



809 Centennial Way
Lansing, Michigan 48917

FINANCIAL STATEMENTS

December 31, 2021

MICHIGAN PUBLIC POWER AGENCY

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Independent Auditors' Report

To the Board of Commissioners of
Michigan Public Power Agency

Opinions

We have audited the financial statements of the business-type activities and each major fund of the Michigan Public Power Agency (Agency), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Agency as of December 31, 2021 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The supplementary 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 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 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 supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Prior Year Comparative Information

We have previously audited the Agency's 2020 financial statements and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and each major fund in our report dated April 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

Madison, Wisconsin
April 4, 2022

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)**

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2021

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, 2021 and 2020. 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 (UNAUDITED)

December 31, 2021

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 16 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. Consideration 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 (UNAUDITED)

December 31, 2021

MPPA FINANCIAL ANALYSIS (cont.)

Table 1
Statement of Net Position

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 90,163,071	\$ 80,746,064
Non-Current Assets		
Capital Assets	192,307,663	203,825,833
Other Assets	<u>21,726,742</u>	<u>25,635,682</u>
Total Assets	<u>304,197,477</u>	<u>310,207,579</u>
Deferred Outflows of Resources	<u>2,703,774</u>	<u>1,247,061</u>
Current Liabilities		
Liabilities Payable from Restricted Assets		
Accrued Interest Payable	197,396	770,422
Revenue Bonds Payable - Current	4,040,000	4,780,000
Other Current Liabilities	<u>25,959,152</u>	<u>20,270,779</u>
Total Current Liabilities	<u>30,196,548</u>	<u>25,821,201</u>
Non-Current Liabilities		
Member Deposits	19,862,930	20,142,148
Asset Retirement Obligation	3,035,676	1,390,022
Revenue Bonds Payable, less Current Portion	<u>34,950,000</u>	<u>42,899,556</u>
Total Non-Current Liabilities	<u>57,848,606</u>	<u>64,431,727</u>
Total Liabilities	<u>88,045,154</u>	<u>90,252,927</u>
Deferred Inflows of Resources	<u>1,108,422</u>	<u>222,813</u>
Net Position		
Net Investment in Capital Assets	152,209,241	155,923,464
Restricted	4,324,758	7,024,734
Unrestricted	<u>61,213,676</u>	<u>58,030,702</u>
Total Net Position	<u>\$ 217,747,675</u>	<u>\$ 220,978,900</u>

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2021

MPPA FINANCIAL ANALYSIS (cont.)

Table 2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>
Gross Operating Revenues	\$ 231,849,120	\$ 174,506,453
Non-Operating Revenues	(62,748)	1,131,966
Total Revenues	<u>231,786,372</u>	<u>175,638,419</u>
Depreciation Expense	21,576,016	21,305,571
Other Operating Expenses	209,996,508	164,134,956
Non-Operating Expenses	1,665,118	2,217,944
Total Expenses	<u>233,237,643</u>	<u>187,658,471</u>
Change in Net Position before Distributions	\$ (1,451,271)	\$ (12,020,052)
Distributions to Members	(1,779,956)	-
Change in Net Position	\$ (3,231,227)	(12,020,052)
Beginning Net Position	<u>220,978,900</u>	<u>232,998,954</u>
Ending Net Position	<u>\$ 217,747,675</u>	<u>\$ 220,978,900</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 2021 share of the plant generation was 261,373 MWHs compared with 2020's generation of 297,381 MWHs. The total operating costs for the plant were \$54.91/MWH vs \$48.08/MWH in 2020. Plant availability and capacity factor in 2021 was 75.6% and 73.8% respectively compared to 85.4% availability and an 84.1% capacity factor in 2020.

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 2021 share of the plant generation was 1,312,641 MWHs compared with 2020's generation of 784,963 MWHs. The total operating costs for the plant were \$47.67/MWH vs \$50.15/MWH in 2020. Plant availability and capacity factor in 2021 for the plant was 82.2% and 64.5% respectively compared to 55.0% availability and 38.5% capacity factor in 2020.

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2021

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 2021 share of the plant generation was 52,940 MWHs compared with 2020's generation of 21,632 MWHs. Plant availability and capacity factor in 2021 for the plant was 99.2% and 11.1% respectively compared to 99.9% availability and 5.0% capacity factor in 2020.

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 2021, the Energy Services Project provided 1,943,466 MWHs of energy to its members at an average energy cost of \$42.39/MWH compared to 1,814,743 MWHs at an average energy cost of \$35.89/MWH in 2020.

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. In 2021, MPPA purchased a total of 137,667 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 2021 share of the plant generation was 188,786 MWHs compared with 2020's generation of 174,940 MWHs. The total operating costs for the plant were \$59.16/MWH vs \$55.48/MWH in 2020. Plant availability and capacity factor in 2021 for the plant was 90.4% and 61.3% respectively compared to 78.6% availability and 58.1% capacity factor in 2020.

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 (UNAUDITED)

December 31, 2021

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, 2021 amounts to \$192,307,663 (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, 2021, MPPA had a total of \$88,045,154 in total outstanding liabilities. Of this amount, the following represents bond payments payable:

Long Term Debt- Bonds

Campbell #3 Project	\$	2,075,000
Combustion Turbine #1 Project		12,305,000
AMP Fremont Energy Center Project (AFEC)		<u>24,610,000</u>
	\$	38,990,000

See Note 6 for additional details.

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2021

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 January 19, 2021 the U.S. Court of Appeals for the D.C. circuit vacated the Affordable Clean Energy ("ACE") rule of 2019 and deemed it "legally flawed." President Biden has promised to pursue climate action. President Biden has pledged to institute a standard of 100 percent clean electricity by 2035.

In March of 2021, President Biden signed into law the American Rescue Plan Act (ARPA). This law provides approximately \$1.9 trillion dollars for COVID aid for individuals and businesses, as well as appropriations for education, housing, healthcare, farmers, and transportation. As part of this package, the Coronavirus State & Local Fiscal Recovery Fund (ARPA) allocates \$350 billion for states and local governments to address the impact of COVID and invest in water, sewer, and broadband. In November of 2021, President Biden signed into the law the Infrastructure & Jobs Act. This act allocates \$1.2 trillion for clean water, roads, bridges, public transit, ports, and passenger rail. This package also includes funding for broadband, EV charging networks, and power infrastructure. While both laws have a significant impact on the energy industry, the Infrastructure Act is the most relevant when it comes to funding projects of interest to Michigan's public power utilities

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2021

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 fourth 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.

In 2019 and into 2020, the Michigan legislature was primarily focused on the budget and road funding, taking the spotlight off energy. When the COVID-19 pandemic struck in early 2020, the focus shifted to ensuring customers had access to electricity, water, and utility bill payment assistance. While there was no Executive or Legislative order prohibiting electric utility shut-offs in Michigan, all forty of Michigan's municipal utilities voluntarily suspended shut-offs during the height of the pandemic. In 2021, there will be continued legislative focus on state-wide carbon emissions reductions, distributed energy resources, energy waste reduction, and transmission.

In 2021, there was continued legislative focus on state-wide carbon emissions reductions, distributed energy resources, energy waste reduction, and transmission. Michigan Municipal Electric Association ("MMEA") spent considerable time pushing for legislation that would give Michigan's Joint Action Agencies more flexibility in how they conduct their meetings while staying in compliance with the Open Meetings Act. This work will continue in 2022. MMEA also spent time educating its members on the numerous funding opportunities coming to them via the American Rescue Plan and Infrastructure Investment & Jobs Act, signed into law by President Biden in late 2021. This education and assistance will continue throughout 2022.

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, adeleeuw@mpower.org.

