

CITY OF LAPEER, MICHIGAN
COUNTY OF LAPEER
COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commission
City of Lapeer
Lapeer, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lapeer, Michigan, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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 and the standards applicable to financial audits contained in *Government Auditing Standards*. 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 auditor's 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lapeer, Michigan as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the City of Lapeer as of June 30, 2018, were audited by Layton & Richardson, P.C., who merged with Clark, Schaefer, Hackett & Co., as of July 1, 2019, whose report dated December 21, 2018, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of City's pension and OPEB contributions and amounts, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lapeer, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements, general long-term debt, and capital assets schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, general long-term debt schedule, capital assets schedule, individual fund schedules, and the schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the City of Lapeer, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lapeer, Michigan's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
December 12, 2019

Management's Discussion and Analysis

Our discussion and analysis of the City of Lapeer's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- State Revenue Sharing funds from sales and use tax continued to be lower than historical levels. The City received \$825,637 in the current year compared to \$794,354 in the prior year, an increase of \$31,283 or 4%. When compared to State Revenue Sharing received in FY 2001-2002, actual funds received in the current year were reduced from \$1,037,526 to \$825,637, a decrease of \$211,889 or 20%.
- The current year net City income tax revenue of \$3,423,237 was \$155,620 or 4.8% more than the prior year revenue of \$3,267,617.
- The current year City property tax revenue of \$2,996,412 was \$253,396 or 9.2% more than the prior year revenue of \$2,743,016.
- The current year General Fund interest on investments revenue of \$33,881 was \$14,926 or 79% more than the prior year revenue of \$18,955.
- Among other improvement projects, the City completed the Baldwin Road Reconstruction Project (MDOT Grant – local share \$127,800), purchased a 2019 Fire pumper truck (\$615,696), McCormick St pump station replacement (\$1,819,505), crack sealing at various locations (\$371,728) and the various local street improvements (\$993,000).
- The City's general obligation bond rating from Moody's Investor Services remained stable at A1 in the current year while the Standard & Poor's rating remained stable at A+.
- The City retired four debt issues: 2008 General Obligation Bond, 2009 General Obligation Bond, 2005 Equipment Financing, and 2008 Equipment.
- The City adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*, as required. The requirements of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings (i.e. a government entering into a loan agreement with a lender) and direct placements (i.e. a government issuing a debt security directly to an investor).

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 City as a whole and present a longer-term view of the City's finances. Fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

One of the most important questions asked about the City's finances is, "Is the City 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 City 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 City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases* or *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City:

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including police, fire, public works, parks, and general administration. Property taxes, income taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems and parking facilities are reported here.
- Component units – The City includes five separate legal entities in its report: Brownfield Redevelopment Authority, Downtown Development Authority, Economic Development Corporation, Local Development Finance Authority, and Tax Increment Finance Authority.

Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes (like the Capital Improvement Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Michigan State Housing Development Authority). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City'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 City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City'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.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are usually reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's Motor Pool Fund.

The City as Trustee

The City is the trustee, or *fiduciary*, for the Mt. Hope Cemetery Perpetual Care Fund. It is also responsible for other assets as an agent for others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

Table 1 was summarized from the government-wide Statement of Net Position and provides a comparison between the current and prior years. The City's combined net position for the primary government increased from \$59,395,859 as restated to \$62,597,258, an increase of \$3,201,399 or 5.4%. In the prior year the net position increased from \$55,809,446 as restated to \$59,395,859, an increase of \$3,586,413 or 6.4%. The net position for the governmental activities increased from \$39,058,100 as restated to \$41,382,871, an increase of \$2,324,771 or 6%. In the prior year the net position increased from \$34,571,595 as restated to \$37,575,721, an increase of \$3,004,126 or 8.6%. The net position for the business-type activities increased from \$20,337,759 as restated to \$21,214,387, an increase of \$876,628 or 4.3%. In the prior year the net position decreased from \$21,237,851 as restated to \$21,820,138, an increase of \$582,287 or 2.7%.

Table 1
Net Position
(In Millions)

	Governmental Activities 2019	Business-type Activities 2019	Total Primary Government 2019
Current assets	\$12.7	\$ 4.4	\$17.1
Non-current assets	58.2	28.7	86.9
Deferred outflows	<u>2.4</u>	<u>0.6</u>	<u>3.0</u>
Total assets	<u>73.3</u>	<u>33.7</u>	<u>107.0</u>
Long-term debt			
outstanding	3.5	5.2	8.7
Other liabilities	<u>22.8</u>	<u>5.9</u>	<u>28.7</u>
Total liabilities	<u>26.3</u>	<u>11.1</u>	<u>37.4</u>
Net assets:			
Deferred inflows	5.6	1.4	7.0
Invested in capital assets, Net of debt	52.7	22.5	75.2
Restricted	0.0	0.0	0.0
Unrestricted (deficit)	<u>(11.3)</u>	<u>(1.3)</u>	<u>(12.6)</u>
Total net position	<u>\$41.4</u>	<u>\$21.2</u>	<u>\$62.6</u>

	Governmental Activities <u>2018</u>	Business-type Activities <u>2018</u>	Total Primary Government <u>2018</u>
Current assets	\$14.1	\$ 5.4	\$19.5
Non-current assets	59.2	27.9	87.1
Deferred outflows	<u>1.1</u>	<u>0.0</u>	<u>1.1</u>
Total assets	<u>74.4</u>	<u>33.3</u>	<u>107.7</u>
Long-term debt outstanding	5.5	5.9	11.4
Other liabilities	<u>24.2</u>	<u>3.9</u>	<u>28.1</u>
Total liabilities	<u>29.7</u>	<u>9.8</u>	<u>39.5</u>
Net assets:			
Deferred inflows	7.1	1.6	8.7
Invested in capital assets, Net of debt	52.1	21.4	73.5
Restricted	0.0	0.0	0.0
Unrestricted (deficit)	<u>(14.6)</u>	<u>0.5</u>	<u>(14.1)</u>
Total net assets	<u>\$37.6</u>	<u>\$21.9</u>	<u>\$59.5</u>

Table 2 was summarized from the government-wide Statement of Activities and provides a comparison between the current and prior years. Total revenue from all sources totaled \$24.9 million of which \$15.9 million was from governmental activities and \$9 million was from business-type activities. In the prior year, total revenue from all sources totaled \$24.0 million of which \$15.5 million was from governmental activities and \$8.5 million was from business-type activities. The total revenue from all sources increased \$.9 million or 3.75%.

Table 2
Changes in Net Position
(In Millions)

	<u>Governmental Activities</u> 2019	<u>Business-type Activities</u> 2019	<u>Total Primary Government</u> 2019
Revenues:			
Program revenues:			
Charges for services	\$2.8	\$7.3	\$10.1
Operating grants and contributions	2.7	1.6	4.3
General revenues:			
Taxes	8.1	0.0	8.1
State shared revenue	0.9	0.0	0.9
Other	<u>1.4</u>	<u>0.0</u>	<u>1.4</u>
Total Revenues	<u>15.8</u>	<u>8.9</u>	<u>24.7</u>
Expenses:			
General government	\$2.8	\$0.0	\$2.8
Public safety	2.9	0.0	2.9
Public works	0.9	0.0	0.9
Community development and enrichment	1.0	0.0	1.0
Highway and streets	2.6	0.0	2.6
Culture and recreation	1.7	0.0	1.7
Other	1.4	0.0	1.4
Interest on long-term debt	0.1	0.0	0.1
Water	0.0	2.8	2.8
Wastewater	0.0	5.0	5.0
Parking	<u>0.0</u>	<u>0.2</u>	<u>0.2</u>
Total Expenses	<u>13.4</u>	<u>8.0</u>	<u>21.4</u>
Change in net Position			
Before transfers	2.4	0.9	2.4
Transfers	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Change in Net Position	2.4	0.9	3.3
Net posit restated, July 1	<u>39.0</u>	<u>20.3</u>	<u>59.3</u>
Net position, June 30	<u>\$41.4</u>	<u>\$21.2</u>	<u>\$62.6</u>

Table 2
Changes in Net Position
(In Millions)

	Governmental Activities	Business-type Activities	Total Primary Government
	2018	2018	2018
Revenues:			
Program revenues:			
Charges for services	\$2.8	\$7.5	\$10.3
Operating grants and contributions	2.3	0.9	3.2
General revenues:			
Taxes	8.0	0.0	8.0
State shared revenue	0.8	0.0	0.8
Other	<u>1.6</u>	<u>0.1</u>	<u>1.7</u>
Total Revenues	<u>15.5</u>	<u>8.5</u>	<u>24.0</u>
Expenses:			
General government	\$3.1	\$0.0	\$3.1
Public safety	3.8	0.0	3.8
Public works	0.8	0.0	0.8
Community development and enrichment	1.2	0.0	1.2
Highway and streets	2.6	0.0	2.6
Culture and recreation	1.9	0.0	1.9
Other	0.9	0.0	0.9
Interest on long-term debt	0.2	0.0	0.2
Water	0.0	2.9	2.9
Wastewater	0.0	4.5	4.5
Parking	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Expenses	<u>14.5</u>	<u>7.4</u>	<u>21.9</u>
Change in net Position			
Before transfers	1.0	1.1	2.1
Transfers	<u>2.0</u>	<u>(0.5)</u>	<u>1.5</u>
Change in Net Position	3.0	0.6	3.6
Net posit restated, July 1	<u>34.6</u>	<u>21.2</u>	<u>55.8</u>
Net position, June 30	<u>\$37.6</u>	<u>\$21.8</u>	<u>\$59.4</u>

Governmental Activities

The net position for the governmental activities increased from \$39,058,100 as restated to \$41,382,871 an increase of \$2,324,771 or 6%. In the prior year, the net position increased from \$34,571,595 as restated to \$37,575,721, an increase of \$3,004,126 or 8.7%.

