amount, the following represents bond payments payable:

Long Term Debt- Bonds

Campbell #3 Project	\$ 10,180,000
Combustion Turbine #1 Project	16,165,534
AMP Fremont Energy Center Project (AFEC)	<u>29,939,767</u>
	\$ 56,285,301

See Note 6 for additional details.

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The electric utility industry has been and, in the future, may be affected by a number of factors which could impact the financial condition and competitiveness of electric utilities and joint action agencies, such as MPPA. Such factors include, among others: 1) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, 2) changes resulting from energy efficiency and demand side management programs on the timing and use of electric energy, 3) other federal and state legislative and regulatory changes, 4) increased competition from independent power producers, marketers and brokers, 5) issues relating to the ability to issue tax exempt obligations, 6) changes from projected future load requirements, 7) increases in costs, shifts in the availability and relative costs of different fuels, 8) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy, fuel and transmission capacity, 9) climate change and the potential contributions made to climate change by coal fired and other fossil fueled generating units, and 10) issues relating to cyber security at MPPA's facilities. Any of these general factors as well as other factors may have an effect on the financial condition of MPPA and its municipal members.

The operations of all generating electric utilities, including some of the Members and joint owners of generating units such as MPPA, are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of these operations are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance the electric generating units in operation, or contemplated, will remain subject to the regulation currently in effect, will always maintain compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance with those environmental standards.

On June 19, 2019, the U.S. Environmental Protection Agency (EPA) issued the final Affordable Clean Energy (ACE) rule – replacing the prior administration's Clean Power Plan (CPP). President Trump's Executive Order 13873 - Promoting Energy Independence and Economic Growth, called for a thorough review of the CPP which ultimately led to the ACE. The CPP had also been challenged by a large number of states, trade associations, rural electric co-ops, and labor unions who argued that the "CPP exceeded the EPA's authority under the Clean Air Act", and it received an unprecedented stay by the U.S. Supreme Court in 2016.

The new ACE rule establishes emissions guidelines for states to use when developing plans to limit carbon dioxide (CO₂) at their coal-fired power plants. Specifically, ACE identifies heat rate improvements as the best system of emission reduction (BSER) for CO₂ from coal-fired power plants, and these improvements can be made at individual facilities. States will have 3 years to submit plans which is in line with other planning timelines under the Clean Air Act. ACE will reduce emissions of CO₂, mercury, as well as precursors for pollutants like fine particulate matter and ground-level ozone. "In 2030, the ACE rule is projected to reduce CO₂ emissions by 11 million short tons, SO₂ emissions by 5,700 tons, NO_x emissions by 7,100 tons, PM_{2.5} emissions by 400 tons, mercury emissions by 59 pounds and result in annual net benefits of \$120 million to \$730 million, including costs, domestic climate benefits, and health co-benefits." CO₂ emissions from the electric sector are expected to fall by as much as 35% below 2005 levels in 2030 under ACE and additional expected emissions reductions based on long-term industry trends.

MICHIGAN PUBLIC POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

MICHIGAN LEGISLATION

In 2016, with the utility industry facing planned retirements of coal plants and a unique hybrid retail market in Michigan, electric reliability was called into question. This resulted in the Michigan Legislature passing Public Acts 341 and 342. These Acts went into effect on April 20, 2017.

The major impact to MPPA members and the electric utility industry, is a requirement to demonstrate that utilities own or contract for sufficient capacity resources to meet projected electric demand for four years forward. MPPA members recently made their third resource adequacy filing with the MPSC to demonstrate compliance with PA 341.

Act 342 contains a 35% clean energy goal. Utilities can meet this goal thru a combination of renewable energy and energy waste reduction.

The Renewable Energy Standard ramps up from 10% to 12.5% in 2019 and 2020, then to 15% in 2021. After 2021 the governing body of a municipal utility has the authority to determine the proper renewable energy standard for their utility.

A municipal utility's Energy Waste Reduction standard continues to be equivalent to 1.0% of the total annual retail electricity sales in megawatt hours from the preceding year. After 2020 the governing body of the municipal utility has the authority to determine how their utility will address Energy Waste Reduction.

PA 342 does require that each electric utility offer a voluntary green pricing program. Under this program a customer may specify the amount of renewable electricity they desire to purchase. The governing body of a municipal utility has the authority to design the program, and any additional costs incurred may be charged to the customer.

At the end of 2018, the Michigan Municipal Electric Association (MMEA) supported a bill to allow Joint Action Agencies in Michigan to accept members located outside of Michigan, including those located in Canada, if their joining was allowed by the State or Province in which they are located.

In addition, three other bills passed in the lame-duck session that would prevent member retail customers from switching electric providers. This applies to all customers located in the contiguous townships where members serve. Inside the municipality, members protect existing load by simply refusing to grant a franchise to other electric providers.

In 2019 and into 2020, the Michigan legislature has been primarily focused on the budget and road funding, taking the spotlight off of energy. Within the next month or so, Governor Whitmer is expected to announce an Executive Directive on Climate that will set aggressive goals for state-wide carbon emissions reductions.

CONTACTING MPPA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members, investors and creditors with a general overview of MPPA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Amy L. DeLeeuw, Chief Financial Officer and Treasurer, Michigan Public Power Agency, 809 Centennial Way, Lansing, MI 48917.

MICHIGAN PUBLIC POWER AGENCY
STATEMENT OF NET POSITION
December 31, 2019
(With Comparative Totals for December 31, 2018)

	CAMPBELL NO. 3	BELLE RIVER	CT PROJECT	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL OFFICE	TOTALS 2019	TOTALS 2018 (Restated)
CURRENT ASSETS										
Cash & Cash Equivalents										
Operation & Maintenance Account	\$ 1,912,868	\$ 6,973,206	\$ 607,186	\$ 302,752	\$ 723,293	\$ 1,083,052	\$ 1,950,931	\$ -	\$ 13,553,288	\$ 17,460,658
Project Account	955,684	4,790,757	2,396,724	-	-	3,912,416	-	-	12,055,581	29,068,420
Working Capital/Other	-	-	-	-	133,505	-	5,394,104	2,244,707	7,772,316	10,675,273
Total Cash and Cash Equivalents	2,868,552	11,763,963	3,003,910	302,752	856,798	4,995,468	7,345,035	2,244,707	33,381,185	57,204,351
Restricted Cash- Escrow	-	-	-	-	-	-	-	-	-	2,406,914
Restricted Cash- Debt Service	2,096,875	-	2,030,204	-	-	1,378,412	-	-	5,505,491	5,463,449
Accrued Interest Receivable	32,516	65,346	6,751	1,582	2,247	4,548	8,263	3,615	124,868	65,852
Accounts Receivable	1,608,039	7,028,053	622,579	292,555	24,963	841,856	3,545,054	106,482	14,069,581	16,270,555
Fuel Inventory	955,018	3,561,488	82,538	-	-	-	-	-	4,599,044	4,645,810
Materials and Supplies Inventory	-	3,243,275	86,249	-	-	-	-	-	3,329,524	3,281,985
Total Current Assets	7,561,000	25,662,125	5,832,231	596,889	884,008	7,220,284	10,898,352	2,354,804	61,009,693	89,338,917
NON-CURRENT ASSETS										
Capital Assets										
Utility Plant	94,786,982	568,746,578	30,933,418	3,335,511	-	31,671,024	125,430	-	729,598,943	717,145,054
Building and Land	244,547	154,027	48,500	-	-	703,329	-	1,742,240	2,892,643	2,866,699
Depreciation	(52,015,456)	(443,249,673)	(16,640,565)	(313,760)	-	(6,223,962)	(125,430)	(1,234,129)	(519,802,975)	(500,807,645)
Net Property & Equipment	43,016,073	125,650,932	14,341,353	3,021,751	-	26,150,391	-	508,111	212,688,612	219,204,108
Other Assets										
Prepaid Bond Insurance Costs	-	-	47,527	-	-	-	-	-	47,527	60,182
Prepaid Expenses & Deposits	909,804	3,890,000	-	-	-	771,120	-	186,175	5,757,099	5,620,442
O & M / Fuel Reserve	1,050,000	-	-	-	-	-	-	-	1,050,000	1,050,000
Investments- Unrestricted	7,763,189	13,628,735	1,720,082	304,470	734,670	3,571,381	4,859,653	646,792	33,228,972	14,839,991
Restricted Cash										
Debt Service Reserve	-	-	1,033,233	-	-	1,266,247	-	-	2,299,480	1,498,813
Other	-	-	-	-	-	284,610	-	-	284,610	284,610
Total Restricted Cash	-	-	1,033,233	-	-	1,550,857	-	-	2,584,090	1,783,423
Restricted Investments										
Debt Service Reserve	-	-	694,000	-	-	969,000	-	-	1,663,000	2,317,442
Total Non-Current Assets	52,739,066	143,169,667	17,836,195	3,326,221	734,670	33,012,749	4,859,653	1,341,078	257,019,300	244,875,588
TOTAL ASSETS	60,300,066	168,831,792	23,668,426	3,923,110	1,618,678	40,233,033	15,758,005	3,695,882	318,028,993	334,214,505
DEFERRED OUTFLOWS OF RESOURCES										
Amortized Loss on Refundings			298,030						298,030	377,385
Asset Retirement Obligations	1,048,636	133,408	-	-	-	-	-	-	1,182,044	1,171,587