MICHIGAN PUBLIC POWER AGENCY

STATEMENT OF NET POSITION

December 31, 2021

(With Comparative Totals for December 31, 2020)

	CAMPBELL NO. 3	BELLE RIVER	CT PROJECT	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL OFFICE	TOTALS 2021	TOTALS 2020
CURRENT ASSETS										
Cash & Cash Equivalents										
Operation & Maintenance Account	\$ 1,425,487	\$ 11,647,092	\$ 579,842	\$ 577,892	\$ 1,052,904	\$ 1,566,236	\$ 3,009,705	\$ -	\$ 19,859,158	\$ 17,147,790
Project Account	1,714,038	3,381,882	3,646,282	-	-	6,238,490	-	-	14,980,692	14,217,185
Working Capital/Other	-	-	-	-	133,505	-	11,732,587	2,415,830	14,281,922	13,689,660
Total Cash and Cash Equivalents	3,139,525	15,028,974	4,226,124	577,892	1,186,409	7,804,726	14,742,292	2,415,830	49,121,772	45,054,636
Restricted Cash- Debt Service	2,098,798	-	2,046,869	-	-	91,877	-	-	4,237,544	3,481,123
Investments- Unrestricted	464,867	284,278	76,854	12,205	39,036	148,295	307,889	51,975	1,385,399	2,068,340
Accrued Interest Receivable	17,321	8,294	2,242	356	1,139	4,327	8,983	1,516	44,178	57,853
Accounts Receivable	2,053,036	11,465,575	830,757	416,642	-	870,452	5,489,941	396,301	21,522,704	16,252,247
Fuel Inventory	882,715	9,376,189	580	-	-	-	-	-	10,259,484	10,284,488
Materials and Supplies Inventory	-	3,517,740	89,827	-	-	-	-	-	3,607,567	3,547,377
Total Current Assets	8,656,261	39,681,050	7,273,253	1,007,095	1,226,584	8,919,677	20,549,105	2,865,622	90,178,648	80,746,064
NON-CURRENT ASSETS										
Capital Assets										
Utility Plant	94,925,981	547,863,500	31,033,398	3,335,511	-	32,198,997	-	-	709,357,387	699,537,286
Building and Land	244,547	154,027	48,500	-	-	703,329	-	1,755,147	2,905,550	2,877,225
Depreciation	(56,838,035)	(434,904,836)	(18,545,415)	(433,838)	-	(7,932,498)	-	(1,300,652)	(519,955,274)	(498,588,678)
Net Property & Equipment	38,332,493	113,112,691	12,536,483	2,901,673	-	24,969,828	-	454,495	192,307,663	203,825,833
Other Assets										
Prepaid Expenses & Deposits	760,145	2,990,000	-	-	-	771,120	-	5,565	4,526,830	5,140,882
O & M / Fuel Reserve	1,050,000	-	-	-	-	-	-	-	1,050,000	1,050,000
Investments- Unrestricted	6,039,431	3,029,611	819,052	130,066	416,011	1,580,407	3,281,238	553,909	15,849,725	15,130,767
Restricted Cash										
Debt Service Reserve	-	-	-	-	-	-	-	-	-	4,029,423
Other	-	-	-	-	-	284,610	-	-	284,610	284,610
Total Restricted Cash	-	-	-	-	-	284,610	-	-	284,610	4,314,033
Total Non-Current Assets	46,182,069	119,132,302	13,355,535	3,031,739	416,011	27,605,965	3,281,238	1,013,969	214,018,828	229,461,515
TOTAL ASSETS	54,838,332	158,813,352	20,628,789	4,038,833	1,642,595	36,525,641	23,830,343	3,879,591	304,197,477	310,207,579
DEFERRED OUTFLOWS OF RESOURCES										
Asset Retirement Obligations	2,185,336	518,438	-	-	-	-	-	-	2,703,774	1,247,061

MICHIGAN PUBLIC POWER AGENCY
STATEMENT OF NET POSITION
December 31, 2021
(With Comparative Totals for December 31, 2020)

	CAMPBELL NO. 3	BELLE RIVER	CT PROJECT	TRANSMISSION PROJECT	LANDFILL PROJECT	AFEC PROJECT	ENERGY SVCS PROJECT	GENERAL OFFICE	TOTALS 2021	2020
CURRENT LIABILITIES										
Accounts Payable and Accrued Exp.	1,040,490	13,039,990	316,855	783,927	1,416,726	823,257	7,731,446	806,461	25,959,152	20,094,375
Liabilities Payable from Restricted Assets										
Accrued Interest Payable	23,759	-	81,828	-	-	91,809	-	-	197,396	770,422
Member Deposits/Security Deposits	-	-	-	-	-	-	-	-	-	176,404
Revenue Bonds Payable- Current	2,075,000	-	1,965,000	-	-	-	-	-	4,040,000	4,780,000
Total Current Liabilities	3,139,249	13,039,990	2,363,683	783,927	1,416,726	915,066	7,731,446	806,461	30,196,548	25,821,201
NON-CURRENT LIABILITIES										
Member Deposits	760,145	2,990,000	-	-	133,505	-	15,321,714	657,566	19,862,930	20,142,148
Revenue Bonds Payable less current portion	-	-	10,340,000	-	-	24,610,000	-	-	34,950,000	42,899,556
Asset Retirement Obligation	2,421,019	614,657	-	-	-	-	-	-	3,035,676	1,390,022
Total Non-Current Liabilities	3,181,164	3,604,657	10,340,000	-	133,505	24,610,000	15,321,714	657,566	57,848,606	64,431,727
TOTAL LIABILITIES	6,320,413	16,644,647	12,703,683	783,927	1,550,232	25,525,066	23,053,160	1,464,027	88,045,154	90,252,927
DEFERRED INFLOWS OF RESOURCES										
Gain on Refunding	-	-	152,646	-	-	955,776	-	-	1,108,422	222,813
NET POSITION										
Net Investment in Capital Assets	36,257,493	113,112,691	78,837	2,901,673	-	(595,948)	-	454,495	152,209,241	155,923,464
Restricted- Debt Service	2,075,039	-	1,965,041	-	-	68	-	-	4,040,148	2,710,701
Restricted- Debt Service Reserve	-	-	-	-	-	-	-	-	-	4,029,423
Restricted- Reserve & Contingency	-	-	-	-	-	284,610	-	-	284,610	284,610
Unrestricted (Deficit)	12,370,721	29,574,452	5,728,581	353,233	92,363	10,356,070	777,183	1,961,069	61,213,676	58,030,702
TOTAL NET POSITION	\$ 50,703,255	\$ 142,687,143	\$ 7,772,460	\$ 3,254,906	\$ 92,363	\$ 10,044,799	\$ 777,183	\$ 2,415,564	\$ 217,747,675	\$ 220,978,900

MICHIGAN PUBLIC POWER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2021
(With Comparative Totals for December 31, 2020)

