



CLARK SCHAEFER HACKETT  
BUSINESS ADVISORS

**Brownfield Redevelopment Authority  
of the City of Lapeer, Michigan**  
Financial Statements  
June 30, 2020  
with Independent Auditors' Report

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## INDEPENDENT AUDITORS' REPORT

Members of the Brownfield Redevelopment  
Authority of the City of Lapeer  
Lapeer, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan (the "Authority"), a component unit of the City of Lapeer, Michigan, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

*Clark, Schaefer, Hackett & Co.*

East Lansing, Michigan  
December 17, 2020

Our discussion and analysis of the Brownfield Redevelopment Authority of the City of Lapeer's financial performance provides an overview of the Brownfield Redevelopment Authority's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Brownfield Redevelopment Authority's financial statements.

## **FINANCIAL HIGHLIGHTS**

- The Reid Corporation Project was approved by the Brownfield Redevelopment Authority on October 26, 2002 in the amount of \$60,150. The 2003 Tax Year was the first year of captured property taxes which may be utilized to reimburse the Reid Corporation, over a maximum of thirty years, for approved expenses in remediation of their environmentally distressed property. The actual expenses incurred on the project which will be reimbursed amounted to \$45,251.23. The Reid Corporation was reimbursed the amount of \$337.50 this past fiscal year. As of June 30, 2020 the total amount of \$37,337.50 has been reimbursed leaving a balance remaining of \$7,913.73.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Brownfield Redevelopment Authority as a whole and present a longer-term view of the Brownfield Redevelopment Authority's finances. Fund financial statements provide more detailed information about the Brownfield Redevelopment Authority's funds - not the Brownfield Redevelopment Authority as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending.

### **Reporting the Brownfield Redevelopment Authority as a Whole**

One of the most important questions asked about the Brownfield Redevelopment Authority's finances is, "Is the Brownfield Redevelopment Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Brownfield Redevelopment Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Brownfield Redevelopment Authority's net position and changes in them. You can think of the Brownfield Redevelopment Authority's net position – the difference between assets and liabilities – as one way to measure the Brownfield Redevelopment Authority's financial health, or financial position. Over time, increases or decreases in the Brownfield Redevelopment Authority's net position is one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the Brownfield Redevelopment Authority is shown as a governmental activity while within the City of Lapeer's audit they are shown as a component unit:

- Governmental activities – The Brownfield Redevelopment Authority's services are reported here. Property taxes finance most of these activities.

## Reporting the Brownfield Redevelopment Authority's Most Significant Funds

The fund financial statements provide detailed information about the Brownfield Redevelopment Authority's funds. The Brownfield Redevelopment Authority's funds utilize the governmental accounting approach.

- Governmental funds – Most of the Brownfield Redevelopment Authority's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Brownfield Redevelopment Authority's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Brownfield Redevelopment Authority's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

## THE BROWNFIELD REDEVELOPMENT AUTHORITY AS A WHOLE

Table 1 was summarized from the Brownfield Redevelopment Authority Statement of Net Position and provides a comparison of the current and prior years. The net position of the Brownfield Redevelopment Authority increased from \$709 to \$2,628, an increase of \$1,919 or 271%. In the prior year, the net position decreased from \$1,118 to \$709, a decrease of \$409 or 36.6%.

Table 1  
Net Position  
(In Hundreds)

|                          | Governmental<br>Activities<br>2020 | Governmental<br>Activities<br>2019 |
|--------------------------|------------------------------------|------------------------------------|
| Current and other assets | \$26.3                             | \$7.1                              |
| Total assets             | 26.3                               | 7.1                                |
| Other liabilities        | 0.0                                | 0.0                                |
| Total liabilities        | 0.0                                | 0.0                                |
| Net assets:              |                                    |                                    |
| Restricted               | 0.0                                | 0.0                                |
| Assigned (deficit)       | 26.3                               | 7.1                                |
| Total net position       | \$26.3                             | \$7.1                              |

## Governmental Activities

As stated previously, the net position of the Brownfield Redevelopment Authority's governmental activities increased by \$1,919. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is recorded as Fund Balance of \$2,628.

Table 2 was summarized from the government-wide Statement of Activities. This table summarizes the government-wide program revenues, other revenues, and expenses of the Brownfield Redevelopment Authority and provides a comparison of the current and prior years.