MICHIGAN PUBLIC POWER AGENCY
STATEMENT OF NET POSITION
December 31, 2019
(With Comparative Totals for December 31, 2018)

CURRENT LIABILITIES										
Accounts payable and Accrued Exp.	1,400,384	8,010,527	212,859	555,481	1,408,518	355,877	4,950,368	876,189	17,770,202	19,027,962
Accrued interest payable	116,561	-	388,250	-	-	714,513	-	-	1,219,324	1,317,076
Member Deposits	-	-	-	-	-	-	-	180,000	180,000	2,406,914
Revenue Bonds Payable- Current	4,010,000	-	1,625,000	-	-	655,000	-	-	6,290,000	6,095,000
Total Current Liabilities	5,526,945	8,010,527	2,226,109	555,481	1,408,518	1,725,390	4,950,368	1,056,189	25,459,526	28,846,952
NON-CURRENT LIABILITIES										
Member Deposits/Capital Contributions	909,804	3,890,000	-	3,335,511	133,505	-	10,224,803	460,579	18,954,202	17,075,304
Revenue Bonds Payable, net of unamortized premium less current portion	6,170,000	-	14,540,534	-	-	29,284,767	-	-	49,995,301	56,536,423
Asset Retirement Obligation	1,103,825	147,470	-	-	-	-	-	-	1,251,294	1,171,587
Total Non-Current Liabilities	8,183,629	4,037,470	14,540,534	3,335,511	133,505	29,284,767	10,224,803	460,579	70,200,797	74,783,314
TOTAL LIABILITIES	13,710,574	12,047,997	16,766,643	3,890,992	1,542,023	31,010,157	15,175,171	1,516,768	95,660,323	103,630,266
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-	-
NET POSITION										
Net Investment in Capital Assets	32,836,073	125,650,932	(1,478,624)	3,021,751	-	(3,789,376)	-	508,111	156,748,868	158,181,839
Restricted- Debt Service	1,980,314	-	1,641,954	-	-	663,899	-	-	4,286,167	4,146,373
Restricted- Debt Service Reserve	-	-	1,727,233	-	-	2,235,247	-	-	3,962,480	3,816,255
Restricted- Reserve & Contingency	-	-	-	-	-	284,610	-	-	284,610	1,334,610
Unrestricted (Deficit)	12,821,741	31,266,272	5,309,250	(2,989,633)	76,655	9,828,496	582,834	1,671,003	58,566,619	64,654,134
TOTAL NET POSITION	\$ 47,638,128	\$ 156,917,204	\$ 7,199,813	\$ 32,118	\$ 76,655	\$ 9,222,876	\$ 582,834	\$ 2,179,114	\$ 223,848,744	\$ 232,133,210

MICHIGAN PUBLIC POWER AGENCY
STATEMENT OF NET POSITION
December 31, 2019
(With Comparative Totals for December 31, 2018)

	CAMPBELL NO. 3	BELLE RIVER	CT PROJECT	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL OFFICE	TOTALS	
									2019	2018 (Restated)
DEFERRED OUTFLOWS OF RESOURCES										
Unamortized Loss on Refundings			298,030						298,030	377,385
Asset Retirement Obligations	1,048,636	133,408	-	-	-	-	-	-	1,182,044	1,171,587
CURRENT LIABILITIES										
Accounts payable and Accrued Exp.	1,400,384	8,010,527	212,859	555,481	1,408,518	355,877	4,950,368	876,189	17,770,202	19,027,962
Accrued interest payable	116,561	-	388,250	-	-	714,513	-	-	1,219,324	1,317,076
Member Deposits	-	-	-	-	-	-	-	180,000	180,000	2,406,914
Revenue Bonds Payable- Current	4,010,000	-	1,625,000	-	-	655,000	-	-	6,290,000	6,095,000
Total Current Liabilities	5,526,945	8,010,527	2,226,109	555,481	1,408,518	1,725,390	4,950,368	1,056,189	25,459,526	28,846,952
NON-CURRENT LIABILITIES										
Member Deposits/Capital Contributions	909,804	3,890,000	-	3,335,511	133,505	-	10,224,803	460,579	18,954,202	17,075,304
Revenue Bonds Payable, net of unamortized premium less current portion	6,170,000	-	14,540,534	-	-	29,284,767	-	-	49,995,301	56,536,423
Asset Retirement Obligation	1,103,825	147,470	-	-	-	-	-	-	1,251,294	1,171,587
Total Non-Current Liabilities	8,183,629	4,037,470	14,540,534	3,335,511	133,505	29,284,767	10,224,803	460,579	70,200,797	74,783,314
TOTAL LIABILITIES	13,710,574	12,047,997	16,766,643	3,890,992	1,542,023	31,010,157	15,175,171	1,516,768	95,660,323	103,630,266
DEFERRED INFLOWS OF RESOURCES										
	-	-	-	-	-	-	-	-	-	-
NET POSITION										
Net Investment in Capital Assets	32,836,073	125,650,932	(1,478,624)	3,021,751	-	(3,789,376)	-	508,111	156,748,868	158,181,839
Restricted- Debt Service	1,980,314	-	1,641,954	-	-	663,899	-	-	4,286,167	4,146,373
Restricted- Debt Service Reserve	-	-	1,727,233	-	-	2,235,247	-	-	3,962,480	3,816,255
Restricted- Reserve & Contingency	-	-	-	-	-	284,610	-	-	284,610	1,334,610
Unrestricted (Deficit)	12,821,741	31,266,272	5,309,250	(2,989,633)	76,655	9,828,496	582,834	1,671,003	58,566,619	64,654,134
TOTAL NET POSITION	\$ 47,638,128	\$ 156,917,204	\$ 7,199,813	\$ 32,118	\$ 76,655	\$ 9,222,876	\$ 582,834	\$ 2,179,114	\$ 223,848,744	\$ 232,133,210

MICHIGAN PUBLIC POWER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	Campbell No. 3 Project	Belle River Project	Combustion Turbine No.1	Transmission Project	Landfill Project	AFEC Project	Energy Services Project	General Office Operation	Totals	
									2019	2018
OPERATING REVENUES										
Gross Sales	\$ 13,982,304	\$ 42,647,456	\$ 5,783,252	\$ 991,446	\$ 13,003,284	\$ 10,659,037	\$ 71,081,476	\$ -	\$ 158,148,255	\$ 163,658,752
Jt Zone Transmission Revenue	-	-	-	3,689,135	-	-	-	-	3,689,135	3,861,494
Jt Zone Transmission Distribution	-	-	-	(3,645,129)	-	-	-	-	(3,645,129)	(3,821,251)
Other	-	-	-	-	-	-	-	3,182,043	3,182,043	3,041,917
Total Gross Revenue	13,982,304	42,647,456	5,783,252	1,035,452	13,003,284	10,659,037	71,081,476	3,182,043	161,374,304	166,740,912
OPERATING EXPENSES										
Cost of Energy - produced	7,637,973	34,559,555	1,289,719	-	-	6,254,110	-	-	49,741,357	57,241,795
Cost of Energy & Capacity - purchased	-	-	-	-	12,862,553	251,289	57,949,339	-	71,063,182	69,828,381
Miso Market Overhead Fees	33,240	175,701	6,997	-	-	-	834,056	-	1,049,993	901,703
Transmission	1,091,319	3,873,804	977,256	911,218	-	202,855	10,972,861	-	18,029,313	17,376,189
General and administrative	583,979	4,038,396	807,780	124,234	140,730	391,463	1,325,220	3,066,558	10,478,360	10,228,144
Depreciation	3,052,342	14,191,193	1,038,854	22,681	-	839,724	-	47,353	19,192,149	20,073,952
Total Operating Expenses	12,398,853	56,838,649	4,120,606	1,058,134	13,003,284	7,939,441	71,081,476	3,113,911	169,554,354	175,650,163
Operating Income (Loss)	1,583,451	(14,191,193)	1,662,646	(22,681)	-	2,719,596	(0)	68,135	(8,180,047)	(8,909,248)
NONOPERATING REVENUES (EXPENSES)										
Interest cost incurred	(255,793)	-0-	(776,500)	-	-	(1,429,025)	-	-	(2,461,318)	(2,656,364)
Amortization of financing-related costs	-	-	77,211	-	-	81,901	-	-	159,112	168,442
Investment income	269,580	623,234	135,186	12,522	32,581	205,389	206,762	27,140	1,512,394	999,280
Net change in fair value of investments	109,360	49,786	28,979	2,848	6,721	48,851	47,190	6,125	299,860	98,343
Prepaid Lease Income	-	-	-	-	-	-	-	66,172	66,172	66,196
Miscellaneous	-	-	-	-	-	319,364	-	-	319,364	-
Total Nonoperating Revenues (Expenses)	123,147	673,020	(535,124)	15,371	39,302	(773,520)	253,951	99,437	(104,416)	(1,324,102)
CHANGE IN NET POSITION	\$ 1,706,598	\$ (13,518,173)	\$ 1,127,522	\$ (7,311)	\$ 39,302	\$ 1,946,076	\$ 253,951	\$ 167,567	\$ (8,284,463)	\$ (10,233,353)
NET POSITION - Beginning of Year	45,931,531	170,435,378	6,072,290	39,428	37,353	7,276,799	328,884	2,011,546	232,133,210	242,366,564
NET POSITION - END OF YEAR	\$ 47,638,127	\$ 156,917,207	\$ 7,199,812	\$ 32,117	\$ 76,657	\$ 9,222,875	\$ 582,836	\$ 2,179,109	\$ 223,848,744	\$ 232,133,210