	Campbell No. 3 Project	Belle River Project	Combustion Turbine No.1	Transmission Project	Landfill Project	AFEC Project	Energy Services Project	General Office Operation	Totals	
									2021	2020
OPERATING REVENUES										
Gross Sales	\$ 14,351,877	\$ 62,569,655	\$ 7,546,147	\$ 1,220,526	\$ 12,903,738	\$ 11,169,020	\$ 119,171,129	\$ -	\$ 228,932,092	\$ 171,619,572
Jt Zone Transmission Revenue	-	-	-	5,150,246	-	-	-	-	5,150,246	4,217,122
Jt Zone Transmission Distribution	-	-	-	(5,106,052)	-	-	-	-	(5,106,052)	(4,173,659)
Other	-	-	-	-	-	-	-	2,872,834	2,872,834	2,843,418
Total Gross Revenue	14,351,877	62,569,655	7,546,147	1,264,720	12,903,738	11,169,020	119,171,129	2,872,834	231,849,120	174,506,453
OPERATING EXPENSES										
Cost of Energy - produced	7,777,190	40,307,493	3,003,253	-	-	7,679,460	-	-	58,767,396	44,432,184
Cost of Energy & Capacity - purchased	-	-	-	-	13,814,842	(189,220)	91,402,223	-	105,027,844	85,023,523
Energy Market Overhead Fees	34,229	178,967	32,116	-	-	-	1,216,454	-	1,461,766	599,245
REC Disbursements	-	-	-	-	(1,069,164)	-	126,286	-	(942,878)	(815,581)
Transmission	1,303,011	5,962,852	1,217,070	1,127,030	-	393,467	25,036,705	-	35,040,135	25,235,177
General and administrative	601,228	4,120,343	917,321	137,690	158,061	507,341	1,389,462	2,810,800	10,642,245	9,660,408
Depreciation	3,152,304	16,476,149	975,453	60,039	-	859,222	-	52,849	21,576,016	21,305,571
Total Operating Expenses	12,867,962	67,045,804	6,145,213	1,324,760	12,903,738	9,250,269	119,171,129	2,863,650	231,572,524	185,440,528
Operating Income (Loss)	1,483,915	(4,476,149)	1,400,934	(60,040)	-	1,918,751	(0)	9,184	276,596	(10,934,075)
NONOPERATING REVENUES (EXPENSES)										
Interest cost incurred	(71,219)	-	(191,387)	-	-	(1,457,109)	-	-	(1,719,715)	(2,259,337)
Amortization of financing-related costs	-	-	70,167	-	-	98,780	-	-	168,947	149,343
Bond Issuance expense	-	-	-	-	-	(114,350)	-	-	(114,350)	(107,950)
Investment income	122,728	56,071	23,399	3,116	7,264	38,205	79,107	17,518	347,407	813,507
Net change in fair value of investments	(190,276)	(65,055)	(27,713)	(3,813)	(9,423)	(52,284)	(110,993)	(16,776)	(476,335)	252,279
Prepaid Lease Income	-	-	-	-	-	-	-	66,180	66,180	66,180
Total Nonoperating Revenues (Expenses)	(138,767)	(8,984)	(125,534)	(697)	(2,159)	(1,486,759)	(31,886)	66,922	(1,727,866)	(1,085,978)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	\$ 1,345,148	\$ (4,485,133)	\$ 1,275,400	\$ (60,737)	\$ (2,159)	\$ 431,992	\$ (31,886)	\$ 76,106	\$ (1,451,271)	\$ (12,020,052)
Distributions to Members	-	-	(1,779,956)	-	-	-	-	-	(1,779,959)	-
CHANGE IN NET POSITION	1,345,148	(4,485,133)	(504,556)	(60,737)	(2,159)	431,992	(31,886)	76,106	(3,231,230)	(12,020,052)
NET POSITION - Beginning of Year	49,358,108	147,172,277	8,277,016	3,315,642	94,523	9,612,808	809,069	2,339,459	220,978,900	232,998,954
NET POSITION - END OF YEAR	\$ 50,703,255	\$ 142,687,143	\$ 7,772,460	\$ 3,254,906	\$ 92,363	\$ 10,044,799	\$ 777,183	\$ 2,415,564	\$ 217,747,675	\$ 220,978,900

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF CASH FLOWS
Year Ended December 31, 2021
(With Comparative Totals for December 31, 2020)

	Campbell No. 3 Project	Belle River Project	Combustion Turbine #1	Transmission Project	Landfill Project	AFEC Project	Energy Services Project	General Office Operation	Totals	
									2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES										
Received from customers	\$ 14,096,448	\$ 59,562,856	\$ 7,374,166	\$ 1,194,216	\$ 14,372,705	\$ 10,638,457	\$ 114,134,603	\$ 2,562,973	\$ 223,936,425	\$ 173,109,334
Paid to suppliers for goods and services	(9,349,821)	(45,814,095)	(4,904,919)	(1,066,808)	(13,894,823)	(7,794,642)	(113,924,328)	(2,369,472)	(199,118,908)	(161,338,077)
Paid to employees for services	(176,109)	(290,179)	(174,740)	(69,288)	(80,216)	(189,045)	(587,599)	(283,705)	(1,850,880)	(1,570,078)
Net Cash Flows From (Used in) Operating Activities:	4,570,518	13,458,583	2,294,507	58,121	397,666	2,654,771	(377,323)	(90,205)	22,966,637	10,201,179
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Acquisition and construction of utility plant	(746,904)	(9,402,366)	(91,825)	-	-	(156,726)	-	-	(10,397,820)	(12,120,379)
Net Proceeds from Sale of Bonds	-	-	-	-	-	712	-	-	712	(1,705,982)
Capital contributions or (distributions to) participating members	-	-	(1,779,956)	-	-	-	-	-	(1,779,956)	330
Principal payment on revenue bonds	(4,095,000)	-	-	-	-	(1,405,000)	-	-	(5,500,000)	(6,290,000)
Interest paid on revenue bonds	(118,107)	-	(109,559)	-	-	(2,065,075)	-	-	(2,292,741)	(2,708,239)
Other	-	-	-	-	-	(2,250,062)	-	37,855	(2,212,207)	43,666
Net Cash Flows From (Used in) Capital and Related Financing Activities	(4,960,011)	(9,402,366)	(1,981,340)	-	-	(5,876,151)	-	37,855	(22,182,012)	(22,780,604)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES										
Working Capital Contributions	-	-	-	-	-	-	61,243	99,539	160,782	5,132,786
CASH FLOWS FROM INVESTING ACTIVITIES										
Long-term investments purchased	(823,562)	(3,313,889)	(895,907)	(142,270)	(455,047)	(1,728,702)	(3,589,127)	(605,884)	(11,554,388)	(10,102,210)
Long-term investments sold	1,085,970	2,207,391	1,037,846	139,217	324,460	1,950,769	4,156,476	616,244	11,518,372	27,795,074
Investment income	(58,283)	4,122	(2,157)	84	(1,897)	(18,357)	(40,300)	1,537	(115,252)	1,132,798
Net Cash Flows From Investing Activities	204,124	(1,102,377)	139,783	(2,969)	(132,485)	203,710	527,049	11,896	(151,268)	18,825,662
Net Change in Cash and Cash Equivalents	(185,369)	2,953,840	452,949	55,151	265,182	(3,017,670)	210,969	59,086	794,139	11,379,023
CASH AND CASH EQUIVALENTS - Beginning of Year	6,473,692	12,075,135	5,820,043	522,741	921,228	11,198,884	14,531,323	2,356,744	53,899,790	42,520,764
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,288,323</u>	<u>\$ 15,028,975</u>	<u>\$ 6,272,993</u>	<u>\$ 577,892</u>	<u>\$ 1,186,409</u>	<u>\$ 8,181,214</u>	<u>\$ 14,742,292</u>	<u>\$ 2,415,830</u>	<u>\$ 54,693,928</u>	<u>\$ 53,899,790</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES										
Operating income (loss)	1,483,915	(4,476,149)	1,400,934	(60,039)	-	1,918,751	-	9,184	276,596	(10,934,074)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities										
Depreciation	3,152,304	16,476,149	975,453	60,039	-	859,222	-	52,849	21,576,016	21,305,571
Changes in assets and liabilities										
Accounts receivable	(255,429)	(3,006,799)	(171,981)	(70,504)	399,802	(530,562)	(1,325,121)	(309,861)	(5,270,455)	(2,182,670)
Fuel inventory	10,103	-	14,902	-	-	-	-	-	25,005	129,256
Materials and supplies inventory	-	(51,982)	(8,208)	-	-	-	-	-	(60,191)	(217,853)
Prepaid items and deposits	-	-	-	-	-	-	-	(2,352)	(2,352)	2,962
Deferred inflows of resources	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued expense	179,625	4,517,364	83,407	128,625	(2,136)	407,360	947,798	159,975	6,422,017	2,097,986
NET CASH FLOWS FROM OPERATING ACTIVITIES	4,570,518	13,458,583	2,294,507	58,121	397,666	2,654,771	(377,323)	(90,205)	22,966,637	10,201,179
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION										
Current Cash and Cash Equivalents	3,139,525	15,028,975	4,226,124	577,892	1,186,409	7,804,726	14,742,292	2,415,830	49,121,773	45,054,636
Other Cash Reserves	1,050,000	-	-	-	-	-	-	-	1,050,000	1,050,000
Restricted Cash and Cash Equivalents	2,098,798	-	2,046,869	-	-	376,487	-	-	4,522,155	7,795,156
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 6,288,323</u>	<u>\$ 15,028,975</u>	<u>\$ 6,272,993</u>	<u>\$ 577,892</u>	<u>\$ 1,186,409</u>	<u>\$ 8,181,214</u>	<u>\$ 14,742,292</u>	<u>\$ 2,415,830</u>	<u>\$ 54,693,928</u>	<u>\$ 53,899,790</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES										
Proceeds from Bond Refunding Placed into Escrow	-	-	-	-	-	\$ 24,610,000	-	-	\$ 24,610,000	\$ 12,305,000