The governmental activities revenue of \$15.8 million reflects an increase of \$0.4 million or 3% from the prior year. The governmental activities received \$8.1 million or 51.1 % from taxes. 17.8% of governmental activity was funded from charges for services and 5.4% was funded by state shared revenue. 17.0% of governmental activity was funded from operating grants and contributions. The remaining 8.6% of revenue was from unrestricted investment earnings and other revenue.

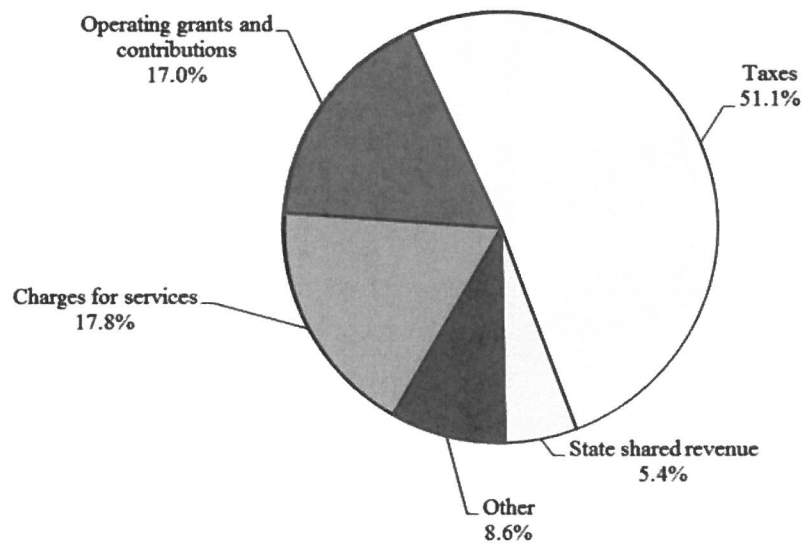
The governmental activities of the city had an expense of \$13.4 million dollars for the past fiscal year. Due to utilizing full accrual on the government-wide statements, the expenditures for capital assets including infrastructure are not recorded as expenses in the current year but are capitalized 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 \$13.4 million for governmental activities was partially funded from \$5.5 million in program revenues. The balance of this cost was funded from taxes and other revenues. The expenditures for governmental activities by classification occurred in general government at \$2.8 million, public safety at \$2.9 million, public works at \$0.9 million, community development and enrichment at \$1.0 million, highway and streets at \$2.6 million, culture and recreation at \$1.6 million, other at \$1.4 million and interest on long-term debt at \$0.1 million. The program revenues received as a percentage of the expense for these activities were 53.9% for general government, 17.7% for public safety, 0.0% for public works, 52% for community development and enrichment, 56.7% for highways and streets, 86.1% for culture and recreation, 0.0% for other and 0.0% for interest on long-term debt.

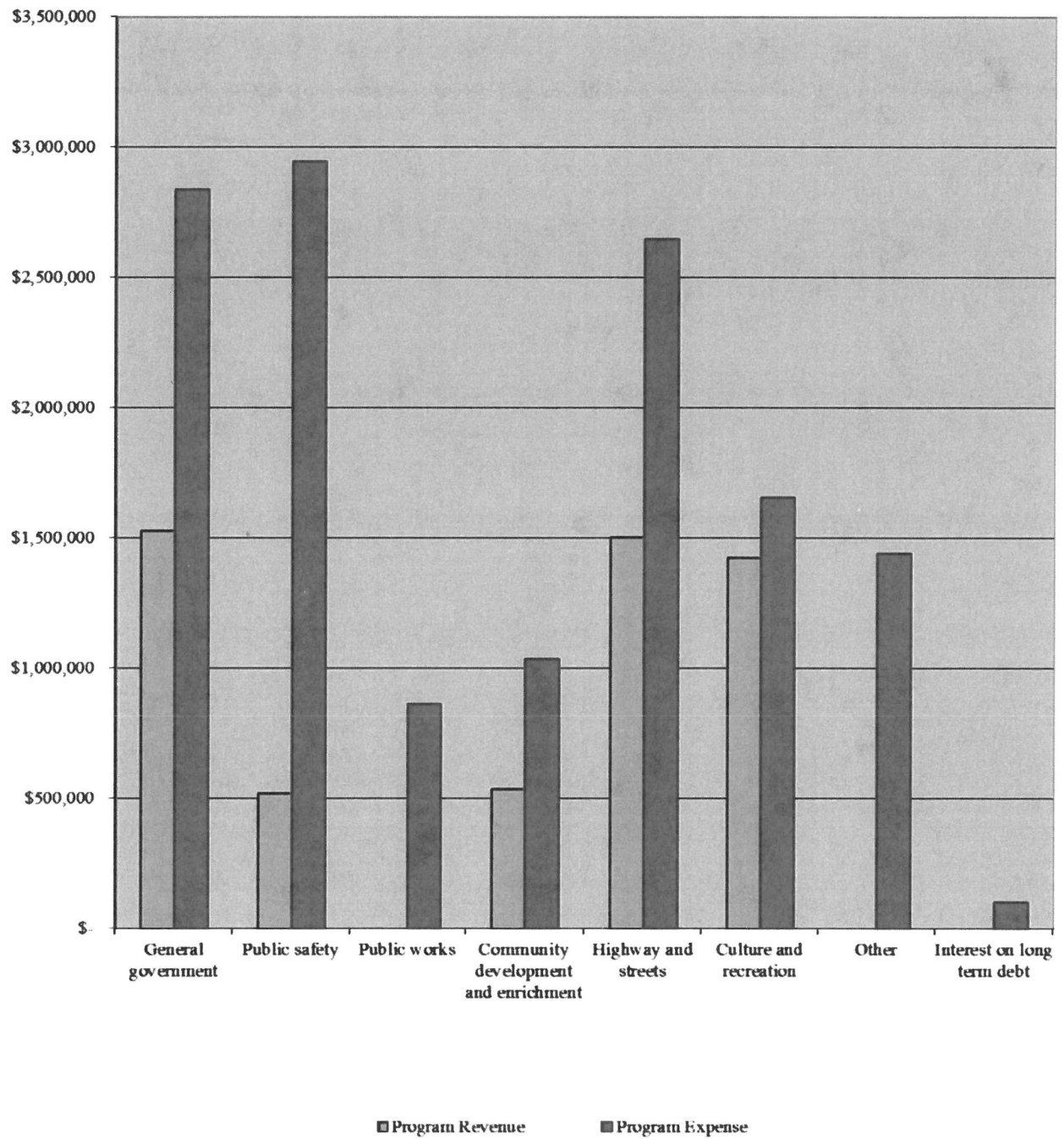
The following charts illustrate the distribution of revenues by source and the program revenues compared with the expenses for the governmental activities.

FY 2018-19

Revenues by Source - Governmental Activities



FY 2018-19
Expenses and Program Revenues - Governmental Activities



Business-type Activities

The net position of the City's business-type activities increased from \$20,337,759 as restated to \$21,214,387, an increase of \$876,628 or 4.3%. In the prior year, the net position of the City's business-type activities increased from \$21,237,851 as restated to \$21,820,138, an increase of \$582,287 or 2.7%.