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF CASH FLOWS
Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	Campbell No. 3 Project	Belle River Project	Combustion Turbine #1	Transmission Project	Landfill Project	AFEC Project	Energy Services Project	General Office Operation	Totals	
									2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES										
Received from customers	\$ 14,399,143	\$ 45,008,168	\$ 6,089,285	\$ 1,016,593	\$ 13,016,605	\$ 10,356,167	\$ 70,489,146	\$ 3,162,819	\$ 163,537,927	\$ 167,781,121
Paid to suppliers for goods and services	(9,084,870)	(43,708,773)	(3,167,322)	(810,691)	(12,861,216)	(7,283,818)	(70,913,734)	(2,628,152)	(150,458,576)	(153,357,525)
Paid to employees for services	(153,276)	(257,690)	(128,542)	(50,365)	(66,360)	(127,561)	(571,767)	(218,305)	(1,573,865)	(1,434,794)
Net Cash Flows From (Used in) Operating Activities:	5,160,997	1,041,704	2,793,421	155,537	89,030	2,944,788	(996,355)	316,362	11,505,485	12,988,801
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Acquisition and construction of utility plant	(1,355,041)	(10,144,972)	(96,348)	-	-	(480,074)	-	-	(12,076,434)	(5,088,543)
Capital contributions of (distributions to) participating members	-	-	-	-	-	-	1,944,442	(65,544)	1,878,898	102,570
Development Security Escrow	-	-	-	-	-	-	(2,406,914)	-	(2,406,914)	2,406,914
Principal payment on revenue bonds	(3,915,000)	-	(1,550,000)	-	-	(630,000)	-	-	(6,095,000)	(32,035,000)
Interest paid on revenue bonds	(300,620)	-	(815,250)	-	-	(1,443,200)	-	-	(2,559,070)	(3,436,431)
Other	-	-	-	-	-	319,364	-	27,602	346,966	45,261
Net Cash Flows From (Used in) Capital and Related Financing Activities	(5,570,661)	(10,144,972)	(2,461,598)	-	-	(2,233,910)	(462,473)	(37,941)	(20,911,554)	(38,005,228)
CASH FLOWS FROM INVESTING ACTIVITIES										
Long-term investments purchased	(2,563,414)	(13,628,735)	(1,430,821)	(304,470)	(734,670)	(3,206,200)	(4,859,653)	(646,792)	(27,374,755)	(8,330,409)
Long-term investments sold	1,155,594	2,777,843	885,948	145,065	328,872	1,470,001	2,558,213	318,680	9,640,216	19,749,298
Investment income	377,270	624,993	164,466	14,955	38,571	253,628	246,364	32,991	1,753,238	1,130,108
Net Cash Flows From Investing Activities	(1,030,550)	(10,225,899)	(380,407)	(144,450)	(367,227)	(1,482,571)	(2,055,076)	(295,121)	(15,981,302)	12,548,997
Net Change in Cash and Cash Equivalents	(1,440,213)	(19,329,167)	(48,584)	11,088	(278,198)	(771,693)	(3,513,904)	(16,700)	(25,387,370)	(12,467,431)
CASH AND CASH EQUIVALENTS - Beginning of Year	7,455,641	31,093,130	6,115,930	291,664	1,134,996	8,696,429	10,858,940	2,261,407	67,908,137	80,375,568
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,015,428	\$ 11,763,962	\$ 6,067,346	\$ 302,752	\$ 856,798	\$ 7,924,736	\$ 7,345,035	\$ 2,244,707	\$ 42,520,764	\$ 67,908,137
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES										
Operating income (loss)	1,583,451	(14,191,193)	1,662,646	(22,681)	0	2,719,596	(0)	68,135	(8,180,047)	(8,909,248)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities										
Depreciation	3,052,342	14,191,193	1,038,854	22,681	-	839,724	-	47,353	19,192,149	20,073,952
Changes in assets and liabilities										
Accounts receivable	416,839	2,360,712	306,033	(18,859)	13,321	(302,870)	(554,979)	(19,224)	2,200,975	1,040,208
Fuel inventory	52,530	-	(5,763)	-	-	-	-	-	46,767	205,912
Materials and supplies inventory	-	(70,068)	22,529	-	-	-	-	-	(47,539)	232,584
Prepaid items and deposits	-	-	-	-	-	-	-	43,343	43,343	(47,468)
Deferred Inflows of resources	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued expense	55,835	(1,248,940)	(230,877)	174,396	75,708	(311,662)	(441,376)	176,755	(1,750,162)	392,861
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,160,997	1,041,704	2,793,421	155,537	89,030	2,944,788	(996,355)	316,362	11,505,485	12,988,799
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET										
Current Assets	2,868,553	11,763,963	3,003,910	302,752	856,798	4,995,468	7,345,035	2,244,707	33,381,185	57,204,352
Restricted Assets	3,146,875	-	3,063,436	-	-	2,929,268	-	-	9,139,580	10,703,786
TOTAL CASH AND CASH EQUIVALENTS	\$ 6,015,428	\$ 11,763,962	\$ 6,067,346	\$ 302,752	\$ 856,798	\$ 7,924,736	\$ 7,345,035	\$ 2,244,707	\$ 42,520,764	\$ 67,908,137

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MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 – NATURE OF OPERATIONS

Michigan Public Power Agency (MPPA) is a public body politic and corporate of the State of Michigan created in 1978 under Act 448 of the Public Acts of Michigan, 1976, as amended. MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for the 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. Of MPPA's twenty-two members, ten are participants in the Campbell No. 3 Project, eleven are participants in the Belle River Project, five are participants in the Combustion Turbine No.1 Project, thirteen participate in the Transmission Project, twenty-one are participants in the Energy Services Project, thirteen participate in the AFEC Project and fourteen participate in the Landfill Renewable Energy Project.

The financial statements of the utility are presented in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units.

In November 2016, The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The provisions of this statement were adopted for the Agency's financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement will be effective for the Agency's financial statements for the year ending December 31, 2020.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The provisions of this statement have no impact on the Agency's financial statements for the year ended December 31, 2019.

In March 2018, GASB Statement No. 88, *Certain Disclosures related to Debt, Direct Borrowing and Direct Placements* was issued. This statement establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The provisions of this statement were adopted for the Agency's financial statements for the year ended December 31, 2019.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, Statement No. 91, *Conduit Debt Obligations* and Statement No. 92, *Omnibus 2020*. Application of these recently issued accounting pronouncements, when effective, may restate portions of these financial statements.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 – NATURE OF OPERATIONS (cont.)

Basis of Presentation

The financial activities of MPPA are recorded in separate proprietary funds described as follows:

Enterprise Funds

The Campbell No. 3, Belle River, Combustion Turbine No. 1, Energy Services, Landfill Renewable Energy, AFEC and Transmission Funds account for the financing and operation of MPPA's interest in the respective projects, whereby costs are recovered through participant charges. The accounts of these Funds are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission. Enterprise funds are accounted for on an accruals basis with a flow of economic resources measurement focus.

General Office Operations Fund

The General Office Operations Fund accounts for financing, through participant charges, the general and administrative activities of MPPA not related to any specific electric power supply project.

Net Position

As required by GASB Statement No. 34, net position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, obligations, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is MPPA's policy to use restricted resources first, then unrestricted resources as they are needed.

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MPPA's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 – NATURE OF OPERATIONS (cont.)

Budgetary Accounting

The Board of Commissioners of MPPA adopts an operating budget each year for all funds, on the same basis of accounting used to reflect actual revenues and expenses in the financial statements. The CEO & General Manager exercises budgetary control.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Operating Revenues

MPPA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods with MPPA's principal ongoing operations. The principal operating revenues of MPPA are derived from charges to members for sales and services. Operating expenses for MPPA 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 non-operating revenues and expenses.

Prepaid Expenses and Deposits

Prepayments include costs of expenses paid in advance for which the future benefits have yet to be realized. Prepayments and Deposits are for a) working capital advances to MPPA's majority owner operators of its power plants, b) advances MISO for transmission upgrade study costs and c) other general and administrative operating costs.

Prepaid expenses and deposit balances were as follows at December 31:

		<u>2019</u>
Majority Owner Operator	\$	5,570,924
MISO Transmission Study		180,000
Other General Operating Costs		6,175
	\$	<u>5,757,099</u>

Accounts Receivable

Accounts receivable are stated at the net invoice amount billed to MPPA's members. Any outstanding receivables are generally collected in full within 15 days of being invoiced. As such, there has been no allowance for doubtful accounts recorded.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 – NATURE OF OPERATIONS (cont.)

Accounts Payable and Accrued Expenses

MPPA pays its plant operators and other third party energy suppliers according to the terms stated within the individual contracts. Accrued expenses are those expenses related to compensation and benefits that have been earned but not yet paid and are reflected within the balances of the General Office Fund.

Utility Plant

Additions to and replacements of utility plant are recorded at original cost including any capitalized interest for borrowed funds used to construct the facilities. Depreciation is recorded using the straight-line method using service lives of 3 to 54 years. The agency capitalizes assets with a cost greater than \$500.