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MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

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.

GASB has issued, Statement No. 87, *Leases*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public- Private and Public-Public Partnerships and Availability Pay Arrangements*, Statement No. 96, *Subscription- Based Information Technology Arrangements*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Application of these recently issued accounting pronouncements, when effective, may restate portions of these financial statements.

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.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 1 – NATURE OF OPERATIONS (cont.)

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, 2020, from which the summarized information was derived.

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.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 1 – NATURE OF OPERATIONS (cont.)

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 and b) other general and administrative operating costs.

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

	<u>2021</u>
Majority Owner Operator	\$4,521,265
Other General Operating Items	<u>\$5,565</u>
	\$4,526,830

Accounts Receivable

Accounts receivables 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.

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. The Agency will align with the majority owner depreciation schedules when it makes sense to do so. Otherwise, depreciation is recorded using the straight-line method with service lives of 3 to 54 years. The agency generally capitalizes assets with a cost greater than \$500.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 1 – NATURE OF OPERATIONS (cont.)

Inventories

Fuel inventories for the Campbell No. 3 Project and the Combustion Turbine No. 1 Project are stated at average cost. As a result of updated information from the operator (DTE Energy), the Belle River fuel inventory has been adjusted to its original cost of acquisition. The materials and supplies inventory for the Belle River Project is controlled by the operator 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 using 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.

Deferred Inflows of Resources

Gains on advance refundings are classified as deferred inflows of resources and amortized using the effective interest rate method over the repayment period of the affiliated debt.

Taxes

MPPA is exempt from state and federal income taxes.

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 Fund on the Statement of Net Position.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 1 – NATURE OF OPERATIONS (cont.)

Comparative Data

Certain amounts presented in the prior year comparative data may have been reclassified in order to be consistent with the current year's presentation.

Member Deposits

Members provide cash to the individual projects to meet working capital and collateral requirements per their contracts. Such amounts are recognized as revenue when used and are otherwise due back to members at the end of the contracts.

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.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

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. This bond will be paid in full on January 1, 2022.

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

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

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

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 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. MPPA completed a bond refunding of the 2012 bonds in October 2021. See Note 6 for more information.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

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, 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:

	Bank Value
Cash and Cash Equivalents	
Checking	\$ 3,586,105
Money Market Funds	51,107,823
Total Cash and Cash Equivalents	<u>54,693,928</u>
Unrestricted Assets Invested	
U.S. Treasury Notes	11,168,700
Agency Notes	5,544,374
Local Government Bonds	522,049
	<u>17,235,122</u>
Total Cash & Investments	<u><u>\$ 71,929,050</u></u>

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, 2021, the following investments are recorded at fair value using the Matrix Pricing Technique:

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 3 – CASH AND INVESTMENTS (cont.)

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Notes	\$ -	\$ 11,168,700	\$ -	\$ 11,168,700
Federal Home Loan Mortgage Association Notes	-	981,997	-	981,997
Federal Farm Credit Bank Notes		154,728		154,728
Fannie Mae Mortgage Association Notes	-	2,635,076	-	2,635,076
Freddie Mac Mortgage Backed Securities	-	1,772,573	-	1,772,573
Local Government Bonds	-	522,049	-	522,049
Total Investments by Fair Value Level	\$ -	\$ 17,235,122	\$ -	\$ 17,235,122

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, 2021, MPPA had \$50,193,273 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, 2021, MPPA had \$17,235,122 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.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 3 – CASH AND INVESTMENTS (cont.)

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, 2021, 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	Aa1
Money Market Funds	AAA	Aaa

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

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. MPPA does not have any investments exceeding 5% of its total portfolio

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.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 3 – CASH AND INVESTMENTS (cont.)

At December 31, 2021, MPPA's investments were as follows:

Investment Type	Fair Value	Maturity in years	
		Less than 1 year	1-5 years
US Treasury	\$ 11,168,700	\$ 1,164,930	\$ 10,003,770
Agency Notes	5,544,374	220,469	5,323,906
Local Government Bonds	522,049	-	522,049
	<u>\$ 17,235,122</u>	<u>\$ 1,385,399</u>	<u>\$ 15,849,725</u>

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.

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 01/01/2021	Additions & Reclasses	Deletions & Reclasses	Balance 12/31/2021
Capital assets being depreciated:				
Building & Land	\$ 2,877,225	\$ 28,325	\$ -	\$ 2,905,550
Utility Plant in Service	699,537,286	9,820,101	-	709,357,387
Construction Work in Progress	-	-	-	-
Less: Accumulated Depreciation	(498,588,678)	(21,366,596)	-	(519,955,274)
Net Utility Plant	<u>\$ 203,825,833</u>	<u>\$ (11,518,170)</u>	<u>\$ -</u>	<u>\$ 192,307,663</u>

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

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 Rate</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 12/31/2021:

2013 Series A Bonds	2,075,000
Unamortized premium on bonds	-
	<hr/>
	2,075,000
Less: Current Portion	(2,075,000)
	<hr/>
Total	\$ -

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, 2021 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	2,075,000	23,759	2,098,759
	<hr/>	<hr/>	<hr/>
	\$ 2,075,000	\$ 23,759	\$ 2,098,759

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 6 – NON-CURRENT LIABILITIES (CONT.)

CAMPBELL NO. 3 PROJECT REVENUE BONDS (CONT.)