Table 2  
Changes in Net Position  
(In Hundreds)

|  | Governmental<br><u>Activities</u><br>2020 | Governmental<br><u>Activities</u><br>2019 |
|--|---|---|
| Revenues:  |   |   |
| Program revenues:                                    |   |   |
| Charges for Services                                 | \$0.0                                     | \$0.0                                     |
| Operating grants and Contributions                   | 3.6                                       | 0.0                                       |
| General revenues:                                    |   |   |
| Property Taxes                                       | 27.1                                      | 25.1                                      |
| Other  | 0.0                                       | 3.5                                       |
| Total Revenues                                       | 30.7                                      | 28.6                                      |
| Expenses:  |   |   |
| General government                                   | \$11.5                                    | \$32.7                                    |
| Total Expenses                                       | 11.5                                      | 32.7                                      |
| Increase (Decrease) in net position Before transfers | 19.2                                      | (4.1)                                     |
| Transfers  | 0.0                                       | 0.0                                       |
| Increase (Decrease) in net position                  | 19.2                                      | (4.1)                                     |
| Net position, July 1                                 | 7.1                                       | 11.2                                      |
| Net position, June 30                                | \$26.3                                    | \$7.1                                     |

Total revenue from all sources totaled \$3,067 which was from property taxes of \$2,715 and \$352 in personal property tax reimbursement. The Brownfield Redevelopment Authority captured the City of Lapeer millage rate of 9.8000 and the County operation millage rate of 3.7245.

The governmental activities of the Brownfield Redevelopment Authority had total expenses of \$1,148; for audit and legal fees in the amount of \$550, City administration fee in the amount of \$260 and project reimbursement of \$338. Due to utilizing full accrual on the government-wide statements, the expenditures for capital assets including infrastructure are not recorded as expenses in the current year but are capitalized on the Statement of Net Position and are depreciated over the useful life of the asset. Only the current year depreciation would be included as an expense.

## **THE BROWNFIELD REDEVELOPMENT AUTHORITY'S FUNDS**

The Brownfield Redevelopment Authority received a total of \$2,715 in captured property taxes. The Brownfield Redevelopment Authority had expenses of \$1,148 for project reimbursement to Reid Corporation in the amount of \$338, audit and legal fees in the amount of \$550 and an administration fee to the City of Lapeer in the amount of \$260 for accounting services.

### **Brownfield Redevelopment Authority Budgetary Highlights**

The Brownfield Redevelopment Authority Budget in total did not change during the fiscal year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The Brownfield Redevelopment Authority does not have any capital assets.

There were no major capital asset events during the current fiscal year.

### **Debt**

The Brownfield Redevelopment Authority does not have any outstanding debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Projected captured taxable values as determined by the City Assessor

The Brownfield Redevelopment Authority reviews its current budget to determine available fund balances to be appropriated for next year's budget. This along with the projected captured taxable value from the city assessor provides the basis of establishing the annual budget. Funds are appropriated based upon funds required for administration of the Brownfield Redevelopment Authority and approved expenses to be reimbursed to the project owner.

Management, the Board and the City Commission are currently working to determine the significance that the COVID-19 pandemic will have on the upcoming revenues and expenditures.

### **Requests for Information**

This financial report is designed to provide a general overview of the Brownfield Redevelopment Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lapeer, Director of Financial Services, 576 Liberty Park, Lapeer, MI 48446.



Brownfield Redevelopment Authority of the  
City of Lapeer, Michigan

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2020

|                               | General<br>Fund | Adjustments | Statement<br>of Net<br>Position |
|-------------------------------|-----------------|-------------|---------------------------------|
| Assets                        |                 |             |                                 |
| Cash                          | \$ <u>2,628</u> | \$ <u>-</u> | \$ <u>2,628</u>                 |
| <br>Fund balance/Net position |                 |             |                                 |
| Unassigned/Unrestricted       | \$ <u>2,628</u> | \$ <u>-</u> | \$ <u>2,628</u>                 |

See accompanying notes to financial statements.

Brownfield Redevelopment Authority of the  
City of Lapeer, Michigan

Statement of Activities and Governmental Fund Revenue, Expenditures,  
and Changes in Fund Balance  
For the Year Ended June 30, 2020

|                                      | General<br>Fund        | Adjustments        | Statement<br>of<br>Activities |
|--------------------------------------|------------------------|--------------------|-------------------------------|
| Expenditures/Expenses                |                        |                    |                               |
| General government                   | \$ 1,148               | \$ -               | \$ 1,148                      |
| General revenues                     |                        |                    |                               |
| Property taxes                       | 2,715                  | -                  | 2,715                         |
| Other revenues                       | <u>352</u>             | <u>-</u>           | <u>352</u>                    |
| Total general revenues               | <u>3,067</u>           | <u>-</u>           | <u>3,067</u>                  |
| Changes in Fund balance/Net position | 1,919                  |                    | 1,919                         |
| Fund balance/Net position, July 1    | <u>709</u>             | <u>-</u>           | <u>709</u>                    |
| Fund balance/Net position, June 30   | \$ <u><u>2,628</u></u> | \$ <u><u>-</u></u> | \$ <u><u>2,628</u></u>        |

See accompanying notes to financial statements.