Interest is capitalized on utility property acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Inventories

Fuel inventories for the Belle River Project, Campbell No. 3 Project and the Combustion Turbine No. 1 Project are stated at average cost. The materials and supplies inventory for the Belle River Project is controlled by the Operator (DTE Energy) and is stated at average cost. For the Combustion Turbine Project, the materials and supplies inventory is stated at actual cost.

Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are cash and investments having an initial maturity of three months or less.

Unamortized Premiums and Discounts

Bond premiums and discounts are amortized over the life of the bonds based on the effective interest method. Unamortized premiums and discounts are reported net with Revenue Bonds Payable.

Deferred Outflows of Resources

Losses on advance refundings are classified as deferred outflows of resources and amortized on the effective interest method over the repayment period of the related debt. In accordance with GASB 83, MPPA will also report certain asset retirement obligations as deferred outflows of resources and amortize those obligations over the remaining life of the related assets. See Note 12 for additional information about Asset Retirement Obligations.

Taxes

MPPA is exempt from state and federal income taxes.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 – NATURE OF OPERATIONS (cont.)

Compensated Absences

Under terms of employment, employees earn personal leave according to years of service. Employees can accumulate up to thirty days of personal leave. Employees are paid for unused personal leave upon separation of service. MPPA self-funds short-term disability benefits from the 11th to the 30th day of a covered absence. A separate disability insurance policy compensates employees for covered absences that extend beyond the 30th day. These benefits are reported as accrued expenses under the general office on the Statement of Net Position.

NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS

Campbell Unit No. 3

MPPA and Consumers Energy Company (Consumers) entered into the following agreements dated October 1, 1979, as amended, relating to Consumers' Campbell Unit No. 3 steam-electric generating unit, which went into commercial operation in September 1980:

The Campbell Ownership Agreement provides for MPPA to own a 4.8% undivided interest in Campbell Unit No. 3, for Consumers to operate Campbell Unit No. 3, for the sale of surplus electric capacity to Consumers, for operating costs of Campbell Unit No. 3 to be shared on a pro rata basis, and for MPPA to purchase an undivided ownership interest in the fuel supply for Campbell Unit No. 3.

The Campbell Transmission Agreement provides for MPPA to purchase a 58.06% undivided ownership interest in Consumers' (now METC) 345 kV transmission line, the method of determining certain charges for utilization of the METC/(Consumers) transmission system, for the sale to METC/(Consumers) of planned available transmission capacity in excess of MPPA's need, if available, and for sharing transmission line operating expenses.

The Campbell Back-Up Agreement provides for Consumers to make backup electric capacity and energy available to MPPA from its electric system reserves in the event of total or partial unavailability of capacity and energy from Campbell Unit No. 3, and for determination of the associated backup electric capacity and energy charges to MPPA.

MPPA entered into a Power Sales Contract and a Project Support Contract with each of the ten members who elected to participate in the Campbell No. 3 Project. These contracts provide for the participant to purchase from MPPA the participant's entitlement share, as defined, of the generation and transmission of the Project. Each participant also shares proportionately in the proceeds from MPPA's sale of excess generating and transmission capacity to METC and/or Consumers. Each participant is obligated to pay its share of the operating and debt service costs of the Project.

On January 30, 2013, MPPA completed financing via a private placement bond through BMO Harris Bank N.A. in the amount of \$23,500,000. The funds were used to finance capital improvements to the Campbell 3 power plant and the installation of necessary environmental controls.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

Belle River Unit No. 1

On December 1, 1982, MPPA and Detroit Edison Company (Edison) entered into the following agreements, as amended, relating to Edison's Belle River Unit No. 1 steam-electric generating unit, part of a two-unit generating station, which went into commercial operation in August 1984:

The Belle River Participation Agreement provides for MPPA to purchase a 37.22% undivided ownership interest in Belle River Unit No. 1 and an undivided ownership interest in certain common and joint facilities associated with Belle River Unit No. 1, for MPPA to purchase an undivided ownership interest in the fuel supply stockpile, for Edison to operate Belle River Units No. 1 and 2, for the sharing of operating costs of both units, for the sale of surplus electric capacity and energy to Edison, and for backup electric capacity and energy from Edison's electric system reserves to be available in the event of total or partial unavailability of power and energy from Belle River. Pursuant to the reliability exchange provisions in the Agreement,

MPPA is entitled to 18.61% of the electric capacity and energy from each of the Belle River Units No. 1 and 2.

The Belle River Transmission Ownership and Operating Agreement with Edison provides for MPPA to purchase a 50.41% undivided ownership interest in Edison's 345 kV Transmission Line (now ITC), for ITC/(Edison) to operate the transmission lines, for the sharing of operating costs, and for the sale of planned excess transmission capacity to ITC/(Edison), if any.

MPPA entered into the Belle River Transmission Ownership and Operating Agreement with Consumers' (now METC), dated December 1, 1982, as amended, which provides MPPA with a 90% undivided ownership interest in certain METC/(Consumers) designated transmission lines, for METC/(Consumers) to operate the transmission lines, for the sharing of operating costs, and for the sale to METC/(Consumers) of planned excess transmission capacity, if any.

MPPA entered into a Power Sales Contract and a Project Support Contract with each of the eleven members who elected to participate in the Belle River Project. These contracts provide for the participants to purchase from MPPA their entitlement share, as defined, of generation and transmission of the Project. Each participant also shares proportionately in MPPA's sale of excess generating and transmission capacity. Each participant is obligated to pay its share of power, transmission, backup, debt service, and other project-related costs.

Combustion Turbine Project No. 1

In 2002, MPPA completed construction of a 50 MW (nominal nameplate rating) simple-cycle combustion turbine generating unit fueled with natural gas (the CT Project No. 1). The unit is located in Kalkaska County, Michigan. The project included construction of natural gas pipeline and metering equipment to connect to natural gas facilities, a 69kV electrical line tap and associated equipment to deliver the output of the CT Project No. 1 to the transmission system, and an undivided ownership interest in certain transmission lines on the METC transmission system.

In late 2012, MPPA entered into a long-term supply agreement with ANR Pipeline Company (ANR). ANR owns and operates an existing interstate natural gas pipeline system which transports natural gas to markets located in Michigan near the plant. MPPA has established an interconnection

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

between its facilities at the plant and the natural gas pipeline facilities of ANR to provide for the transportation of natural gas necessary to operation of the plant.

Transmission Project

In 2005, the MPPA members contributed capital for the purchase of transmission rights in the bulk transmission system. In 2006, MPPA purchased an undivided ownership in certain 345kV transmission lines in the METC system giving rights to use of the bulk transmission system. Thirteen members participate in this Project.

AMP Fremont Energy Center Project (AFEC)

In June 2012, MPPA completed its purchase of a 5.16% interest in a natural gas fired electric facility located in Fremont, Sandusky County, Ohio. American Municipal Power, Inc. is the majority owner of this power plant and serves as the operator. Thirteen of MPPA's municipal members committed to power purchases under the AFEC project. MPPA issued \$32,520,000 in revenue bonds to finance the purchase.

NOTE 3 – CASH AND INVESTMENTS

MPPA adopted an investment policy, in accordance with the bond resolutions, that allows it to invest in U.S. Treasury obligations, certain federal agency securities, Michigan Housing Authority bonds, direct and general obligations of any state, certificates of deposit with qualified United States institutions, repurchase agreements with qualified institutions, municipal obligations, time deposits, bankers' acceptances, commercial paper, and pooled investment funds.

MPPA's investment in US Government and Agency debt obligations, Municipal Bonds and other permitted investments at year end consists of:

	<u>Book Value</u>	<u>Bank Value</u>
Cash and Cash Equivalents		
Checking	\$ 1,171,236	\$ 1,199,067
Money Market Funds	41,349,532	41,349,532
Total Cash and Cash Equivalents	<u>42,520,768</u>	<u>42,548,599</u>
Unrestricted Assets Invested		
U.S. Treasury Notes	12,994,459	12,994,459
Agency Notes	4,026,977	4,026,977
Pooled Investments	17,500,000	17,500,000
Local Government Bonds	370,535	370,535
	<u>34,891,970</u>	<u>34,891,970</u>
Total Cash & Investments	<u>\$ 77,412,738</u>	<u>\$ 77,440,570</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3 – CASH AND INVESTMENTS (cont.)

Fair Value Measurement

MPPA categorizes its fair value measurements 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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances, whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. MPPA's assessment of the significance of particular inputs to these fair value measurements required judgement and considers factors specific to each asset or liability.

As of December 31, 2019, the following investments are recorded at fair value using the Matrix Pricing Technique:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes	\$ -	\$ 12,994,459	\$ -	\$ 12,994,459
Federal Home Loan Mortgage Association Notes	-	1,163,469	-	1,163,469
Federal Farm Credit Bank Notes		202,430		202,430
Fannie Mae Mortgage Association Notes	-	2,373,633	-	2,373,633
Freddie Mac Mortgage Backed Securities	-	287,443	-	287,443
Pooled Investments		17,500,000		17,500,000
Local Government Bonds	-	370,536	-	370,536
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 34,891,970</u>	<u>\$ -</u>	<u>\$ 34,891,970</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3 – CASH AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, MPPA's deposits may not be returned to MPPA. Deposits in banks are insured by the FDIC in the amount of \$250,000 for all interest-bearing accounts.