Non-Current Liabilities as of December 31, 2021:

	01/01/2021			12/31/2021
	Balance	Additions	Reductions	Balance
Revenue Bonds	\$ 6,170,000	\$ -	\$ (4,095,000)	\$ 2,075,000
Unamortized Premium on Bonds	-	-	-	-
Current Maturities	(4,095,000)	(2,075,000)	4,095,000	(2,075,000)
Asset Retirement Obligations	1,236,926	1,184,093		2,421,019
Member Deposits	760,145	-		760,145
Total Non-Current Liabilities	<u>\$ 4,072,071</u>	<u>\$ (890,907)</u>	<u>\$ -</u>	<u>\$ 3,181,164</u>

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 \$2,075,000 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. The bonds will be paid off January 1, 2022.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

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>
10/6/2021	Refinancing of 2012 Bonds	1/1/2032	1.58%	\$ 24,610,000

The following obligations are outstanding at 12/31/2021:

2021 Series A Bonds	\$ 24,610,000
Less: Current Portion	-
Total	<u>\$ 24,610,000</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, 2021, 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>
2022	-	91,809	91,809
2023	2,290,000	388,838	2,678,838
2024	2,330,000	352,656	2,682,656
2025	2,365,000	315,842	2,680,842
2026	2,400,000	278,475	2,678,475
2027-2031	12,590,000	811,172	13,401,172
2032	2,635,000	41,633	2,676,633
	<u>\$ 24,610,000</u>	<u>\$ 2,280,425</u>	<u>\$ 26,890,425</u>

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 6 – NON-CURRENT LIABILITIES (CONT.)

AFEC Project Revenue Bonds (CONT.)

Non-Current Liabilities as of December 31, 2021:

	01/01/2021			12/31/2021
	Balance	Additions	Reductions	Balance
Revenue Bonds	\$ 28,150,000	\$ 24,610,000	\$ (28,150,000)	\$ 24,610,000
Unamortized Premium on Bonds	1,054,556		(1,054,556)	-
Current Maturities	(685,000)	-	685,000	-
Total Non-Current Liabilities	\$ 28,519,556	\$ 24,610,000	\$ (28,519,556)	\$ 24,610,000

Current Refunding

On October 6, 2021, MPPA issued \$24,610,000 in bonds (new bonds) at a rate of 1.58% to refund \$28,147,650 (Principal & Interest) in outstanding bonds (old bonds) with an interest rate of 5.0%. The net proceeds along with additional cash on hand in the amount of \$3,652,712, less issuance costs of \$115,062 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered to be defeased and the liability for the old bonds has been removed from the Statement of Net Position.

The refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new bonds) of \$10,331.476.

As a covenant of the refunding, MPPA agrees to maintain \$3 million in unrestricted funds in an account with the purchasing bank of the direct placement.

Direct Placement

MPPA entered into a direct placement of its debt for the AFEC 2021 Series A Refunding Revenue bonds in the amount of \$24,610,000. The bonds are subject to the terms and conditions of the original bond resolution. There are no additional covenants associated with the direct placement debt or additional finance related consequences related to significant events of default, termination events or subjective acceleration clauses.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

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 Rate</u>	<u>Original Amount</u>
October 30, 2020	Refinancing of 2011 bonds	1/1/2027	1.33%	\$ 12,305,000

The following obligations are outstanding at 12/31/2021:

2020 Series A Bonds	\$ 12,305,000
Less: Current Portion	(1,965,000)
Total	<u>\$ 10,340,000</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 remaining six years following December 31, 2021 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	1,965,000	191,387	2,156,387
2023	2,010,000	137,522	2,147,522
2024	2,040,000	110,789	2,150,789
2025	2,070,000	83,657	2,153,657
2026	2,095,000	56,126	2,151,126
2027	2,125,000	28,263	2,153,263
\$	12,305,000	\$ 607,744	\$ 12,912,744

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

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

Non-Current Liabilities as of December 31, 2021:

	01/01/2021 Balance	Additions	Reductions	12/31/2021 Balance
Revenue Bonds	\$ 12,305,000	\$ -	\$ -	\$ 12,305,000
Unamortized Premium on Bonds	-	-	-	-
Current Maturities	-	(1,965,000)	-	(1,965,000)
Total Non-Current Liabilities	\$ 12,305,000	\$ (1,965,000)	\$ -	\$ 10,340,000

As a covenant of the refunding, MPPA agrees to maintain \$1 million in unrestricted funds in an account with the purchasing bank of the direct placement.

Direct Placement

MPPA entered into a direct placement of its debt for the Combustion Turbine 2020 Series A Refunding Revenue bonds in the amount of \$12,305,000. The bonds are subject to the terms and conditions of the original bond resolution. There are no additional covenants associated with the direct placement debt or additional finance related consequences related to significant events of default, termination events or subjective acceleration clauses.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

Belle River Project

Non-current Liabilities as of December 31, 2021:

	01/01/2021 Balance	Additions	Reductions	12/31/2021 Balance
Asset Retirement Obligation	153,096	461,561	-	614,657
Member Deposits	3,430,000	-	(440,000)	2,990,000
Total Non-Current Liabilities	\$ 3,583,096	\$ 461,561	\$ (440,000)	\$ 3,604,657

Energy Services Project

Non-current Liabilities as of December 31, 2021:

	01/01/2021 Balance	Additions	Reductions	12/31/2021 Balance
Member Deposits	15,260,471	61,243	-	15,321,714
Total Non-Current Liabilities	\$ 15,260,471	\$ 61,243	\$ -	\$ 15,321,714

Landfill Renewable Energy Project

Non-current Liabilities as of December 31, 2021:

	01/01/2021 Balance	Additions	Reductions	12/31/2021 Balance
Member Deposits	133,505	-	-	133,505
Total Non-Current Liabilities	\$ 133,505	\$ -	\$ -	\$ 133,505

General Office- Service Committees

Non-current Liabilities as of December 31, 2021:

	01/01/2021 Balance	Additions	Reductions	12/31/2021 Balance
Member Deposits	558,027	99,539	-	657,566
Total Non-Current Liabilities	\$ 558,027	\$ 99,539	\$ -	\$ 657,566

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

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, 2021, 2020, and 2019 were approximately \$379,750, \$341,000, and \$345,000, respectively.

NOTE 8 – CONTRACTS AND COMMITMENTS

Contract with Consumers Energy

MPPA contracted with Consumers to purchase fuel coal to maintain a stockpile level of 11,551 wet tons for the Campbell Unit No. 3 plant for the 2021 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.

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, 2022 – Dec 31, 2047 total \$1,172,261,944.

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 two years. MPPA is committed to maintaining adequate amounts of coverage to insure against these risks.

MICHIGAN PUBLIC POWER AGENCY

Notes to Financial Statements

December 31, 2021

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 one member who is considered a significant customer that accounted for \$52.1 million (22.4%) of MPPA gross revenues in 2021.

NOTE 11 – BOND COVENANT DISCLOSURES

Campbell No. 3 Project

Compliance with Funding Requirements

Debt Service Coverage

	<u>2021</u>
Gross operating revenues	\$ 14,351,877
Other revenues	122,728
	<u>14,474,605</u>
Operating expenses	12,867,962
Less: Depreciation	<u>(3,152,304)</u>
	9,715,658
Net revenues	<u>\$ 4,758,947</u>
Debt service (principal & interest)	4,216,219
Required revenues (1.1x debt service)	4,637,841
Revenues in Excess of Coverage Requirements	<u>\$ 121,106</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, 2021

NOTE 11 – BOND COVENANT DISCLOSURES (cont.)

Combustion Turbine No. 1 Project

Compliance with Funding Requirements

Debt Service Coverage

	<u>2021</u>
Gross operating revenues	\$ 7,546,147
Other revenues	23,399
	<u>7,569,546</u>
Operating expenses	6,145,213
Less: Depreciation	<u>(975,453)</u>
	5,169,760
Net revenues	<u>\$ 2,399,786</u>
Debt service (principal, interest, reserve contribution)	2,156,387
Required revenues (1.1x debt service)	2,372,026
Revenues in Excess of Coverage Requirements	<u>\$ 27,760</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, 2021

NOTE 11 – BOND COVENANT DISCLOSURES (cont.)