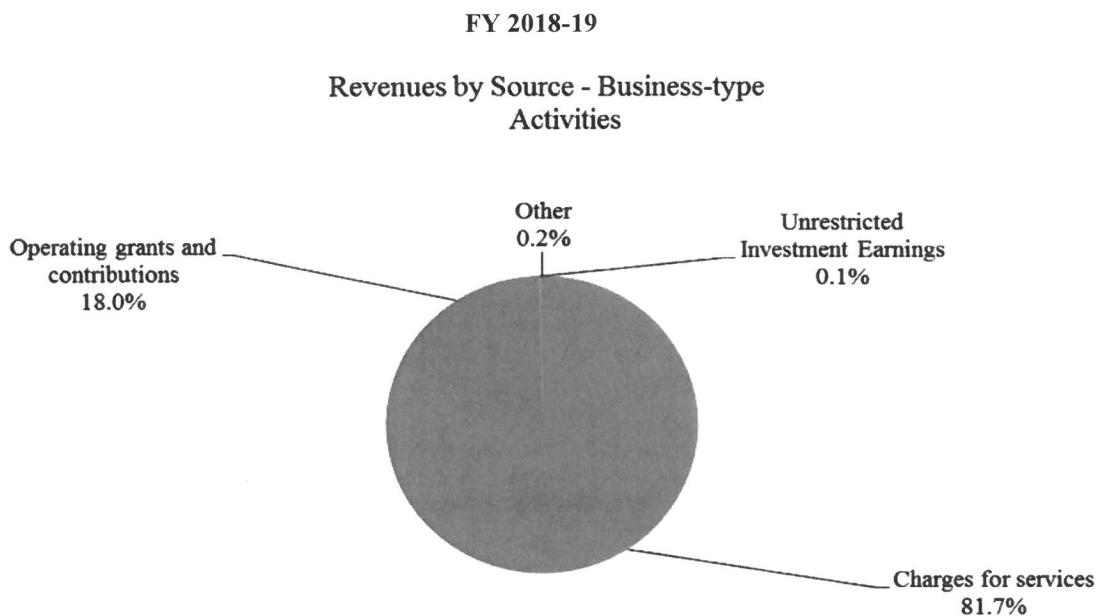
The business-type activities revenue of \$8.9 million reflects an increase of \$0.5 million or 5.9% from the prior year. The business-type activities received \$7.3 million or 81.7% from charges for services, \$1.6 million or 18.0% from operating grants and contributions and \$0.3 million from unrestricted investment earnings and other revenue.

The Water Fund total operating expenses were \$2.8 million compared to \$3.0 million in program revenues. The City is a member of the Great Lakes Water Authority which purchases its water from the Detroit Water System. The current year purchase of water increased by \$58,244 from the prior year of \$1,380,129 to \$1,438,373. This represented 48.0% of the fund's operating expenses. The City last increased its rates to customers effective for billings on or after August 1, 2017. The flat monthly charge was \$6.82 and the volume charge was \$5.90.

The Wastewater Fund total operating expenses were \$5.8 million compared to \$5.0 million in program revenues. The City last increased its rates to customers effective for billings on or after August 1, 2017. The flat monthly charge was \$12.12, and the volume charge was \$8.81.

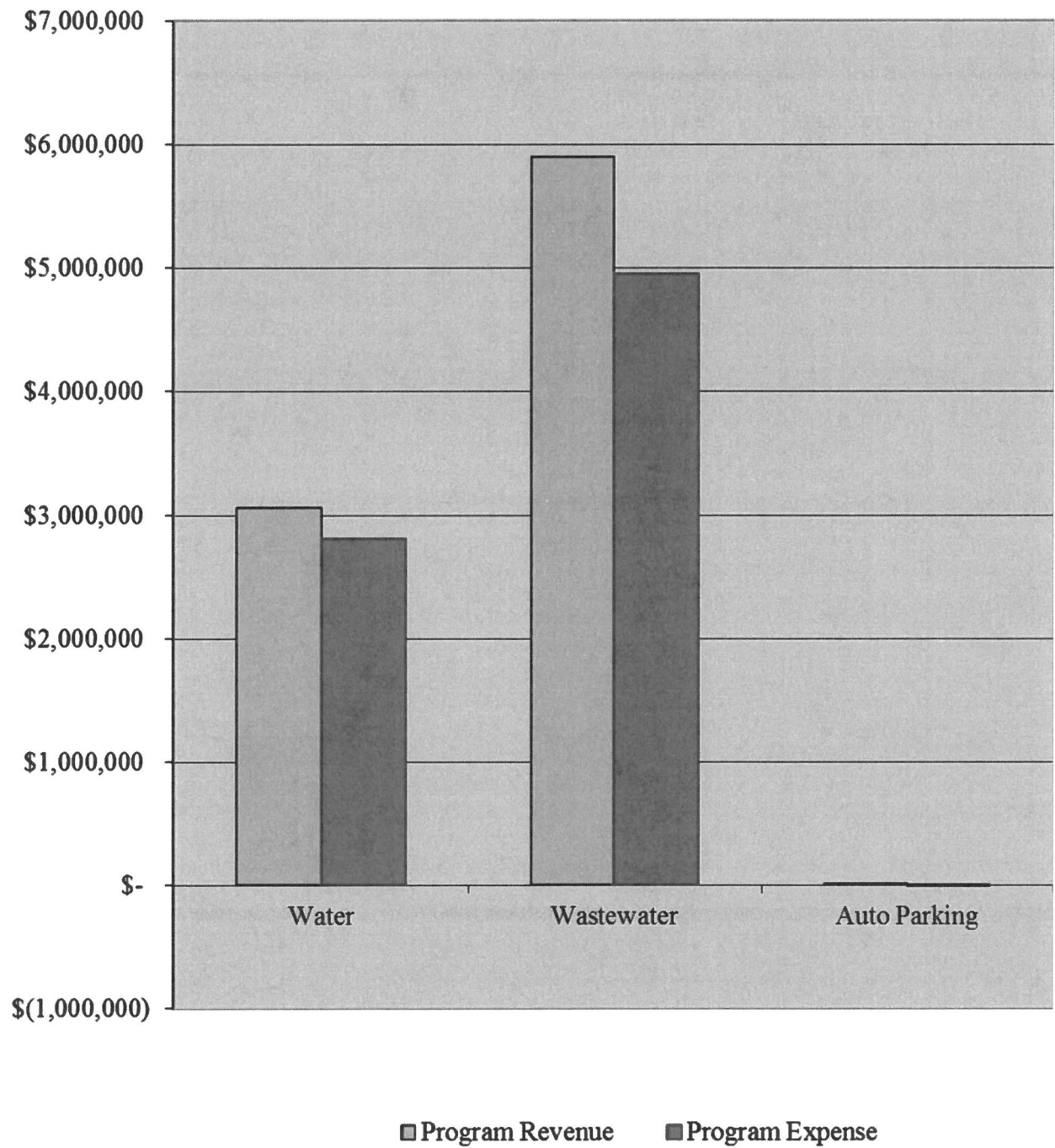
The Parking Fund had program revenues of \$16,181 and expenses of (\$4,139).

The following charts illustrate the distribution of revenues by source and the program revenues compared with the expenses for the business-type activities.



FY 2018-19

Expense and Program Revenues - Business-type Activities



THE CITY'S FUNDS

The General Fund revenue was \$10 million, an increase of \$0.5 million from the prior year. The expenditures were \$8.8 million compared to \$8.5 million the prior year. The net transfers to other funds were \$.8 million compared to \$1.1 million the prior year. The unassigned fund balance decreased from \$2,222,568 to \$2,123,976, a decrease of \$98,592 or 4.4%. In the prior year, the unassigned fund balance decreased from \$2,376,061 to \$2,222,568, a decrease of \$153,493 or 6.5%.

The Major Street Fund receives revenues from grants, donations, and transfers from bond construction funds which vary greatly from year to year. Total revenues in the current year were \$1.3 million, the expenditures were \$1.0 million and the net transfers in were \$0.3 million. The assigned fund balance increased from \$1,071,510 to \$1,109,199, an increase of \$37,689 or 3.5%. In the prior year, the assigned fund balance increased from \$98,373 to \$1,071,510, an increase of \$973,137 or 989.2%.

The Local Street Fund receives revenues from grants, donations and transfers from bond construction funds which vary greatly from year to year. Total revenues in the current year were \$0.3 million, the expenditures were \$0.9 million and the net transfers in were \$0.1 million. The assigned fund balance increased from \$1,220,087 to \$680,461, a decrease of \$539,626 or 44.2%. In the prior year, the assigned fund balance increased from \$230,565 to \$1,220,087, an increase of \$989,522 or 429.2%.

The Parks and Recreation Fund current year revenues were \$1.6 million, the expenditures were \$2.0 million and the net transfers in were \$0.5 million. The assigned fund balance increased from \$326,202 to \$438,430, an increase of \$112,228 or 34%. In the prior year, the assigned fund balance increased from \$301,174 to \$326,202, an increase of \$25,028 or 8.3%.

The Land Acquisition Fund current year revenues were \$0.5 million, the expenditures were \$0.1 million and the net transfers in were \$(0.1) million. The assigned fund balance increased from \$1,060,151 to \$1,351,519, an increase of \$291,368 or 15.3%. In the prior year, the assigned fund balance increased from \$919,538 to \$1,060,151, an increase of \$140,613 or 27.5%.