At December 31, 2019, MPPA had \$34,891,971 in uninsured and uncollateralized deposits. MPPA's investment policy does not require collateralization of deposits but rather restricts the financial institutions that can be used based on the equity and market ratings of the financial institution's debt.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MPPA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2019, MPPA had \$33,228,971 in investments subject to custodial credit risk. All other investments are investments held in trust on behalf of MPPA and therefore, not subject to custodial credit risk. MPPA's policy is to have all investment securities held by its agent in MPPA's name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2019, MPPA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>
US Treasury Bonds	AA+	Aaa
US Agency Notes	AA+	Aaa
Local Government Bonds	AA	A1
Money Market Funds	AAA	Aaa
Pooled Investments	A-1/A-1+	N/A

MPPA's investment policy requires that all investments be rated in highest or second highest category by Moody's or S&P.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3 – CASH AND INVESTMENTS (cont.)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of MPPA's investment in a single issuer.

MPPA's investment policy does not limit the amount of the portfolio that can be invested in U.S. government agency securities or any one issuer of such investments. MPPA limits its investment in a single issuer of state and local debt to 33% of its total portfolio. Investments in a single issuer of money market funds are limited to 75% of its total portfolio. All other types of approved investments in a single issuer are limited to 50% of MPPA's total portfolio. More than 5% of MPPA's investments are in Federal National Mortgage Association. This investment is 14.52% of the MPPA's total investments and is permissible under MPPA's investment policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MPPA's investment policy restricts operational funds to maturities of one year or less, reserve and contingency funds to five years or less, and debt service reserve funds to ten years or less.

At December 31, 2019, MPPA's investments were as follows:

Investment Type	Fair Value	Maturity in years	
		Less than 1 year	1-5 years
U.S. Treasury Notes	\$ 12,994,459	\$ 3,392,149	\$ 9,602,310
Agency Notes	\$ 4,026,977	\$ 160,930	\$ 3,866,047
Pooled Investments	\$ 17,500,000	\$ 17,500,000	
Local Government Bonds	\$ 370,535		\$ 370,535
	<hr/>	<hr/>	<hr/>
	\$ 34,891,970	\$ 21,053,079	\$ 13,838,892

NOTE 4 – RESTRICTED ASSETS

MPPA's bond resolutions require the segregation of bond proceeds, establishment of various funds, and prescribe the application of MPPA's revenues. Also, it defines what type of securities MPPA may invest in. The funds established by the resolution are detailed in the Statement of Net Position. MPPA is compliant with all bond resolution funding requirements.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 01/01/2019	Additions & Reclasses	Deletions & Reclasses	Balance 12/31/2019
Capital assets being depreciated:				
Building & Land	\$ 2,866,699	\$ 38,566	(12,621)	\$ 2,892,642
Utility Plant in Service	717,145,052	12,453,889	-	729,598,942
Construction Work in Progress	-	-	-	-
Less: Accumulated Depreciation	(500,807,645)	(18,995,329)	-	(519,802,976)
Net Utility Plant	\$ 219,204,108	\$ (6,502,875)	\$ (12,621)	\$ 212,688,611

NOTE 6 – NON-CURRENT LIABILITIES

CAMPBELL No. 3 PROJECT REVENUE BONDS

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Jan 30, 2013	Finance Cost of Improvements	1/1/2022	2.29%	\$ 23,500,000

The following obligations are outstanding at 12/31/2019:

2013 Series A Bonds	10,180,000
Unamortized premium on bonds	-
	10,180,000
Less: Current Portion	(4,010,000)
Total	\$ 6,170,000

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

CAMPBELL No. 3 PROJECT REVENUE BONDS (cont.)

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected in the remaining years following December 31, 2019 are as follows:

Year Ending December 31	Principal	Interest	Total
2020	\$ 4,010,000	\$ 210,451	\$ 4,220,451
2021	4,095,000	118,107	4,213,107
2022	2,075,000	23,759	2,098,759
	<u>\$ 10,180,000</u>	<u>\$ 352,317</u>	<u>\$ 10,532,317</u>

Non-Current Liabilities as of December 31, 2019:

	01/01/2019			12/31/2019	
	Balance	Additions	Reductions	Balance	
Revenue Bonds	\$ 14,095,000	\$ -	\$ (3,915,000)	\$	10,180,000
Less Current Maturities	(3,915,000)	(4,010,000)	3,915,000	(4,010,000)	
Asset Retirement Obligations	1,029,727	74,097		1,103,825	
Member Deposits	909,804	-		909,804	
Total Non-Current Liabilities	<u>\$ 12,119,531</u>	<u>\$ (3,935,903)</u>	<u>\$ -</u>	<u>\$</u>	<u>8,183,629</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

AFEC Project Revenue Bonds

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>
6/19/2012	Combined Cycle Plant Purchase	1/1/2043	3.5%-5.0%	\$ 32,520,000

The following obligations are outstanding at 12/31/2019:

2012 A Bonds	\$ 28,805,000
Unamortized Premium on bonds	1,134,767
	<u>29,939,767</u>
Less: Current Portion	(655,000)
Total	<u>\$ 29,284,767</u>

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the five years following December 31, 2019, and in five-year increments thereafter to maturity, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 655,000	\$ 1,399,550	\$ 2,054,550
2021	685,000	1,399,550	2,084,550
2022	720,000	1,365,300	2,085,300
2023	755,000	1,329,300	2,084,300
2024	795,000	1,291,550	2,086,550
2025-2029	4,560,000	5,865,250	10,425,250
2030-2034	5,820,000	4,605,000	10,425,000
2035-2039	7,425,000	2,997,500	10,422,500
2040-2043	7,390,000	946,250	8,336,250
	<u>\$ 28,805,000</u>	<u>\$ 21,199,250</u>	<u>\$ 50,004,250</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

AFEC Project Revenue Bonds (cont.)

Non-Current Liabilities as of December 31, 2019:

	01/01/2019	Additions	Reductions	12/31/2019
Revenue Bonds	\$ 29,435,000	\$ -	\$ (630,000)	\$ 28,805,000
Unamortized Premium on Bonds	1,216,668		(81,901)	1,134,767
Less Current Maturities	(630,000)	(655,000)	630,000	(655,000)
Total Non-Current Liabilities	\$ 30,021,668	\$ (655,000)	\$ (81,901)	\$ 29,284,767

Combustion Turbine No. 1 Project Revenue Bonds

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>
Oct 02,2011	Refinancing of 2002 bonds	1/1/2027	3.00%-5.00%	\$ 26,315,000

The following obligations are outstanding at 12/31/2019:

2011 A Bonds	\$ 15,530,000
Unamortized Premium on bonds	635,534
	16,165,534
Less: Current Portion	(1,625,000)
Total	\$ 14,540,534

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

Combustion Turbine No. 1 Project Revenue Bonds (cont.)

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the remaining seven years following December 31, 2019 are as follows:

Year Ending December 31	Principal	Interest	Total
2020	1,625,000	776,500	2,401,500
2021	1,710,000	695,250	2,405,250
2022	1,795,000	609,750	2,404,750
2023	1,880,000	520,000	2,400,000
2024	1,975,000	426,000	2,401,000
2025	2,075,000	327,250	2,402,250
2026	2,180,000	223,500	2,403,500
2027	2,290,000	114,500	2,404,500
	<u>\$ 15,530,000</u>	<u>\$ 3,692,750</u>	<u>\$ 19,222,750</u>

Non-current Liabilities as of December 31, 2019:

	01/01/2019 Balance	Additions	Reductions	12/31/2019 Balance
Revenue Bonds	\$ 17,080,000	\$ -	\$ (1,550,000)	\$ 15,530,000
Unamortized Premium on Bonds	804,755	-	(169,221)	635,534
Current Maturities	(1,550,000)	(75,000)	-	(1,625,000)
Total Non-Current Liabilities	<u>\$ 16,334,755</u>	<u>\$ (75,000)</u>	<u>\$ (1,719,221)</u>	<u>\$ 14,540,534</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

Belle River Project

Non-current Liabilities as of December 31, 2019:

	01/01/2019				12/31/2019	
	Balance	Additions	Reductions		Balance	
Asset Retirement Obligation	141,860		5,610		147,470	
Member Deposits	3,890,000	-	-		3,890,000	
Total Non-Current Liabilities	<u>\$ 4,031,860</u>	<u>\$ -</u>	<u>\$ 5,610</u>		<u>\$ 4,037,470</u>	

Energy Services Project

Non-current Liabilities as of December 31, 2019:

	01/01/2019				12/31/2019	
	Balance	Additions	Reductions		Balance	
Member Deposits	8,280,361	1,944,442	-		10,224,803	
Total Non-Current Liabilities	<u>\$ 8,280,361</u>	<u>\$ 1,944,442</u>	<u>\$ -</u>		<u>\$ 10,224,803</u>	

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

Landfill Renewable Energy Project

Non-current Liabilities as of December 31, 2019:

	01/01/2019			12/31/2019
	Balance	Additions	Reductions	Balance
Member Deposits	133,505	-	-	133,505
Total Non-Current Liabilities	\$ 133,505	\$ -	\$ -	\$ 133,505

Transmission Project

Non-current Liabilities as of December 31, 2019:

	01/01/2019			12/31/2019
	Balance	Additions	Reductions	Balance
Member Deposits	3,335,511	-	-	3,335,511
Total Non-Current Liabilities	\$ 3,335,511	\$ -	\$ -	\$ 3,335,511