AFEC Project

Compliance with Funding Requirements

Debt Service Coverage

	<u>2021</u>
Gross operating revenues	\$ 11,169,020
Other revenues	38,205
	<u>11,207,225</u>
Operating expenses	9,250,269
Less: Depreciation	<u>(859,222)</u>
	8,391,047
Net revenues	<u>\$ 2,816,178</u>
Debt service (principal & interest)	91,809
Required revenues (1.1x debt service)	100,990
Revenues in Excess of Coverage Requirements	<u>\$ 2,715,188</u>

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, of which, MPPA owns a minority share. 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, 2021

NOTE 12 – ASSET RETIREMENT OBLIGATIONS (cont.)

Balances as of 12.31.2021 are as follows:

<u>Asset Retirement Obligations</u>	<u>Belle River</u>	<u>Campbell #3</u>	<u>Total</u>
Opening Balance	\$153,096	\$1,236,926	\$1,390,022
Accretion and Adjustments	\$461,561	\$1,184,093	\$1,645,654
Ending Balance	\$614,657	\$2,421,019	\$3,035,676

MPPA's ownership percentage in the Belle River Project and Campbell #3 Project is 18.61% and 4.8%, respectively.

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, 2021

	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, 2021	\$ -	\$ 1,536,718	\$ 250,000	\$ 800,000	\$ 2,095,736	\$ 8,557,942	\$ -	\$ 13,240,396
Transfers in	-	10,220,195	-	-	4,215,860	244,610	-	14,680,664
Receipts	14,096,448	-	-	-	-	-	-	14,096,448
Investment receipts	-	(58,592)	-	-	309	-	-	(58,283)
Proceeds from Bonds	-	-	-	-	-	-	-	-
Payment of interest on bonds	-	-	-	-	(118,107)	-	-	(118,107)
Payment of bond principal	-	-	-	-	(4,095,000)	-	-	(4,095,000)
Capital disbursements	-	(746,904)	-	-	-	-	-	(746,904)
Disbursements	-	(9,525,930)	-	-	-	-	-	(9,525,930)
Transfer out	(14,096,448)	-	-	-	-	(584,216)	-	(14,680,664)
Cash and Investments at December 31, 2021	<u>\$ -</u>	<u>\$ 1,425,487</u>	<u>\$ 250,000</u>	<u>\$ 800,000</u>	<u>\$ 2,098,798</u>	<u>\$ 8,218,335</u>	<u>\$ -</u>	<u>\$ 12,792,620</u>

MICHIGAN PUBLIC POWER AGENCY

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE AFEC PROJECT REVENUE BOND RESOLUTION Year Ended December 31, 2021

	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, 2021	\$ -	\$ 1,692,783	\$ 1,385,387	\$ 2,249,590	\$ 284,610	\$ 7,537,284	\$ 13,149,653
Transfers in	-	8,070,451	2,176,303	-	-	2,342,472	12,589,226
Receipts	10,638,457	-	-	-	-	-	10,638,457
Investment receipts	-	(57,298)	263	473	-	38,205	(18,357)
Proceeds from bonds	-	-	-	-	-	-	-
Payment of interest on bonds	-	-	(2,065,075)	-	-	-	(2,065,075)
Payment of bond principal	-	-	(1,405,000)	-	-	-	(1,405,000)
Capital disbursements	-	(156,726)	-	-	-	-	(156,726)
Disbursements	-	(7,982,974)	-	(2,250,062)	-	-	(10,233,037)
Transfers out	(10,638,457)	-	-	-	-	(1,950,769)	(12,589,226)
Cash and Investments at December 31, 2021	<u>\$ -</u>	<u>\$ 1,566,236</u>	<u>\$ 91,877</u>	<u>\$ (0)</u>	<u>\$ 284,610</u>	<u>\$ 7,967,192</u>	<u>\$ 9,909,916</u>

MICHIGAN PUBLIC POWER AGENCY

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE COMBUSTION TURBINE PROJECT REVENUE BOND RESOLUTION Year Ended December 31, 2021

	Revenue Account	Operation and Maintenance Account	Debt Service Account	Debt Service Reserve Account	Project Account	Totals
Cash and investments at January 1, 2021	\$ -	\$ 659,729	\$ -0-	\$ 1,779,833	\$ 4,418,328	\$ 6,857,890
Transfers in	-	5,117,515	2,156,189	-	1,138,309	8,412,012
Receipts	7,374,166	-	-	-	-	7,374,166
Investment receipts	-	(25,918)	239	123	23,399	(2,157)
Payment of interest on bonds	-	-	(109,559)	-	-	(109,559)
Payment of bond principal	-	-	-	-	-	-
Capital disbursements	-	(91,825)	-	-	-	(91,825)
Disbursements	-	(5,079,659)	-	(1,779,956)	-	(6,859,615)
Transfers out	<u>(7,374,166)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,037,846)</u>	<u>(8,412,012)</u>
Cash and Investments at December 31, 2021	<u>\$ -</u>	<u>\$ 579,842</u>	<u>\$ 2,046,869</u>	<u>\$ (0)</u>	<u>\$ 4,542,189</u>	<u>\$ 7,168,899</u>

**MICHIGAN PUBLIC POWER AGENCY
CAMPBELL #3 PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2021 AND 2020**

	2021 ACTUAL	UNAUDITED 2021 BUDGET	OVER (UNDER) 2021 BUDGET	2020 ACTUAL
OPERATING REVENUE				
Energy	\$ 7,288,628	\$ 7,012,466	\$ 276,162	\$ 6,744,603
Transmission	1,303,011	1,247,632	55,379	1,206,834
Fuel	5,760,238	5,465,146	295,092	6,345,827
TOTAL OPERATING REVENUE	14,351,877	13,725,244	626,633	14,297,264
OPERATING EXPENSE				
Production				
Fuel	5,760,238	5,465,146	295,092	6,345,827
Operations & Maintenance	2,016,952	1,637,148	379,804	1,505,261
MISO Market OH Fee	34,229	40,000	(5,771)	36,635
Total Operating & Maintenance Expense	7,811,419	7,142,294	669,125	7,887,723
TRANSMISSION				
Operations & Maintenance	430,543	354,246	76,297	384,752
Utilization Charge	872,468	893,386	(20,918)	822,082
Total Transmission Expense	1,303,011	1,247,632	55,379	1,206,834
ADMINISTRATIVE & GENERAL				
CECo	200,537	303,917	(103,380)	214,473
MPPA				
Salaries and Benefits	256,510	249,286	7,224	232,128
Outside Services	88,036	83,540	4,496	63,179
All Other A & G	56,144	62,357	(6,213)	53,390
Total A&G Expense	601,228	699,100	(97,872)	563,170
Depreciation	3,152,304	3,055,587	96,717	3,068,783
TOTAL OPERATING EXPENSE	12,867,962	12,144,613	723,349	12,726,510
OPERATING INCOME (LOSS)	1,483,915	1,580,631	(96,716)	1,570,754
OTHER EXPENSE				
Interest Expense	71,219	71,219	-	164,537
TOTAL OTHER EXPENSE	71,219	71,219	-	164,537
OTHER REVENUE				
Interest Income	122,728	96,000	26,728	210,077
Net Change in Fair Value of Investments	(190,276)	-	(190,276)	103,685
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE	(67,548)	96,000	(163,548)	313,762
CHANGE IN NET POSITION	\$ 1,345,148	\$ 1,605,412	\$ (260,264)	\$ 1,719,979