General Fund Budgetary Highlights

The difference between the General Fund original and amended budgets were expenditure increases totaling \$3,612 or <1% of the total originally budgeted and detailed as follows:

- the Fire Department Budget increased \$3,612 for Fire Prevention activities funded from donations received in prior years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Lapeer's investment in capital assets for its governmental and business type activities as of June 30, 2019 was \$86,885,058 (net of accumulated depreciation). This is an increase of \$1,913,801 over the prior year amount of \$84,971,257. This investment in capital assets includes land, buildings, infrastructure systems and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Lapeer's investment in capital assets for the current fiscal year was 2% (a 0.0% decrease for governmental activities of \$208,102 over the prior year amount of \$57,467,923 and a 1.9% decrease for business-type activities of \$546,546 over the prior year amount of \$27,841,796).

Major capital asset events during the current fiscal year included the following:

- Projects continued/completed included crack seal project (\$622,128), O-2 lift station upgrade at 3201 Oregon Street (\$171,078), DPW Floor repairs (\$70,500), Local St Improvements – TIFA 1 & 2 (\$993,742), Baldwin rd micro-seal and reconstruction (\$587,284). Projects started included Davison Rd improvements (MDOT Grant) and Genesee St/Davison Rd pedestrian trail.
- Equipment purchases included 61” Scag Zero turn mower (\$11,919), 2018 Pick-up with plow (\$34,878), 2018 KME Predator Pumper Fire Truck (\$607,744), AED Replacment (\$5,820), 2019 Utility Truck with plow (\$58,992), Community Center fitness equipment and furnishings (\$34,910), Crampton Park play structure (\$50,000), Telephone System (\$76,364) and Active Shooter Response kit (\$11,854).
- Dispositions included (sale price in parenthesis) John Conley Dr - vacant (\$200,000), Oakdale (\$82,340), and several vehicles (\$21,563).

Debt

At year-end, the City of Lapeer’s total bonded debt outstanding was at \$11.5 million versus \$11.7 million last year – a decrease of \$193,670 or 1.6% - as shown in Table 3.

Table 3
Outstanding Debt at Year-End
(In Millions)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	2019	2018	2019	2018	2019	2018
General obligation bonds (backed by the City)	\$3.8	\$ 5.2	\$0.0	\$0.0	\$3.8	\$ 5.2
Special assessment bonds (with city commitment)	\$0.1	\$ 0.2	\$0.0	\$0.0	\$0.1	\$ 0.2
Revenue bonds and notes (backed by specific tax and fee revenues)	<u>\$0.0</u>	<u>\$ 0.1</u>	<u>\$5.6</u>	<u>\$6.0</u>	<u>\$ 5.6</u>	<u>\$ 6.1</u>
Totals	<u>\$3.9</u>	<u>\$ 5.4</u>	<u>\$5.6</u>	<u>\$6.0</u>	<u>\$9.5</u>	<u>\$11.5</u>

The City retired four debt issues: 2008 General Obligation Bond, 2009 General Obligation Bond, 2005 Equipment Financing, and 2008 Equipment.

None of the component units had any outstanding debt as of the year ended 06/30/2019.

The City’s general obligation bond rating from Moody’s Investor Services remained stable at A1 in the current year while the Standard & Poor’s rating remained stable at A+. The State limits the amount of general obligation debt that cities can issue to 10 percent of State Equalized Value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt is significantly below the current year \$31.6 million state-imposed limit.

Other obligations include accrued vacation and sick leave of \$478,422. More detailed information about the City’s long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the City of Lapeer's budget for Fiscal Year 2019-2020:

- The unemployment rate for the County of Lapeer was at 5.4% for June an increase of 1% from the prior year-end unemployment rate of 4.4%.
- Inflationary trends and economic development in the region compare favorably to national indices.

The current year unassigned fund balance decreased from \$2,222,568 to \$2,123,976, a decrease of \$98,592 or 4.4%. In the prior year, the unassigned fund balance decreased from \$2,376,061 to \$2,222,568, a decrease of \$153,493 or 6.5%.

The City of Lapeer will return contributed capital of \$140,000 to the General Fund from the Wastewater Fund as part of the FY 2019-2020 budget. Additionally, the City maintained the same 9.80 property tax millage rate in the current year as in the prior year. Half of one mill of this millage rate is allocated to the Local Street Fund and half of one mill to the Capital Improvement Fund.

Requests for Information

This financial report is designed to provide a general overview of the City of Lapeer'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.

GENERAL PURPOSE FINANCIAL STATEMENTS

General purpose financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

CITY OF LAPEER, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	\$ 8,515,860	\$ 663,090	\$ 9,178,950	\$ 1,545,342
Investments	2,911,348	376,025	3,287,373	
Receivables				
Notes				180,000
Taxes	64,917		64,917	
Accounts	105,702	641,262	746,964	
Special assessments	109,640		109,640	
Deposits		900	900	
Due from				
Other funds	105,312	1,951,845	2,057,157	
State	767,951	631,311	1,399,262	
Other governmental units	6,422		6,422	3,416
Inventory	59,996	136,217	196,213	
Noncurrent assets				
Land held for investment	1,520,675	579,595	2,100,270	
Fixed assets not being depreciated	24,530,600	798,214	25,328,814	375,174
Fixed assets (net of accumulated depreciation)	32,141,639	27,314,335	59,455,974	2,827,221
TOTAL ASSETS	<u>70,840,062</u>	<u>33,092,794</u>	<u>103,932,856</u>	<u>4,931,153</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - OPEB	508,668	129,001	637,669	
Deferred outflows - Pension	1,804,963	457,748	2,262,711	
Prepaid expenses	114,921	28,547	143,468	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,428,552</u>	<u>615,296</u>	<u>3,043,848</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 73,268,614</u>	<u>\$ 33,708,090</u>	<u>\$ 106,976,704</u>	<u>\$ 4,931,153</u>

See accompanying notes to financial statements.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current liabilities				
Payables				
Accounts	\$ 380,828	\$ 561,948	\$ 942,776	\$ 1,485
Payroll and payroll taxes	136,656	58,673	195,329	
Due to				
Other units	53,922		53,922	
Other funds	1,951,845		1,951,845	
Accrued interest	21,905		21,905	
Deposits payable	292,950	4,500	297,450	5,764
Bonds and notes payable	565,318	370,000	935,318	
Accrued sick and vacation pay	80,059	33,651	113,710	
Noncurrent liabilities				
Bonds and notes payable	3,380,000	5,211,650	8,591,650	
Net Pension liability	7,556,480	1,916,362	9,472,842	
Net OPEB liability	11,456,806	2,905,505	14,362,311	
Accrued sick and vacation pay	364,712		364,712	
TOTAL LIABILITIES	<u>26,241,481</u>	<u>11,062,289</u>	<u>37,303,770</u>	<u>7,249</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	93,711	23,765	117,476	
OPEB	<u>5,550,551</u>	<u>1,407,649</u>	<u>6,958,200</u>	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,644,262</u>	<u>1,431,414</u>	<u>7,075,676</u>	
NET POSITION				
Net investment in capital assets	52,726,921	22,530,899	75,257,820	3,202,395
Unrestricted	<u>(11,344,050)</u>	<u>(1,316,512)</u>	<u>(12,660,562)</u>	<u>1,721,509</u>
TOTAL NET POSITION	<u>41,382,871</u>	<u>21,214,387</u>	<u>62,597,258</u>	<u>4,923,904</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 73,268,614</u>	<u>\$ 33,708,090</u>	<u>\$ 106,976,704</u>	<u>\$ 4,931,153</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government			
Governmental Activities			
General government	\$ 2,837,091	\$ 950,994	\$ 578,806
Public safety	2,945,741	451,214	69,831
Public works	862,881		
Community development and enrichment	1,036,172	279,171	259,665
Highways and streets	2,648,079		1,502,678
Culture and recreation	1,657,032	1,145,151	281,774
Other	1,443,331		
Interest on long-term debt	101,611		
Total Governmental Activities	<u>13,531,938</u>	<u>2,826,530</u>	<u>2,692,754</u>
Business-Type Activities			
Water	2,806,500	3,043,890	13,260
Wastewater	4,952,539	4,311,408	1,590,310
Auto parking	(4,139)	2,835	13,346
Total Business-Type Activities	<u>7,754,900</u>	<u>7,358,133</u>	<u>1,616,916</u>
Total Primary Government	<u>\$ 21,286,838</u>	<u>\$ 10,184,663</u>	<u>\$ 4,309,670</u>
Component Units			
Tax Increment Finance Authority	\$ 1,237,266	\$	\$
Brownfield Redevelopment	3,273		
Downtown Development Authority	413,462		94,000
Local Development Finance Authority	519,284		
Economic Development Corporation	250		
Total Component Units	<u>\$ 2,173,535</u>	<u>\$</u>	<u>\$ 94,000</u>
General Revenues			
Property taxes levied for general purposes			
Miscellaneous			
State revenue sharing			
Gain on sale of fixed assets			
Unrestricted investment earnings			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Restated Net Position, July 1			
Net Position, June 30			

See accompanying notes to financial statements.