General Office- Energy Efficiency Service Committee

Non-current Liabilities as of December 31, 2019:

	01/01/2019			12/31/2019
	Balance	Additions	Reductions	Balance
Member Deposits	526,123		(65,544)	460,579
Total Non-Current Liabilities	\$ 526,123	\$ -	\$ (65,544)	\$ 460,579

NOTE 7 – EMPLOYEE RETIREMENT PLAN

MPPA employees are covered by a defined contribution retirement pension plan, the Michigan Public Power Agency Plan (the plan), which is administered by ICMA Retirement Corporation. MPPA makes an annual contribution based on a percentage of employee earnings on behalf of each employee. The plan follows the Standard 401(a) plan offered by the ICMA-RC. Required contributions by MPPA are 15% of employee salaries. Employees do not make contributions to the plan. The contribution requirements are established and can be amended by the MPPA Board of Commissioners. Total contributions to the plan by MPPA for the years ended December 31, 2019, 2018, and 2017 were approximately \$345,000, \$304,000, and \$227,000, respectively.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 8 – CONTRACTS AND COMMITMENTS

Contract with Consumers Energy

MPPA contracted with Consumers to purchase fuel coal to maintain a stockpile level of 10,649 wet tons for the Campbell Unit No. 3 plant for the 2019 calendar year. The coal is purchased at the prevailing market price at the time of delivery. MPPA also purchased an additional stockpile of coal as a substitute for its proportionate interest in the materials and supply inventory at Campbell Unit No. 3. This stockpile is maintained at a level to approximate MPPA's ownership interest in the materials and supply inventory at the Campbell plant.

Contract with Detroit Edison

MPPA's share of the stockpile of coal for the Belle River plant equals 260,540 tons

Future Energy Contracts

The Agency has entered into long-term contracts for the purchase of capacity and energy to meet the anticipated load requirements of its members. As of year-end, the power commitments for the period from January 1, 2019 – Dec 31, 2046 total approximately \$967,641,000.

NOTE 9 – RISK MANAGEMENT

MPPA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles.

There have been no claims in any of the past three years. MPPA is committed to maintaining adequate amounts of coverage to insure against these risks.

NOTE 10 – CONCENTRATION OF RISK

Credit risk represents the risk of loss that would occur if customers do not meet their financial obligations to MPPA. Concentration of risk occurs when significant customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

MPPA has three members who are considered significant customers that accounted for \$81.3 million (50.4%) of MPPA gross revenues in 2019.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 11 – BOND COVENANT DISCLOSURES

Campbell No. 3 Project- Compliance with Funding Requirements

	<u>2019</u>
Gross operating revenues	\$ 13,982,304
Other revenues	378,940
	<hr/> 14,361,244
Operating expenses	12,398,853
Less: Depreciation	(3,052,342)
	<hr/> 9,346,511
Net revenues	<hr/> \$ 5,014,733
Debt service (principal & interest)	4,215,793
Required revenues (1.1x debt service)	4,637,372
Revenues in Excess of Coverage Requirements	<hr/> \$ 377,361

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 11 – BOND COVENANT DISCLOSURES (cont.)

Combustion Turbine No. 1 Project

Compliance with Funding Requirements

	<u>2019</u>
Gross operating revenues	\$ 5,783,252
Other revenues	164,165
	<u>5,947,417</u>
Operating expenses	4,120,606
Less: Depreciation	(1,038,854)
	<u>3,081,752</u>
Net revenues	<u>\$ 2,865,665</u>
Debt service (principal, interest, reserve contribution)	2,451,500
Required revenues (1.1x debt service)	2,696,650
Revenues in Excess of Coverage Requirements	<u>\$ 169,015</u>

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 11 – BOND COVENANT DISCLOSURES (cont.)

AFEC Project

Compliance with Funding Requirements

	<u>2019</u>
Gross operating revenues	\$ 10,659,037
Other revenues	573,604
	<hr/> 11,232,641
Operating expenses	7,939,441
Less: Depreciation	(839,724)
	<hr/> 7,099,716
Net revenues	<hr/> \$ 4,132,925
Debt service (principal & interest)	2,084,025
Required revenues (1.1x debt service)	2,292,428
Revenues in Excess of Coverage Requirements	<hr/> \$ 1,840,497

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

NOTE 12 – ASSET RETIREMENT OBLIGATIONS

MPPA follows GASB Statement 83 *Certain Asset Retirement Obligations*, which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that are incurred upon the acquisition, construction, development or normal operation of the assets. MPPA's asset retirement obligations consist primarily of costs associated with the closure of ash and scrubber ponds at MPPA's jointly-owned plants. Per GASB 83, asset retirement obligations are recognized in the period in which they are incurred, if a reasonable estimate of fair value can be made. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over their useful life. MPPA uses information from DTE and Consumers Energy to estimate the cash flows to determine the obligation.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 12 – ASSET RETIREMENT OBLIGATIONS (cont.)

Asset Retirement Obligation balances as of 12.31.19 are as follows:

	<u>2019</u>
Opening Balance	1,171,587
Adjustments	32,674
Accretion	<u>47,033</u>
Ending Balance	1,251,294

NOTE 13 – CAMPBELL NO 3 DIRECT PLACEMENT DEBT

MPPA's Campbell Project 2013 Series A Revenue Bond covenants related to business activities of the Campbell #3 power plant contain event of default provisions with possible finance-related consequences. The outstanding bonds in the amount of \$10,180,000 contain a provision that in an event of default, any delinquent payment amount is subject to a penalty based on the greatest of i) the Bank's Prime Rate in effect at such time, (ii) the Federal Funds Rate in effect at such time plus one and one-half percent (1.5%), (iii) Adjusted LIBOR plus three and one-half percent (3.5%), and (iv) six percent (6%); the result of which is then added by an additional three percent (3%) for the total Default Rate.

NOTE 14 – RESTATEMENT

During the year, the Agency adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. This adoption required an adjustment of prior periods and thus a restatement of net position for 2018. MPPA has restated amounts of the affected balances within the financial statements for the period ended December 31, 2018 as follows:

Statement of Net Position

Non-Current Liabilities	<u>2018 (restated)</u>	<u>2018</u>
Asset Retirement Obligation	\$ 1,171,587	\$ -
Total Non-Current Liabilities	<u>\$ 1,171,587</u>	
Deferred Outflows of Resources		
Amortized Loss on Refunding	\$ 377,385	\$ 377,385
Asset Retirement Obligations	1,171,587	
	<u>\$ 1,548,972</u>	<u>\$ 377,385</u>

OTHER SUPPLEMENTAL INFORMATION

MICHIGAN PUBLIC POWER AGENCY

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE CAMPBELL NO. 3 PROJECT REVENUE BOND RESOLUTION Year Ended December 31, 2019

	Revenue Account	Operation and Maintenance Account	Operation and Maintenance Reserve Account	Fuel Reserve Account	Debt Service Account	Project Account	Construction Account	Totals
Cash and investments at January 1, 2019	\$ -	\$ 2,145,269	\$ 250,000	\$ 800,000	\$ 2,096,693	\$ 8,519,048	\$ -	\$ 13,811,010
Transfers in	-	10,006,518	-	-	4,192,800	1,355,419	-	15,554,737
Receipts	14,399,143	-	-	-	-	-	-	14,399,143
Investment receipts	-	354,268	-	-	23,002	-	-	377,270
Proceeds from Bonds	-	-	-	-	-	-	-	-
Payment of interest on bonds	-	-	-	-	(300,620)	-	-	(300,620)
Payment of bond principal	-	-	-	-	(3,915,000)	-	-	(3,915,000)
Capital disbursements	-	(1,355,041)	-	-	-	-	-	(1,355,041)
Disbursements	-	(9,238,146)	-	-	-	-	-	(9,238,146)
Transfer out	(14,399,143)	-	-	-	-	(1,155,594)	-	(15,554,737)
Cash and Investments at December 31, 2019	<u>\$ -</u>	<u>\$ 1,912,868</u>	<u>\$ 250,000</u>	<u>\$ 800,000</u>	<u>\$ 2,096,875</u>	<u>\$ 8,718,873</u>	<u>\$ -</u>	<u>\$ 13,778,617</u>

MICHIGAN PUBLIC POWER AGENCY

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE AFEC PROJECT REVENUE BOND RESOLUTION Year Ended December 31, 2019

	Revenue Account	Operation and Maintenance Account	Debt Service Account	Debt Service Reserve Account	Reserve & Contingency Account	Project Account	Totals
Cash and investments at January 1, 2019	\$ -	\$ 877,032	\$ 1,371,098	\$ 2,180,344	\$ 284,610	\$ 6,787,527	\$ 11,500,611
Transfers in	-	9,980,730	2,064,700	-	-	645,589	12,691,019
Receipts	10,675,531	-	-	-	-	-	10,675,531
Investment receipts	-	(1,883,258)	15,814	54,902.65	-	2,066,169	253,628
Proceeds from bonds	-	-	-	-	-	-	-
Payment of interest on bonds	-	-	(1,443,200)	-	-	-	(1,443,200)
Payment of bond principal	-	-	(630,000)	-	-	-	(630,000)
Capital disbursements	-	(480,074)	-	-	-	-	(480,074)
Disbursements	-	(7,411,379)	-	-	-	-	(7,411,379)
Transfers out	<u>(10,675,531)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,015,488)</u>	<u>(12,691,019)</u>
Cash and Investments at December 31,2019	<u>\$ -</u>	<u>\$ 1,083,052</u>	<u>\$ 1,378,412</u>	<u>\$ 2,235,247</u>	<u>\$ 284,610</u>	<u>\$ 7,483,797</u>	<u>\$ 12,465,117</u>