**NOTE 1: REPORTING ENTITY**

In accordance with the criteria established by the Government Accounting Standards Board (GASB) Statement No.14 as amended by GASB Statement No. 39, the Brownfield Redevelopment Authority of the City of Lapeer is considered a component unit of the City of Lapeer, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the City to significantly influence operations, and the accountability for fiscal matters including the level of City financing and/or moral and legal responsibility for long-term debt.

The financial statements of the Brownfield Redevelopment Authority are presented as the financial statements of a fund which is an integral part of the financial reporting oversight unit of the City of Lapeer.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Brownfield Redevelopment Authority conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The summary of the more significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Brownfield Redevelopment Authority of the City of Lapeer. If any, the effect of interfund activity, if any, has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. There are no business-type activities for the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues not included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statements

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

The Governmental fund financial statement is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period.

Estimates

The preparation of financial statements in conformity with U.S. 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 reporting period. Actual results could differ from those estimates.

**NOTE 3: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the City Treasurer is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 in an insured bank for savings deposits and \$250,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2020, the carrying amount of the Authority's deposits was \$2,628 and the bank balance was \$2,628, of which \$2,628 was covered by federal depository insurance.

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

Custodial Credit Risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- Limiting investments to the types of securities listed in the Authority's investment policy.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Authority will do business in accordance with the Authority's investment policy.

**NOTE 4: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: non-spendable, restricted, committed, assigned and unassigned.

*Non-spendable* – assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* – amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* – amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board) by resolution.

*Assigned* – amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee, or a delegated municipality official.

*Unassigned* – all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classifications and Procedures

For committed fund balance, the Authority's highest level of decision-making authority is the Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, the Authority Trustees are authorized to assign amounts to a specific purpose.

The Authority has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first, therefore restricted resources will be used first, then unrestricted resources if they are needed.

The Authority has not formally adopted a policy that determines whether committed, assigned, or unassigned amounts are considered to be spent when an expenditure is incurred for purposes which amounts from any of those fund balance classifications could be used.

**NOTE 5: TAX ABATEMENT**

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, and amended. Under this act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements reduced 2019/2020 City tax revenues by an immaterial amount.

**NOTE 6:     UPCOMING ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, was issued which will establish a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivable and deferred inflows of resources. We do not expect this standard to have any significant effect on the Authority.

## REQUIRED SUPPLEMENTARY INFORMATION

Brownfield Redevelopment Authority of the  
City of Lapeer, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual  
General Fund

For the Year Ended June 30, 2020

|                              | Budgeted Amounts |              |                 | Variance                   |
|------------------------------|------------------|--------------|-----------------|----------------------------|
|                              | Original         | Final        | Actual          | Favorable<br>(Unfavorable) |
| Revenues                     |                  |              |                 |                            |
| Property taxes               | \$ 2,375         | \$ 2,375     | \$ 2,715        | \$ 340                     |
| Other income                 | <u>300</u>       | <u>300</u>   | <u>352</u>      | <u>52</u>                  |
| Total revenues               | <u>2,675</u>     | <u>2,675</u> | <u>3,067</u>    | <u>392</u>                 |
| Expenditures                 |                  |              |                 |                            |
| Attorney/accounting          | 550              | 550          | 550             | -                          |
| City administration          | 260              | 260          | 260             | -                          |
| Project reimbursement        | 2,500            | 2,500        | 338             | 2,162                      |
| Planning for future projects | <u>74</u>        | <u>74</u>    | <u>-</u>        | <u>74</u>                  |
| Total expenditures           | <u>3,384</u>     | <u>3,384</u> | <u>1,148</u>    | <u>2,236</u>               |
| Change in fund balance       | (709)            | (709)        | 1,919           | 2,628                      |
| Fund balance, July 1         | <u>709</u>       | <u>709</u>   | <u>709</u>      | <u>-</u>                   |
| Fund balance, June 30        | <u>\$ -</u>      | <u>\$ -</u>  | <u>\$ 2,628</u> | <u>\$ 2,628</u>            |