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL	
\$	\$ (1,307,291)	\$	\$ (1,307,291)	\$
	(2,424,696)		(2,424,696)	
	(862,881)		(862,881)	
	(497,336)		(497,336)	
	(1,145,401)		(1,145,401)	
	(230,107)		(230,107)	
	(1,443,331)		(1,443,331)	
	(101,611)		(101,611)	
	(8,012,654)		(8,012,654)	
		250,650	250,650	
		949,179	949,179	
		20,320	20,320	
		1,220,149	1,220,149	
\$	(8,012,654)	1,220,149	(6,792,505)	
\$				(1,237,266)
				(3,273)
				(319,462)
				(519,284)
				(250)
\$				(2,079,535)
	8,109,170		8,109,170	1,832,622
	851,355	17,447	868,802	226,642
	859,081		859,081	
	143,993	12,858	156,851	2,707
	373,826	(373,826)		
	10,337,425	(343,521)	9,993,904	2,061,971
	2,324,771	876,628	3,201,399	(17,564)
	39,058,100	20,337,759	59,395,859	4,941,468
\$	\$ 41,382,871	\$ 21,214,387	\$ 62,597,258	\$ 4,923,904

CITY OF LAPEER, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

	GENERAL	MAJOR STREET	PARKS AND RECREATION
ASSETS			
Cash	\$ 1,639,004	\$ 310,700	\$ 495,216
Investments	1,418,300	348,073	
Receivables			
Taxes	64,917		
Accounts	70,563	18,171	16,916
Special assessments		94,076	
Due from			
Other funds		3,737	
State	272,830	455,034	
Other governmental units	6,422		
Inventory	16,302		
Land held for investment			
TOTAL ASSETS	<u>3,488,338</u>	<u>1,229,791</u>	<u>512,132</u>
DEFERRED OUTFLOWS OF RESOURCES			
Prepaid expenses	<u>88,470</u>	<u>5,246</u>	<u>11,422</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>3,576,808</u>	\$ <u>1,235,037</u>	\$ <u>523,554</u>

See accompanying notes to financial statements.

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 3,629,262	\$ 941,589 841,100	\$ 1,015,334 303,875	\$ 8,031,105 2,911,348
			64,917
		52	105,702
		15,564	109,640
97,896		3,679	105,312
		40,087	767,951
			6,422
			16,302
	1,520,675		1,520,675
3,727,158	3,303,364	1,378,591	13,639,374
		5,326	110,464
\$ 3,727,158	\$ 3,303,364	\$ 1,383,917	\$ 13,749,838

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS - Concluded
JUNE 30, 2019

	GENERAL	MAJOR STREET	PARKS AND RECREATION
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Payables			
Accounts	\$ 139,395	\$ 30,115	\$ 65,763
Payroll and payroll taxes	107,024	1,647	19,361
Due to			
Other units	53,922		
Other funds			
Deposits payable	<u>292,950</u>		
TOTAL LIABILITIES	<u>593,291</u>	<u>31,762</u>	<u>85,124</u>
DEFERRED INFLOWS OF RESOURCES			
Special assessment deferred revenue		<u>94,076</u>	
FUND BALANCE			
Nonspendable for receivables	70,563		
Nonspendable for prepaid expenses	88,470		
Nonspendable for inventory	16,302		
Restricted for debt service			
Committed for cemetery perpetual care			
Assigned			
General	684,206		
Special revenue funds		1,109,199	438,430
Capital projects funds			
Permanent fund			
Unassigned, reported in			
General fund	<u>2,123,976</u>		
TOTAL FUND BALANCE	<u>2,983,517</u>	<u>1,109,199</u>	<u>438,430</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 3,576,808</u>	<u>\$ 1,235,037</u>	<u>\$ 523,554</u>

See accompanying notes to financial statements.

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$	\$	\$ 105,484	\$ 340,757
		5,033	133,065
	1,951,845		53,922
			1,951,845
			292,950
	1,951,845	110,517	2,772,539
		15,564	109,640
			70,563
			88,470
			16,302
3,727,158		166,649	3,893,807
		10,395	10,395
			684,206
		1,022,661	2,570,290
	1,351,519	57,693	1,409,212
		438	438
			2,123,976
3,727,158	1,351,519	1,257,836	10,867,659
\$ 3,727,158	\$ 3,303,364	\$ 1,383,917	\$ 13,749,838

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CITY OF LAPEER, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds		\$ 10,867,659
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$91,278,280 and the accumulated depreciation is \$36,258,657.	\$ 55,019,623	
Internal fixed assets	<u>1,652,616</u>	56,672,239
An internal service fund is used by the City's management to charge the costs of vehicle use to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		489,244
Net pension liability is not due and payable in the current period and is not reported in the funds		(7,556,480)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows (inflows) of resources in the statement of net position, but are reported as expenses in the governmental funds		1,711,252
Retiree health insurance earned by eligible employees is not payable in the current period and therefore is not reported in the funds. However, these amounts are included in the statement of net position.		(16,498,689)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Accrued interest	\$ (21,905)	
Bonds and notes payable	(3,945,318)	
Compensated absences	<u>(444,771)</u>	(4,411,994)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>109,640</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$ <u>41,382,871</u>

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL	MAJOR STREET	PARKS AND RECREATION
REVENUES			
Taxes and special assessments	\$ 6,536,480	\$ 27,850	\$
Licenses and permits	34,931		
Intergovernmental	1,097,075	1,269,362	
Charges for services	1,402,208		1,145,151
Fines and forfeits	42,933		
Interest and rentals	169,769	8,790	63,974
Contribution from component units	565,398	2,919	281,774
Other revenues	229,295	17,361	129,279
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	10,078,089	1,326,282	1,620,178
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
General government	1,950,778		
Public safety	4,054,240		
Public works	877,069		
Culture and recreation			1,997,950
Health and welfare			
Community development and enrichment	714,613		
Debt service			
Principal retirement			
Interest and fiscal charges			
Other	1,215,394		
Highways and streets		985,658	
Capital outlay			
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	8,812,094	985,658	1,997,950
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,265,995	340,624	(377,772)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	388,820		500,000
Operating transfers out	(1,142,372)	(302,935)	(10,000)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(753,552)	(302,935)	490,000
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	512,443	37,689	112,228
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JULY 1	2,471,074	1,071,510	326,202
	<hr/>	<hr/>	<hr/>
FUND BALANCE, JUNE 30	\$ 2,983,517	\$ 1,109,199	\$ 438,430
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

2009 GENERAL OBLIGATION LIMITED TAX BOND	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 770,038	\$	\$ 13,029	\$ 7,347,397
			34,931
		306,260	2,672,697
		279,171	2,826,530
			42,933
7,472	17,567	12,309	279,881
		29,047	879,138
	472,480	163,015	1,011,430
<u>777,510</u>	<u>490,047</u>	<u>802,831</u>	<u>15,094,937</u>
			1,950,778
		25,914	4,080,154
			877,069
			1,997,950
		131,444	131,444
		451,939	1,166,552
595,000		996,005	1,591,005
13,394		133,939	147,333
	95,909	584	1,311,887
		892,073	1,877,731
		720,743	720,743
<u>608,394</u>	<u>95,909</u>	<u>3,352,641</u>	<u>15,852,646</u>
<u>169,116</u>	<u>394,138</u>	<u>(2,549,810)</u>	<u>(757,709)</u>
110,625		1,497,512	2,496,957
(353,513)	(102,770)	(121,540)	(2,033,130)
<u>(242,888)</u>	<u>(102,770)</u>	<u>1,375,972</u>	<u>463,827</u>
(73,772)	291,368	(1,173,838)	(293,882)
<u>3,800,930</u>	<u>1,060,151</u>	<u>2,431,674</u>	<u>11,161,541</u>
<u>\$ 3,727,158</u>	<u>\$ 1,351,519</u>	<u>\$ 1,257,836</u>	<u>\$ 10,867,659</u>

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CITY OF LAPEER, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Net changes in fund balances - total governmental funds	\$	(293,882)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets		2,499,675
Other changes in capital assets		(565,825)
Less: current year depreciation		(2,937,636)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(761,773)
--	--	-----------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

Unfunded retiree health insurance		1,976,576
Accrued interest		45,722
Principal payments		1,591,005

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in long-term compensated absences		60,924
--	--	--------

Change in pension liability reported in the statement of activities does not require the use of resources, and therefore is not reported in the fund statements until it comes due for payment

		634,148
--	--	---------

Internal service funds are used by management to charge the costs of certain activities to individual funds.

The net (expense) of the internal service funds is reported with governmental activities.