MICHIGAN PUBLIC POWER AGENCY

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE COMBUSTION TURBINE PROJECT REVENUE BOND RESOLUTION

Year Ended December 31, 2019

	Revenue Account	Operation and Maintenance Account	Debt Service Account	Debt Service Reserve Account	Project Account	Totals
Cash and investments at January 1, 2019	\$ -	\$ 610,755	\$ 1,995,658	\$ 1,635,910	\$ 3,742,815	\$ 7,985,138
Transfers in	-	4,241,383	2,376,467	-	357,384	6,975,233
Receipts	6,089,285	-	-	-	-	6,089,285
Investment receipts	-	(945,313)	23,329	91,322	995,128	164,466
Payment of interest on bonds	-	-	(815,250)	-	-	(815,250)
Payment of bond principal	-	-	(1,550,000)	-	-	(1,550,000)
Capital disbursements	-	(3,775)	-	-	(92,573)	(96,348)
Disbursements	-	(3,295,864)	-	-	-	(3,295,864)
Transfers out	<u>(6,089,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(885,948)</u>	<u>(6,975,233)</u>
Cash and Investments at December 31, 2019	<u>\$ -</u>	<u>\$ 607,186</u>	<u>\$ 2,030,204</u>	<u>\$ 1,727,233</u>	<u>\$ 4,116,806</u>	<u>\$ 8,481,428</u>

**MICHIGAN PUBLIC POWER AGENCY
CAMPBELL #3 PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2019 AND 2018**

	2019 ACTUAL	UNAUDITED 2019 BUDGET	OVER (UNDER) 2019 BUDGET	2018 ACTUAL
OPERATING REVENUE				
Energy	\$ 6,724,532	\$ 7,280,267	\$ (555,735)	\$ 7,313,949
Transmission	1,091,319	1,299,743	(208,424)	1,204,502
Fuel	6,166,453	6,052,673	113,780	6,846,552
TOTAL OPERATING REVENUE	13,982,304	14,632,683	(650,379)	15,365,003
OPERATING EXPENSE				
Production				
Fuel	6,166,453	6,052,673	113,780	6,846,552
Operations & Maintenance	1,471,520	1,858,486	(386,966)	1,862,322
MISO Market OH Fee	33,240	45,000	(11,760)	41,008
	<u>7,671,213</u>	<u>7,956,159</u>	<u>(284,946)</u>	<u>8,749,882</u>
TRANSMISSION				
Operations & Maintenance	336,194	330,000	6,194	329,874
Utilization Charge (Credit)	755,124	969,743	(214,619)	874,628
	<u>1,091,319</u>	<u>1,299,743</u>	<u>(208,424)</u>	<u>1,204,502</u>
ADMINISTRATIVE & GENERAL				
CECo	239,371	378,000	(138,629)	450,375
MPPA				
- Salaries and Benefits	221,436	220,717	719	189,142
- Outside Services	62,108	83,687	(21,579)	68,041
- All Other A & G	61,063	58,583	2,480	63,073
Total A&G expense	<u>583,979</u>	<u>740,987</u>	<u>(157,008)</u>	<u>770,631</u>
Depreciation	3,052,342	2,808,095	244,247	2,731,608
TOTAL OPERATING EXPENSE	12,398,853	12,804,984	(406,131)	13,456,623
OPERATING INCOME (LOSS)	1,583,451	1,827,699	(244,248)	1,908,380
OTHER EXPENSE				
Interest expense	255,793	255,793	-	344,989
TOTAL OTHER EXPENSE	255,793	255,793	-	344,989
OTHER REVENUE				
Interest income	269,580	110,000	159,580	139,403
Investment gain (loss)	109,360	-	109,360	34,211
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXP)	378,940	110,000	268,940	173,614
CHANGE IN NET POSITION	\$ 1,706,598	\$ 1,681,906	\$ 24,692	\$ 1,737,006

MICHIGAN PUBLIC POWER AGENCY
BELLE RIVER PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2019 AND 2018

	2019 ACTUAL	UNAUDITED 2019 BUDGET	OVER (UNDER) 2019 BUDGET	2018 ACTUAL
OPERATING REVENUE				
Energy	\$ 14,117,286	\$ 13,589,377	\$ 527,909	\$ 11,647,610
Transmission	4,299,017	2,941,583	1,357,434	3,491,919
Fuel	24,231,154	29,172,160	(4,941,007)	31,154,145
TOTAL OPERATING REVENUE	42,647,456	45,703,120	(3,055,664)	46,293,673
OPERATING EXPENSE				
Production				
Fuel	24,231,154	29,172,160	(4,941,007)	31,154,145
Operations & Maintenance	10,328,401	9,265,485	1,062,916	8,110,114
MISO Market OH Fee	175,701	225,000	(49,299)	191,912
	34,735,256	38,662,645	(3,927,389)	39,456,171
TRANSMISSION				
Operations & Maintenance	2,333,340	2,351,568	(18,228)	2,449,611
Utilization Charge (Credit)	4,969,405	5,900,154	(930,749)	5,467,618
ITC Revenue Distribution	(3,428,940)	(5,310,139)	1,881,199	(4,814,284)
	3,873,804	2,941,583	932,221	3,102,946
ADMINISTRATIVE & GENERAL				
DECo	3,000,900	3,031,753	(30,854)	2,815,893
ITC	425,428	461,500	(36,072)	387,283
MPPA				
- Salaries & Benefits	373,889	318,809	55,080	312,530
- Outside Services	151,591	205,107	(53,516)	124,008
- All Other A & G	86,588	81,723	4,865	94,843
Total A&G expense	4,038,396	4,098,892	(60,496)	3,734,556
Depreciation	14,191,193	13,500,000	691,193	15,385,221
TOTAL OPERATING EXPENSE	56,838,649	59,203,120	(2,364,471)	61,678,895
OPERATING INCOME (LOSS)	(14,191,193)	(13,500,000)	(691,193)	(15,385,221)
OTHER REVENUE (EXPENSE)				
Interest income	623,234	400,000	223,234	511,676
Investment gain (loss)	49,786	-	49,786	40,016
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXP)	673,020	400,000	273,020	551,691
CHANGE IN NET POSITION	\$ (13,518,173)	\$ (13,100,000)	\$ (418,173)	\$ (14,833,530)

AFEC PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2019 AND 2018

	2019 ACTUAL	UNAUDITED 2019 BUDGET	OVER (UNDER) 2019 BUDGET	2018 ACTUAL
OPERATING REVENUE				
Energy & Capacity	\$ 10,659,037	\$ 10,078,267	\$ 580,770	\$ 10,988,248
TOTAL OPERATING REVENUE	10,659,037	10,078,267	580,770	10,988,248
OPERATING EXPENSE				
Production				
Fuel	4,157,567	4,915,296	(757,729)	5,312,281
Fixed O & M	1,814,235	1,815,561	(1,326)	1,601,363
Variable O & M	282,308	251,369	30,939	343,687
PJM Replacement Pwr	248,292	75,000	173,292	(421,374)
Reactive Revenue Distribution	(110,159)	(110,160)	1	(110,159)
Capacity Credit	(1,341,485)	(1,385,084)	43,599	(1,675,810)
MISO Capacity Purchase	1,454,640	1,686,798	(232,158)	1,401,208
	6,505,399	7,248,780	(743,381)	6,451,195
TRANSMISSION				
LMP Price Differential	202,855	162,173	40,682	536,607
ADMINISTRATIVE & GENERAL				
AMP	105,636	94,061	11,575	119,905
MPPA				
- Salaries and Benefits	182,695	177,791	4,904	167,334
- Outside Services	52,255	52,983	(728)	52,685
- All Other A & G	50,877	48,454	2,423	56,275
Total A&G expense	391,463	373,289	18,174	396,198
Depreciation	839,724	845,000	(5,276)	860,127
TOTAL OPERATING EXPENSE	7,939,441	8,629,242	(689,801)	8,244,128
OPERATING INCOME (LOSS)	2,719,596	1,449,025	1,270,571	2,744,120
OTHER EXPENSE				
Amortization	(81,901)	(81,901)	-	(83,526)
Interest expense	1,429,025	1,429,025	-	1,457,375
TOTAL OTHER EXPENSE	1,347,124	1,347,124	-	1,373,849
OTHER REVENUE				
Interest income	205,389	60,000	145,389	112,799
Investment gain (loss)	48,851	-	368,215	5,424
Miscellaneous	319,364	-	-	-
TOTAL OTHER REVENUE	573,604	60,000	513,604	118,223
CHANGE IN NET POSITION	\$ 1,946,076	\$ 161,901	\$ 1,784,175	\$ 1,488,494