**MICHIGAN PUBLIC POWER AGENCY
BELLE RIVER PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2021 AND 2020**

	2021 ACTUAL	UNAUDITED 2021 BUDGET	OVER (UNDER) 2021 BUDGET	2020 ACTUAL
OPERATING REVENUE				
Energy	\$ 25,423,365	\$ 22,658,974	\$ 2,764,391	\$ 14,762,700
Transmission	5,902,875	5,556,550	346,325	5,632,065
Fuel	31,243,416	32,561,180	(1,317,765)	18,974,740
TOTAL OPERATING REVENUE	62,569,655	60,776,704	1,792,951	39,369,505
OPERATING EXPENSE				
Production				
Fuel	31,243,416	32,561,180	(1,317,765)	18,974,740
Operations & Maintenance	9,435,062	7,766,588	1,668,474	10,709,968
Reactive Revenue Distribution	(370,984)	-	(370,984)	-
MISO Market OH Fee	178,967	200,000	(21,033)	194,152
Total Operating & Maintenance Expense	40,486,460	40,527,768	(41,308)	29,878,860
TRANSMISSION				
Operations & Maintenance	2,697,997	2,478,219	219,778	2,452,937
Utilization Charge	5,622,838	5,687,497	(64,659)	5,300,881
ITC Revenue Distribution	(2,357,982)	(2,609,166)	251,184	(2,437,091)
Total Transmission Expense	5,962,852	5,556,550	406,302	5,316,727
ADMINISTRATIVE & GENERAL				
DECo	3,163,621	3,000,000	163,621	2,748,606
ITC	312,935	414,200	(101,265)	313,939
MPPA				
Salaries & Benefits	422,601	389,789	32,812	339,471
Outside Services	140,372	194,515	(54,143)	193,162
All Other A & G	80,815	93,882	(13,067)	78,739
Total A&G Expense	4,120,343	4,092,386	27,957	3,673,917
Depreciation	16,476,149	15,087,820	1,388,329	16,302,591
TOTAL OPERATING EXPENSE	67,045,804	65,264,524	1,781,280	55,172,095
OPERATING INCOME (LOSS)	(4,476,149)	(4,487,820)	11,671	(15,802,591)
OTHER REVENUE (EXPENSE)				
Interest Income	56,071	102,600	(46,529)	213,909
Net Change in Fair Value of Investments	(65,055)	-	(65,055)	29,052
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXPENSE)	(8,984)	102,600	(111,584)	242,961
CHANGE IN NET POSITION	\$ (4,485,133)	\$ (4,385,220)	\$ (99,913)	\$ (15,559,630)

MICHIGAN PUBLIC POWER AGENCY
AFEC PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2021 AND 2020

	2021 ACTUAL	UNAUDITED 2021 BUDGET	OVER (UNDER) 2021 BUDGET	2020 ACTUAL
OPERATING REVENUE				
Energy & Capacity	\$ 11,169,020	\$ 9,326,637	\$ 1,842,383	\$ 9,706,412
TOTAL OPERATING REVENUE	11,169,020	9,326,637	1,842,383	9,706,412
OPERATING EXPENSE				
Production				
Fuel	5,648,112	4,419,814	1,228,298	3,837,814
Fixed O & M	1,731,178	1,731,894	(716)	1,813,935
Variable O & M	300,170	251,870	48,300	271,158
PJM Replacement Pwr	64,229	150,000	(85,771)	88,586
Reactive Revenue Distribution	(110,159)	(110,159)	-	(110,159)
Capacity Credit	(1,640,038)	(1,660,303)	20,265	(956,196)
MISO Capacity Purchase	1,496,748	1,496,748	-	1,560,780
Total Operating & Maintenance Expense	7,490,239	6,279,864	1,210,375	6,505,918
TRANSMISSION				
LMP Price Differential	393,467	316,818	76,649	388,941
ADMINISTRATIVE & GENERAL				
AMP	109,496	91,877	17,619	101,465
MPPA				
Salaries and Benefits	275,405	230,595	44,810	188,253
Outside Services	66,727	55,342	11,385	56,766
All Other A & G	55,713	56,841	(1,128)	42,579
Total A&G Expense	507,341	434,655	72,686	389,063
Depreciation	859,222	856,878	2,344	849,314
TOTAL OPERATING EXPENSE	9,250,269	7,888,215	1,362,054	8,133,236
OPERATING INCOME (LOSS)	1,918,751	1,438,422	480,329	1,573,175
OTHER EXPENSE				
Amortization	(98,780)	(78,249)	(20,531)	(80,211)
Bond Issuance Cost	114,350	-	114,350	-
Interest Expense	1,457,109	1,365,300	91,809	1,399,550
TOTAL OTHER EXPENSE	1,472,679	1,287,051	185,628	1,319,339
OTHER REVENUE				
Interest Income	38,205	100,000	(61,795)	111,859
Net Change in Fair Value of Investments	(52,284)	-	(52,284)	24,239
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE	(14,080)	100,000	(114,080)	136,098
CHANGE IN NET POSITION	\$ 431,992	\$ 251,371	\$ 180,621	\$ 389,934

**MICHIGAN PUBLIC POWER AGENCY
COMBUSTION TURBINE PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2021 AND 2020**

	2021 ACTUAL	UNAUDITED 2021 BUDGET	OVER (UNDER) 2021 BUDGET	2020 ACTUAL
OPERATING REVENUE				
Energy	\$ 3,614,090	\$ 3,627,861	\$ (13,771)	\$ 3,634,290
Transmission	1,549,992	1,557,936	(7,944)	1,483,767
Fuel	2,382,065	1,220,073	1,161,992	422,098
TOTAL OPERATING REVENUE	7,546,147	6,405,870	1,140,277	5,540,154
OPERATING EXPENSE				
Production				
Fuel	2,382,065	1,220,073	1,161,992	422,098
Operations & Maintenance	621,188	616,977	4,211	551,383
MISO Market OH Fee	32,116	10,000	22,116	4,361
Total Operating & Maintenance Expense	3,035,369	1,847,050	1,188,319	977,842
TRANSMISSION				
Operations & Maintenance	1,217,070	1,226,558	(9,488)	1,103,445
ADMINISTRATIVE & GENERAL				
Traverse City	373,103	425,000	(51,897)	318,304
MPPA				
Salaries & Benefits	254,500	271,420	(16,920)	223,683
Outside Services	60,721	78,329	(17,608)	26,428
All Other A & G	228,996	191,126	37,870	185,202
Total A&G Expense	917,321	965,875	(48,554)	753,617
Depreciation	975,453	1,043,897	(68,444)	973,239
TOTAL OPERATING EXPENSE	6,145,213	5,083,380	1,061,833	3,808,143
OPERATING INCOME (LOSS)	1,400,934	1,322,490	78,444	1,732,011
OTHER EXPENSE				
Amortization	(70,167)	35,089	(105,256)	(69,132)
Bond Issuance Cost	-	-	-	107,950
Interest Expense	191,387	191,387	0	695,250
TOTAL OTHER EXPENSE	121,220	226,476	(105,256)	734,068
OTHER REVENUE				
Interest Income	23,399	53,800	(30,401)	65,165
Net Change in Fair Value of Investments	(27,713)	-	(27,713)	14,096
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE	(4,314)	53,800	(58,114)	79,261
CHANGE IN NET POSITION	\$ 1,275,400	\$ 1,149,814	\$ 125,586	\$ 1,077,205