		75,837
--	--	--------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

	\$	2,324,771
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See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 216,683	\$ 25,750
Investments		
Accounts receivable		393,664
Deposits		900
Inventory		
Land held for investment		579,595
Due from State		631,311
Due from other funds		848,386
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	216,683	2,479,606
	<hr/>	<hr/>
PROPERTY, PLANT AND EQUIPMENT		
Construction in progress		
Land and improvements	1,298,101	672,409
Buildings and structures		19,444,057
Infrastructure		11,520,078
Vehicles and equipment		3,156,102
	<hr/>	<hr/>
	1,298,101	34,792,646
Less: accumulated depreciation	644,164	15,047,293
	<hr/>	<hr/>
NET PROPERTY, PLANT AND EQUIPMENT	653,937	19,745,353
	<hr/>	<hr/>
TOTAL ASSETS	870,620	22,224,959
	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses		18,333
Deferred pension	50,735	305,542
Deferred other postemployment benefit amounts	14,298	86,107
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65,033	409,982
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	\$ 935,653	\$ 22,634,941
	<hr/>	<hr/>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES		
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS		
	2019	2018	2019	2018	
\$ 420,657	\$ 663,090	\$ 1,747,873	\$ 484,755	\$ 412,279	
376,025	376,025	640,498			
247,598	641,262	731,509		5,665	
	900	900			
136,217	136,217	131,036	43,694	39,690	
	579,595	579,595			
	631,311				
1,103,459	1,951,845	2,148,015			
2,283,956	4,980,245	5,979,426	528,449	457,634	
		170,900			
100,165	2,070,675	1,804,615	32,198	22,328	
228,512	19,672,569	19,672,569			
13,109,639	24,629,717	24,629,717			
294,945	3,451,047	1,626,725	4,309,690	4,233,721	
13,733,261	49,824,008	47,904,526	4,341,888	4,256,049	
6,020,002	21,711,459	20,609,294	2,689,274	2,505,644	
7,713,259	28,112,549	27,295,232	1,652,614	1,750,405	
9,997,215	33,092,794	33,274,658	2,181,063	2,208,039	
10,214	28,547	32,396	4,457	10,294	
101,471	457,748	145,475			
28,596	129,001				
140,281	615,296	177,871	4,457	10,294	
\$ 10,137,496	\$ 33,708,090	\$ 33,452,529	\$ 2,185,520	\$ 2,218,333	

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - Concluded
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
LIABILITIES, NET POSITION AND CONTRIBUTED CAPITAL		
CURRENT LIABILITIES		
Accounts payable	\$ 6	\$ 315,572
Accrued payroll and related items		14,097
Performance bonds payable		
Accrued vacation		33,651
Bonds payable		370,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	6	733,320
	<hr/>	<hr/>
LONG-TERM LIABILITIES		
Net OPEB liability	322,032	1,939,391
Net pension liability	212,400	1,279,149
Bonds payable		5,211,650
	<hr/>	<hr/>
TOTAL LONG-TERM LIABILITIES	534,432	8,430,190
	<hr/>	<hr/>
TOTAL LIABILITIES	534,438	9,163,510
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred other postemployment benefit amounts	156,017	939,589
Deferred pension	2,634	15,863
	<hr/>	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	158,651	955,452
	<hr/>	<hr/>
NET POSITION		
Invested in capital assets, net of related debt	653,937	14,163,703
Restricted for		
Prepaid expenses		18,333
Inventory		
Unrestricted	(411,373)	(1,666,057)
	<hr/>	<hr/>
TOTAL NET POSITION	242,564	12,515,979
	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND CONTRIBUTED CAPITAL	\$ 935,653	\$ 22,634,941
	<hr/>	<hr/>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES		
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS		
	2019	2018	2019	2018	
\$ 246,376	\$ 561,948	\$ 565,748	\$ 40,071	\$ 51,122	
44,570	58,673	49,021	3,591	3,399	
4,500	4,500	3,580			
	33,651	36,466			
	370,000	360,000			
<u>295,446</u>	<u>1,028,772</u>	<u>1,014,815</u>	<u>43,662</u>	<u>54,521</u>	
644,082	2,905,505	3,261,823			
424,813	1,916,362	1,661,476			
	5,211,650	5,581,650			
<u>1,068,895</u>	<u>10,033,517</u>	<u>10,504,949</u>			
<u>1,364,341</u>	<u>11,062,289</u>	<u>11,519,764</u>	<u>43,662</u>	<u>54,521</u>	
312,043	1,407,649	1,628,628			
5,268	23,765	23,765			
<u>317,311</u>	<u>1,431,414</u>	<u>1,652,393</u>			
7,713,259	22,530,899	21,353,582	1,652,614	1,750,405	
10,214	28,547	32,396	4,457	10,294	
136,217	136,217	131,036	43,694	36,690	
596,154	(1,481,276)	(1,236,642)	441,093	366,423	
<u>8,455,844</u>	<u>21,214,387</u>	<u>20,280,372</u>	<u>2,141,858</u>	<u>2,163,812</u>	
<u>\$ 10,137,496</u>	<u>\$ 33,708,090</u>	<u>\$ 33,452,529</u>	<u>\$ 2,185,520</u>	<u>\$ 2,218,333</u>	

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
OPERATING REVENUES		
Charges for services	\$ 2,835	\$ 4,311,408
Miscellaneous		6,454
Intergovernmental	13,346	1,590,310
Equipment rentals		
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	16,181	5,908,172
OPERATING EXPENSES		
Salaries and wages	2,092	556,512
Fringe benefits	19,703	550,831
Fringe benefits - OPEB and pension changes	(54,621)	(419,004)
Office supplies		12,215
Operating supplies		97,874
Administrative fees		265,108
Professional and contractual services		117,867
Printing		2,053
Insurance and bonds		39,291
Public utilities		193,609
Repairs and maintenance		81,494
Rentals	4,628	118,847
Miscellaneous		9,659
Property taxes		110,922
Special assessment		518,970
Depreciation	24,059	797,106
Capital outlay		1,751,757
Conferences		3,387
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	(4,139)	4,808,498
OPERATING INCOME (LOSS)	<hr/>	<hr/>
	20,320	1,099,674
NONOPERATING REVENUES (EXPENSES)		
Interest earned	1,664	4,965
Gain on sale of fixed assets		
Interest expense		(144,041)
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	1,664	(139,076)
	<hr/>	<hr/>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
WATER SUPPLY	2019	TOTAL 2018	2019	2018
\$ 3,043,890	\$ 7,358,133	\$ 7,546,945	\$	\$
10,993	17,447	16,063		
13,260	1,616,916	856,826		
			1,096,183	1,033,124
<u>3,068,143</u>	<u>8,992,496</u>	<u>8,419,834</u>	<u>1,096,183</u>	<u>1,033,124</u>
284,282	842,886	879,170	125,931	123,156
268,524	839,058	838,649	124,732	100,000
(232,673)	(706,298)	249,660		
13,028	25,243	26,327	1,068	961
1,547,757	1,645,631	1,669,590	240,258	235,535
274,996	540,104	553,661	23,941	23,090
51,734	169,601	102,808	10,538	14,923
1,794	3,847	3,603		
6,942	46,233	44,149	55,239	72,535
21,395	215,004	205,156	27,276	25,427
35,158	116,652	151,586	99,080	97,925
112,429	235,904	245,725	5,573	4,487
8,701	18,360	48,185	2,033	2,417
49,309	160,231	158,292		
79,430	598,400	628,217		
281,000	1,102,165	1,086,929	281,949	234,778
	1,751,757	947,151	39,515	28,388
2,694	6,081	2,999	755	1,356
<u>2,806,500</u>	<u>7,610,859</u>	<u>7,841,857</u>	<u>1,037,888</u>	<u>964,978</u>
<u>261,643</u>	<u>1,381,637</u>	<u>577,977</u>	<u>58,295</u>	<u>68,146</u>
6,229	12,858	12,621	4,192	3,065
		53,037	5,559	50,003
	(144,041)	(152,916)		
<u>6,229</u>	<u>(131,183)</u>	<u>(87,258)</u>	<u>9,751</u>	<u>53,068</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTE WATER TREATMENT PLANT
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ 21,984	\$ 960,598
OPERATING TRANSFERS		
Operating transfers in	40,000	18,673
Operating transfers out		(325,373)
NET INCOME (LOSS)	61,984	653,898
RESTATED NET POSITION, JULY 1	180,580	11,804,694
ADD DEPRECIATION OF FIXED ASSETS ACQUIRED BY GRANTS, ENTITLEMENTS AND SHARED REVENUE EXTERNALLY RESTRICTED FOR CAPITAL ACQUISITIONS AND CONSTRUCTION THAT REDUCES CONTRIBUTED CAPITAL		57,387
NET POSITION, JUNE 30	\$ 242,564	\$ 12,515,979