**MICHIGAN PUBLIC POWER AGENCY
COMBUSTION TURBINE PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2019 AND 2018**

	2019 ACTUAL	UNAUDITED 2019 BUDGET	OVER (UNDER) 2019 BUDGET	2018 ACTUAL
OPERATING REVENUE				
Energy	\$ 3,740,175	\$ 3,961,109	\$ (220,934)	\$ 4,036,317
Transmission	1,363,975	1,237,719	126,256	1,546,656
Fuel	679,102	501,775	177,327	1,347,866
TOTAL OPERATING REVENUE	5,783,252	5,700,603	82,649	6,930,839
OPERATING EXPENSE				
Production				
Fuel	679,102	501,775	177,327	1,347,866
Operations & Maintenance	610,618	645,557	(34,939)	663,465
MISO Market OH Fee	6,997	15,000	(8,003)	13,659
	1,296,716	1,162,332	134,384	2,024,990
TRANSMISSION				
Operations & Maintenance	977,256	851,000	126,256	1,152,733
ADMINISTRATIVE & GENERAL				
Traverse City	339,719	440,000	(100,281)	462,665
MPPA				
- Salaries & Benefits	186,316	251,371	(65,055)	206,344
- Outside Services	90,130	115,308	(25,178)	184,956
- All Other A & G	191,615	179,074	12,541	195,153
Total A&G expense	807,780	985,753	(177,973)	1,049,117
Taxes	-	-	-	-
Depreciation	1,038,854	1,020,000	18,854	1,028,438
TOTAL OPERATING EXPENSE	4,120,606	4,019,085	101,521	5,255,277
OPERATING INCOME (LOSS)	1,662,646	1,681,518	(18,872)	1,675,562
OTHER EXPENSE				
Amortization	(77,211)	(77,211)	(0)	(84,917)
Interest expense	776,500	776,500	-	854,000
TOTAL OTHER EXPENSE	699,289	699,289	(0)	769,083
OTHER REVENUE				
Interest income	135,186	48,000	87,186	87,068
Investment gain (loss)	28,979	-	28,979	5,132
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXP)	164,165	48,000	116,165	92,200
CHANGE IN NET POSITION	\$ 1,127,522	\$ 1,030,229	\$ 97,293	\$ 998,680

MICHIGAN PUBLIC POWER AGENCY
ENERGY SERVICES PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2019 AND 2018

	2019 ACTUAL	UNAUDITED 2019 BUDGET	OVER (UNDER) 2019 BUDGET	2018 ACTUAL
OPERATING REVENUE				
Energy & Capacity	\$ 45,398,182	\$ 45,142,532	\$ 255,650	\$ 44,006,192
Transmission	10,972,861	12,077,330	(1,104,469)	10,310,729
MISO Energy Market Sales	14,710,433	11,569,654	3,140,779	16,553,584
TOTAL OPERATING REVENUE	71,081,476	68,789,516	2,291,960	70,870,505
OPERATING EXPENSE				
Energy & Capacity	49,441,315	43,638,769	5,802,546	48,934,773
MISO Market OH Fee	834,056	340,000	494,056	655,125
MISO Energy Market Purch (Sale)	8,508,024	11,569,654	(3,061,630)	9,786,995
	58,783,395	55,548,423	3,234,972	59,376,893
TRANSMISSION				
Operations & Maintenance	9,221,425	8,369,549	851,876	7,802,516
Transmission transfer to TSC	1,751,436	3,707,781	(1,956,345)	2,508,212
	10,972,861	12,077,330	(1,104,469)	10,310,729
ADMINISTRATIVE & GENERAL				
MPPA				
- Salaries & Benefits	826,191	702,602	123,589	740,756
- Outside Services	290,150	286,850	3,300	253,309
- All Other A & G	208,879	174,311	34,568	188,818
Total A&G expense	1,325,220	1,163,763	161,457	1,182,883
TOTAL OPERATING EXPENSE	71,081,476	68,789,516	2,291,960	70,870,505
OPERATING INCOME (LOSS)	-	-	-	-
OTHER REVENUE (EXPENSE)				
Interest/Investment income	206,762	80,000	126,762	109,170
Investment gain (loss)	47,190	-	47,190	10,657
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXP)	253,951	80,000	173,951	119,827
CHANGE IN NET POSITION	\$ 253,951	\$ 80,000	\$ 173,951	\$ 119,827

**MICHIGAN PUBLIC POWER AGENCY
LANDFILL PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2019 AND 2018**

	2019 ACTUAL	UNAUDITED 2019 BUDGET	OVER (UNDER) 2019 BUDGET	2018 ACTUAL
OPERATING REVENUE				
Energy	\$ 13,003,284	\$ 12,063,964	\$ 939,320	\$ 12,069,234
TOTAL OPERATING REVENUE	13,003,284	12,063,964	939,320	12,069,234
OPERATING EXPENSE				
Purchased Power				
Energy	12,862,553	11,921,553	941,000	11,912,748
	12,862,553	11,921,553	941,000	11,912,748
ADMINISTRATIVE & GENERAL				
MPPA				
- Salaries & Benefits	96,140	100,544	(4,404)	108,329
- Outside Services	17,112	15,296	1,816	22,805
- All Other A & G	27,478	26,571	907	25,352
Total A&G expense	140,730	142,411	(1,681)	156,486
TOTAL OPERATING EXPENSE	13,003,284	12,063,964	939,320	12,069,234
OPERATING INCOME (LOSS)	-	-	-	-
OTHER REVENUE (EXPENSE)				
Interest income	32,581	9,000	23,581	16,454
Investment gain (loss)	6,721	-	6,721	1,785
Sale of RECs	221,257	-	221,257	(86,218)
REC Disbursement	(221,257)	-	(221,257)	86,218
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXP)	39,302	9,000	30,302	18,240
CHANGE IN NET POSITION	\$ 39,302	\$ 9,000	\$ 30,302	\$ 18,240

**MICHIGAN PUBLIC POWER AGENCY
TRANSMISSION PROJECT**
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2019 AND 2018

	2019 ACTUAL	UNAUDITED 2019 BUDGET	OVER (UNDER) 2019 BUDGET	2018 ACTUAL
OPERATING REVENUE				
Transmission Revenue	\$ 991,446	\$ 906,649	\$ 84,797	\$ 1,141,250
Jt Zone Transmission Revenue	3,689,135	3,700,000	(10,865)	3,861,494
Jt Zone Transmission Distribution	(3,645,129)	(3,656,315)	11,186	(3,821,251)
TOTAL OPERATING REVENUE	1,035,452	950,334	85,118	1,181,493
OPERATING EXPENSE				
TRANSMISSION				
Operations & Maintenance	880,018	790,973	89,045	1,037,472
Operation Joint Zone	31,200	31,200	-	31,200
Utilization Charge (Credit)	-	-	-	-
	911,218	822,173	89,045	1,068,672
ADMINISTRATIVE & GENERAL				
MPPA				
- Salaries & Benefits	72,865	69,890	2,975	70,830
- Outside Services	30,682	38,252	(7,570)	16,747
- All Other A & G	20,686	20,019	667	25,244
Total A&G expense	124,234	128,161	(3,927)	112,821
Depreciation	22,681	22,680	1	22,681
TOTAL OPERATING EXPENSE	1,058,133	973,014	85,119	1,204,174
OPERATING INCOME (LOSS)	(22,681)	(22,680)	(1)	(22,681)
OTHER REVENUE (EXPENSE)				
Interest income	12,522	4,500	8,022	7,544
Investment gain (loss)	2,848	-	2,848	(16)
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXP)	15,371	4,500	10,871	7,528
CHANGE IN NET POSITION	\$ (7,311)	\$ (18,180)	\$ 10,869	\$ (15,154)

MICHIGAN PUBLIC POWER AGENCY
GENERAL FUND INCOME STATEMENT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2019 AND 2018

	2019 ACTUAL	2019 BUDGET	OVER (UNDER)	2018 ACTUAL
			2019 BUDGET	
OPERATING REVENUE				
Participant Dues & Assessments	\$ 833,753	\$ 813,255	\$ 20,498	\$ 815,759
Charges for Services:			-	
Allocated expenses (Projects)	132,516	132,516	-	139,992
MMEA charges	486,460	269,389	217,071	348,484
Total Committee Revenues	1,686,474	1,669,121	17,353	1,694,842
Miscellaneous	42,840	42,500	340	42,840
TOTAL OPERATING REVENUE	3,182,043	2,926,781	255,262	3,041,917
OPERATING EXPENSE				
MMEA- direct expenses	438,460	221,389	217,071	299,879
Service Committee- direct expenses	1,601,476	1,579,708	21,768	1,593,993
Salaries & Benefits	318,770	355,599	(36,829)	312,391
Office supplies & expense	23,514	19,020	4,494	16,176
Insurance	34,062	23,613	10,449	21,200
Outside Services	124,674	196,046	(71,372)	115,510
Meeting & Travel	26,593	25,000	1,593	17,227
Rent & Building Maint.	28,450	29,796	(1,346)	18,236
Miscellaneous	6,150	6,150	-	6,150
Dues & Assessments	464,405	451,796	12,609	424,688
Total A&G expense	3,066,554	2,908,117	158,437	2,825,451
Depreciation - Office Equip	20,199	18,500	1,699	19,770
Depreciation - Building	27,154	30,000	(2,846)	26,106
TOTAL OPERATING EXPENSE	3,113,907	2,956,617	157,290	2,871,327
OTHER INCOME				
Interest income	27,140	14,000	13,140	15,165
Investment Gain (Loss)	6,125	-	6,125	1,133
Recognized Bldg Lease Income	66,168	66,193	(25)	66,192
	99,433	80,193	19,240	82,490
		-	-	-
CHANGE IN NET POSITION	\$ 167,567	\$ 50,357	\$ 117,211	\$ 253,080