MICHIGAN PUBLIC POWER AGENCY
ENERGY SERVICES PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2021 AND 2020

	2021 ACTUAL	UNAUDITED 2021 BUDGET	OVER (UNDER) 2021 BUDGET	2020 ACTUAL
OPERATING REVENUE				
Energy & Capacity	\$ 57,568,599	\$ 86,375,475	\$ (28,806,876)	\$ 49,623,084
Transmission	25,036,705	22,925,097	2,111,608	16,192,081
MISO Energy Market Sales	36,565,826	-	36,565,826	21,878,016
TOTAL OPERATING REVENUE	119,171,129	109,300,572	9,870,557	87,693,181
OPERATING EXPENSE				
Purchased Power				
Energy & Capacity	68,550,667	65,846,585	2,704,082	58,669,210
Energy Market OH Fee	1,216,454	960,000	256,454	364,096
Energy Market Purchases	22,851,556	18,192,748	4,658,808	10,967,955
REC Purchases	126,286	-	126,286	197,566
Total Purchased Power Expense	92,744,963	84,999,333	7,745,630	70,198,827
TRANSMISSION				
Operations & Maintenance	23,431,396	20,131,967	3,299,429	14,355,764
Transmission transfer to TSC	1,605,309	2,793,130	(1,187,821)	1,836,317
Total Transmission Expense	25,036,705	22,925,097	2,111,608	16,192,081
ADMINISTRATIVE & GENERAL				
MPPA				
Salaries & Benefits	855,449	822,660	32,789	774,745
Outside Services	377,519	349,610	27,909	358,377
All Other A & G	156,494	203,872	(47,378)	169,151
Total A&G Expense	1,389,462	1,376,142	13,320	1,302,272
TOTAL OPERATING EXPENSE	119,171,129	109,300,572	9,870,557	87,693,181
OPERATING INCOME (LOSS)	-	-	-	-
OTHER REVENUE (EXPENSE)				
Interest Income	79,107	92,950	(13,843)	159,772
Net Change in Fair Value of Investments	(110,993)	-	(110,993)	66,461
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXPENSE)	(31,886)	92,950	(124,836)	226,234
CHANGE IN NET POSITION	\$ (31,886)	\$ 92,950	\$ (124,836)	\$ 226,234

**MICHIGAN PUBLIC POWER AGENCY
LANDFILL PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2021 AND 2020**

	2021 ACTUAL	UNAUDITED 2021 BUDGET	OVER (UNDER) 2021 BUDGET	2020 ACTUAL
OPERATING REVENUE				
Energy	\$ 13,972,902	\$ 16,001,940	\$ (2,029,038)	\$ 14,936,542
Sale of RECs	(1,069,164)	-	(1,069,164)	(1,013,146)
TOTAL OPERATING REVENUE	12,903,738	16,001,940	(3,098,202)	13,923,395
OPERATING EXPENSE				
Purchased Power				
Energy	13,814,842	15,854,165	(2,039,323)	14,803,346
REC Disbursement	(1,069,164)	-	(1,069,164)	(1,013,146)
Total Purchased Power	12,745,678	15,854,165	(3,108,487)	13,790,200
ADMINISTRATIVE & GENERAL				
MPPA				
Salaries & Benefits	116,983	106,265	10,718	92,604
Outside Services	15,325	15,299	26	12,373
All Other A & G	25,753	26,211	(458)	28,218
Total A&G Expense	158,061	147,775	10,286	133,195
TOTAL OPERATING EXPENSE	12,903,738	16,001,940	(3,098,202)	13,923,395
OPERATING INCOME (LOSS)	-	-	-	-
OTHER REVENUE (EXPENSE)				
Interest Income	7,264	7,430	(166)	14,796
Net Change in Fair Value of Investments	(9,423)	-	(9,423)	3,071
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXPENSE)	(2,159)	7,430	(9,589)	17,867
CHANGE IN NET POSITION	\$ (2,159)	\$ 7,430	\$ (9,589)	\$ 17,867

**MICHIGAN PUBLIC POWER AGENCY
TRANSMISSION PROJECT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2021 AND 2020**

	2021 ACTUAL	UNAUDITED 2021 BUDGET	OVER (UNDER) 2021 BUDGET	2020 ACTUAL
OPERATING REVENUE				
Transmission Revenue	\$ 1,220,526	\$ 1,241,239	\$ (20,713)	\$ 1,089,661
Jt Zone Transmission Revenue	5,150,246	4,539,835	610,411	4,217,122
Jt Zone Transmission Distribution	(5,106,052)	(4,496,455)	(609,597)	(4,173,659)
TOTAL OPERATING REVENUE	1,264,720	1,284,619	(19,898)	1,133,124
OPERATING EXPENSE				
TRANSMISSION				
Operations & Maintenance	1,095,830	1,103,815	(7,985)	995,948
Operation Joint Zone	31,200	31,200	-	31,200
Total Transmission Expense	1,127,030	1,135,015	(7,985)	1,027,148
ADMINISTRATIVE & GENERAL				
MPPA				
Salaries & Benefits	101,068	90,682	10,386	74,017
Outside Services	14,437	34,619	(20,182)	12,788
All Other A & G	22,185	24,303	(2,118)	19,172
Total A&G Expense	137,690	149,604	(11,914)	105,976
Depreciation	60,039	22,680	37,359	60,039
TOTAL OPERATING EXPENSE	1,324,760	1,307,299	17,461	1,193,163
OPERATING INCOME (LOSS)	(60,039)	(22,680)	(37,359)	(60,039)
OTHER REVENUE (EXPENSE)				
Interest Income	3,116	2,860	256	6,672
Net Change in Fair Value of Investments	(3,813)	-	(3,813)	1,382
Miscellaneous	-	-	-	-
TOTAL OTHER REVENUE (EXPENSE)	(697)	2,860	(3,557)	8,053
CHANGE IN NET POSITION	\$ (60,737)	\$ (19,820)	\$ (40,917)	\$ (51,986)

MICHIGAN PUBLIC POWER AGENCY
GENERAL FUND INCOME STATEMENT
Statement of Revenues, Expenses and Changes in Net Position
12 MONTHS ENDED 12/31/2021 AND 2020

	2021 ACTUAL	2021 BUDGET	OVER (UNDER) 2021 BUDGET	2020 ACTUAL
OPERATING REVENUE				
Participant Dues & Assessments	\$ 903,895	\$ 910,881	\$ (6,986)	\$ 848,935
Charges for Services:			-	
Allocated expenses (Projects)	150,000	150,000	-	132,492
MMEA charges	399,365	430,958	(31,593)	345,563
Total Committee Revenues	1,419,574	1,443,791	(24,217)	1,516,428
Miscellaneous	-	-	-	-
TOTAL OPERATING REVENUE	2,872,834	2,935,630	(62,796)	2,843,418
OPERATING EXPENSE				
Administrative & General				
MMEA - Direct Expenses	351,365	382,960	(31,595)	297,563
Service Committee - Direct Expenses	1,364,079	1,381,586	(17,507)	1,424,619
Salaries & Benefits	416,750	407,386	9,364	350,529
Office Supplies & Expense	17,237	23,472	(6,235)	21,548
Insurance	42,778	45,501	(2,723)	51,320
Outside Services	85,317	113,672	(28,355)	63,840
Meeting & Travel	11,722	28,000	(16,278)	9,194
Rent & Building Maintenance	31,155	35,928	(4,773)	32,543
Miscellaneous	6,150	6,150	-	6,150
Dues & Assessments	484,246	486,852	(2,606)	481,891
Total A&G Expense	2,810,800	2,911,507	(100,707)	2,739,197
Depreciation - Office Equipment	25,529	23,431	2,098	24,184
Depreciation - Building	27,320	27,422	(102)	27,422
TOTAL OPERATING EXPENSE	2,863,650	2,962,360	(98,710)	2,790,803
OTHER REVENUE (EXPENSE)				
Interest Income	17,518	18,000	(482)	31,257
Net Change in Fair Value of Investments	(16,776)	-	(16,776)	10,293
Recognized Building Lease Income	66,180	66,193	(13)	66,180
TOTAL OTHER REVENUE (EXPENSE)	66,922	84,193	(17,271)	107,730
CHANGE IN NET POSITION	\$ 76,106	\$ 57,463	\$ 18,643	\$ 160,346