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES		
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS		
	2019	2018	2019	2018	
\$ 267,872	\$ 1,250,454	\$ 490,719	\$ 68,046	\$ 121,214	
24,287	82,960	36,499	10,000	187,416	
(131,413)	(456,786)	(554,735)	(100,000)	(100,000)	
160,746	876,628	(27,517)	(21,954)	208,630	
8,295,098	20,280,372	20,061,583	2,163,812	1,955,182	
	57,387	246,306			
\$ 8,455,844	\$ 21,214,387	\$ 20,280,372	\$ 2,141,858	\$ 2,163,812	

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTEWATER TREATMENT PLANT
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,835	\$ 4,129,781
Cash received from intergovernmental activity	13,346	958,999
Cash received from interfund charges		
Cash payment for goods and services	(4,628)	(3,305,589)
Cash payment for employees	(21,789)	(775,810)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(10,236)</u>	<u>1,007,381</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	40,000	18,673
Operating transfers out		(325,373)
NET CASH PROVIDED BY (USED IN) NON- CAPITAL FINANCING ACTIVITIES	<u>40,000</u>	<u>(306,700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for capital acquisitions		(1,889,167)
Principal payments		(360,000)
Sale of capital assets		
(Increase) decrease in investments		640,498
Interest and fiscal charges paid		(144,041)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(1,752,710)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,664	4,965
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,428	(1,047,064)
CASH AND CASH EQUIVALENTS, JULY 1	<u>185,255</u>	<u>1,072,814</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 216,683</u></u>	<u><u>\$ 25,750</u></u>

See accompanying notes to financial statements.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
WATER SUPPLY	TOTAL		INTERNAL SERVICE FUNDS	
	2019	2018	2019	2018
\$ 3,082,128	\$ 7,214,744	\$ 7,940,140	\$	\$
13,260	985,605	856,826		
(2,116,139)	(5,426,356)	(5,361,676)	1,101,848	1,033,124
(541,159)	(1,338,758)	(1,653,675)	(514,494)	(471,885)
			(250,471)	(223,156)
438,090	1,435,235	1,781,615	336,883	338,083
24,287	82,960	36,499	10,000	187,416
(131,413)	(456,786)	(554,735)	(100,000)	(100,000)
(107,126)	(373,826)	(518,236)	(90,000)	87,416
(30,315)	(1,919,482)	(577,436)	(197,729)	(732,739)
	(360,000)	(350,000)		
(376,025)	264,473	90,106	19,130	
	(144,041)	(262,148)		
		(152,916)		
(406,340)	(2,159,050)	(1,252,394)	(178,599)	(732,739)
6,229	12,858	12,621	4,192	3,066
(69,147)	(1,084,783)	23,606	72,476	(304,174)
489,804	1,747,873	1,724,267	412,279	716,453
\$ 420,657	\$ 663,090	\$ 1,747,873	\$ 484,755	\$ 412,279

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	AUTO PARKING	WASTEWATER TREATMENT PLANT
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 20,320	\$ 1,099,674
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	24,059	797,106
Gain on sale of fixed assets		
Retiree health insurance and pension	(54,621)	(419,004)
(Increase) decrease in inventory		
(Increase) decrease in accounts receivable		63,002
(Increase) decrease in prepaid expenses		4,067
(Increase) decrease in due from other funds		85,267
(Increase) decrease in due from other units		(631,311)
Increase (decrease) in accounts payable		13,396
Increase (decrease) in accrued expenses	6	(4,816)
Increase (decrease) in performance bonds payable		
Total adjustments	(30,556)	(92,293)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (10,236)	\$ 1,007,381

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
WATER SUPPLY	2019	TOTAL 2018	2019	2018
\$ 261,643	\$ 1,381,637	\$ 577,977	\$ 58,295	\$ 68,146
281,000	1,102,165	1,086,929	281,949	234,778
(232,673)	(706,298)	249,661		50,003
(5,181)	(5,181)	(4,054)	(4,004)	5,446
27,245	90,247	5,422	5,665	(5,665)
(218)	3,849	(1,773)	5,837	(5,261)
110,903	196,170			
	(631,311)			
(17,196)	(3,800)	(197,939)	(11,051)	(9,453)
11,647	6,837	64,142	192	89
920	920	1,250		
176,447	53,598	1,203,638	278,588	269,937
\$ 438,090	\$ 1,435,235	\$ 1,781,615	\$ 336,883	\$ 338,083

CITY OF LAPEER, MICHIGAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	PAYROLL CLEARING	TAX COLLECTION	EMPLOYEE HEALTH CARE	TOTAL
ASSETS				
Cash	\$ 140,183	\$	\$ 191,438	\$ 331,621
Investment			1,682,965	1,682,965
Accounts receivable		105,312		105,312
Prepaid expenses			53,551	53,551
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>140,183</u>	\$ <u>105,312</u>	\$ <u>1,927,954</u>	\$ <u>2,173,449</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 140,183	\$	\$	\$ 140,183
Due to other funds		105,312		105,312
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>140,183</u>	<u>105,312</u>	<u> </u>	<u>245,495</u>
NET POSITION				
Net position - Restricted for OPEB			1,927,954	1,927,954
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>140,183</u>	\$ <u>105,312</u>	\$ <u>1,927,954</u>	\$ <u>2,173,449</u>

See accompanying notes to financial statements.

CITY OF LAPEER, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	EMPLOYEE HEALTH CARE
ADDITIONS	
Net change in fair value	\$ 43,436
CONTRIBUTIONS	
Employer	<u>828,785</u>
Total net additions	<u>872,221</u>
DEDUCTIONS	
Benefit payments	640,739
Administrative expenses and other	<u>4,134</u>
Total deductions	<u>644,873</u>
CHANGE IN NET POSITION	227,348
NET POSITION - RESTRICTED FOR OPEB	
NET POSITION, JULY 1	<u>1,700,606</u>
NET POSITION, JUNE 30	\$ <u><u>1,927,954</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2019

	DOWNTOWN DEVELOPMENT AUTHORITY	BROWNFIELD REDEVELOPMENT
ASSETS		
Cash	\$ 69,605	\$ 709
Account receivable		
Note receivable		
Due from other units	1,232	
Capital assets not being depreciated	154,000	
Capital assets (net of accumulated depreciation)	<u>508,982</u>	<u></u>
TOTAL ASSETS	\$ <u>733,819</u>	\$ <u>709</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$	\$
Security deposits payable	<u></u>	<u></u>
TOTAL LIABILITIES	<u></u>	<u></u>
NET POSTION		
Net investment in capital assets	662,982	
Assigned	<u>70,837</u>	<u>709</u>
TOTAL NET POSITION	<u>733,819</u>	<u>709</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>733,819</u>	\$ <u>709</u>

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY	ECONOMIC DEVELOPMENT CORPORATION	LOCAL DEVELOPMENT FINANCE AUTHORITY	TOTAL
\$ 1,205,538	\$ 4,068	\$ 265,422	\$ 1,545,342
180,000			180,000
2,184			3,416
14,400		206,774	375,174
<u>2,318,239</u>			<u>2,827,221</u>
\$ <u><u>3,720,361</u></u>	\$ <u><u>4,068</u></u>	\$ <u><u>472,196</u></u>	\$ <u><u>4,931,153</u></u>
\$ <u>5,764</u>	\$	\$ 1,485	\$ 1,485
<u>5,764</u>		<u>1,485</u>	<u>5,764</u>
			<u>7,249</u>
2,332,639		206,774	3,202,395
<u>1,381,958</u>	<u>4,068</u>	<u>263,937</u>	<u>1,721,509</u>
<u>3,714,597</u>	<u>4,068</u>	<u>470,711</u>	<u>4,923,904</u>
\$ <u><u>3,720,361</u></u>	\$ <u><u>4,068</u></u>	\$ <u><u>472,196</u></u>	\$ <u><u>4,931,153</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2019

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Component Units			
Tax Increment Finance Authority	\$ 1,237,266	\$	\$
Brownfield Redevelopment	3,273		
Downtown Development Authority	413,462		94,000
Local Development Finance Authority	519,284		
Economic Development Corporation	<u>250</u>	<u></u>	<u></u>
Total Component Units	\$ <u>2,173,535</u>	\$ <u></u>	\$ <u>94,000</u>
General Revenues			
Property taxes			
Miscellaneous			
Unrestricted investment earnings			
Total General Revenues			
Change in Net Position			
NET POSITION, JULY 1			
NET POSITION, JUNE 30			

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

DOWNTOWN DEVELOPMENT AUTHORITY	BROWNFIELD REDEVELOPMENT	TAX INCREMENT FINANCE AUTHORITY	ECONOMIC DEVELOPMENT CORPORATION	LOCAL DEVELOPMENT FINANCE AUTHORITY	TOTAL
\$	\$	\$	\$	\$	\$
	(3,273)	(1,237,266)			(1,237,266)
(319,462)					(3,273)
				(519,284)	(319,462)
			(250)		(519,284)
					(250)
<u>(319,462)</u>	<u>(3,273)</u>	<u>(1,237,266)</u>	<u>(250)</u>	<u>(519,284)</u>	<u>(2,079,535)</u>
95,334	2,864	1,373,560		360,864	1,832,622
181,920		44,722			226,642
243		1,889		575	2,707
<u>277,497</u>	<u>2,864</u>	<u>1,420,171</u>		<u>361,439</u>	<u>2,061,971</u>
(41,965)	(409)	182,905	(250)	(157,845)	(17,564)
<u>775,784</u>	<u>1,118</u>	<u>3,531,692</u>	<u>4,318</u>	<u>628,556</u>	<u>4,941,468</u>
\$ <u><u>733,819</u></u>	\$ <u><u>709</u></u>	\$ <u><u>3,714,597</u></u>	\$ <u><u>4,068</u></u>	\$ <u><u>470,711</u></u>	\$ <u><u>4,923,904</u></u>

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CITY OF LAPEER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lapeer was incorporated as a City in 1869. The City of Lapeer has operated since 1919 under a Council-Manager form of government and provides the following services: public safety, highways and streets, water, sanitation, recreation, public improvements, planning, zoning, and general administrative services.

The accounting policies of the City of Lapeer conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

All funds and account groups under direct control of the City, except for the Lapeer Housing Commission, are included in this report. A separate audit report is prepared by other auditors for this component unit of the City of Lapeer financial reporting entity. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and *Statement on Michigan Governmental Accounting and Auditing No.5*.

The criteria established by GASB for determining which of the City's various Entities and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental Entities are not included in the financial statements of the City.

Discretely Presented Component Units

The following entities are listed as discretely presented component units of the City in the component unit column to emphasize their legally separate status from the primary government. The City is financially accountable, and exclusion from the general-purpose financial statements would be misleading or incomplete.

Downtown Development Authority
Tax Increment Finance Authority
Economic Development Corporation
Local Development Finance Authority
Brownfield Redevelopment Authority

Complete financial statements for each individual component unit may be obtained at the entity's administrative office.

The City has excluded the Housing Commission from this report even though the Mayor appoints the Housing Commission's Directors, as it does not have the ability to impose its will.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government of the City of Lapeer and its component units. For the most part, the effect of interfund activities 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. The primary government of the City of Lapeer is reported separately from certain legally separate component units for which the City of Lapeer, the primary government, is financially accountable.

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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are 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 City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of Lapeer.

The City of Lapeer reports the following major governmental funds:

The General fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Measurement Focus, Basis of Accounting, and Financial Statements – Concluded

The Parks and Recreation fund accounts for the activities used to run and maintain the community center and parks throughout the City.

The 2009 General Obligation Limited Tax Bond fund accounts for the bonds received for construction projects.

The Major Street fund accounts for the activities used to maintain the major streets within the City.

The Land Acquisition fund accounts for the purchase of vacant land by the City.

The City of Lapeer reports the following major proprietary funds:

The Wastewater fund accounts for the activities and operations of the sewage treatment plant and the sewage pumping stations.

The Water fund accounts for the activities and operations of the water distribution system.

The Auto Parking fund accounts for the operation and maintenance of the City's parking lots.

Additionally, the City of Lapeer reports the following fund types:

Internal Service funds are used to account for motor pool, computer and telephone services provided to other departments on a cost reimbursement basis.

The Mount Hope Cemetery Trust fund is used to account for resources legally held in trust to be used for cemetery perpetual care. All resources of the fund, including any earnings on invested resources, may be used to support the City's activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of Lapeer has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water fund, Wastewater fund, and the Auto Parking fund and other functions and segments.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City of Lapeer's policy to use restricted resources first. Unrestricted resources are used as they are needed.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Budgets and Budgetary Accounting

The City of Lapeer follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May, the Manager submits to the City Commission an operating budget for the fiscal year commencing July 1.
2. No later than May 31, the City Commission legally adopts the budget by resolution.
3. The City Manager has the authority to transfer any amount of money within departments of a fund. Any transfers between funds in excess of \$5,000.00 are proposed to the City Commission for their approval.
4. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget amounts are as originally adopted, or as amended by the City Manager or City Commission. Individual amendments were not material in relation to the original appropriations, which were amended.
6. All annual appropriations lapse at year end.

Receivables

Receivables have been recognized for all significant amounts due the City. No allowances have been made for uncollectible amounts because if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

Inventories

Inventories and supplies held by the Automobile Parking System, Parks, Cemetery, and the Wastewater Treatment Plant are immaterial in amount and have not been recognized in the accounting records.

The inventory of supplies held by the Water Supply System, Motor Pool, and General fund as of June 30, 2019 were determined by physical count and valued at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Lapeer as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at acquisition value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

Capital Assets - Concluded

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on the government-wide and proprietary statement of net position. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvements	10-20 years
Buildings	20-40 years
Equipment	5-20 years
Vehicles	3-10 years
Utility systems	10-40 years
Streets	20-25 years
Bridges	20-25 years
Sidewalks	20-25 years

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Deposits and Investments

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents. All investments for both the primary government and all the component units are reported at fair value.

Restricted Assets

Certain proceeds of the Wastewater fund's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded**

Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary and fiduciary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2: **PROPERTY TAXES**

Property tax revenues for 2018 reflected in the accompanying financial statements include property taxes levied July 1, 2018, and substantially collected at June 30, 2019.

The total 2018 levy for the City was \$2,685,613 which was based upon the taxable value as of March 1, 2018 of \$274,042,158 at a millage rate of 9.8 mills.

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1, and are payable by July 31. The City bills and collects its own property taxes. The City is permitted by the City Charter to levy taxes up to \$1.00 per \$100.00 of assessed valuation for general governmental services, other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2019, was \$0.98 per \$100.00, which means that the City has a tax margin of \$0.02 per \$100 and could raise up to \$54,808 additional tax per year from the present taxable value of \$274,042,158 before the limit is reached.

The City levied the following millage for fiscal year 18-19:

General Governmental Services	8.8
Local Street	.5
Capital Improvement Fund	<u>.5</u>
	<u>9.8</u>

NOTE 3: **ACCUMULATED VACATION AND SICK LEAVE**

Accrued vacation and sick leave is recorded as a governmental fund liability at June 30, 2019, to the extent that it is to be liquidated with expendable available financial resources within the current operating cycle. Vacation and sick leave earned as of June 30, 2019, but not liquidated within the current operating cycle is recorded in the General Long-Term Debt Account Group.

Vacation days are earned by employees at a rate of 5 to 26 days per year.

Union employees hired after July 1, 1988, except for AFSCME (which is January 11, 1989), and non-union employees hired after November 1, 1988 earn sick days at the rate of one day per month. Unused sick days may be accumulated by an employee with no limitations and with no payment of unused sick leave upon termination of employment except for Teamsters employees hired after 1988. Such Teamsters employees shall receive a twenty-five percent payout of all unused accumulated sick time up to a cap for payout purposes of one hundred twenty days (maximum payout therefore possible of thirty days) for qualifying retirees, layoffs or death while employed only.

Union employees hired prior to July 1, 1988, except for AFSCME (which is January 11, 1989), and non-union employees hired prior to November 1, 1988 earn sick days at the rate of one day for each year of service at the beginning of every year plus one day per month during the year. Each employee will have one less sick day each year until a level of thirteen annual sick days has been attained. An employee with no limitation may accumulate unused sick days. However, for payout purposes, sick leave is capped at one hundred sixty days or such higher cap as established as of July 1, 1988. Employees with ten or more years of seniority are paid for fifty percent of their accumulated sick days up to their cap upon retirement or death. Employees with fifteen or more years of seniority are paid one-third of accumulated sick days up to their cap upon voluntary resignation.

NOTE 4: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

P.A. 621 of 1978 provides that cities and other local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the City Commission.

During the year the City did not incur expenditures in excess of the budget.

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 are as follows:

Local Street	\$ 559	Tax Collection	\$ 105,312
2009 General Obligation Bond	97,896		
Major Street	3,737		
2009 Special Assessment Bond	2,061		
2011 Special Assessment Bond	<u>1,059</u>		
Subtotal	<u>105,312</u>	Subtotal	<u>105,312</u>
Wastewater	848,386	Land Acquisition	1,951,845
Water	<u>1,103,459</u>		
Subtotal	<u>1,951,845</u>	Subtotal	<u>1,951,845</u>
TOTAL	\$ <u>2,051,157</u>	TOTAL	\$ <u>2,051,157</u>

**RECONCILIATION TO STATEMENTS
DUE FROM**

Government funds	\$ 105,312	DUE TO	
Proprietary funds			\$ 1,951,845
Business-type	1,951,845		
Fiduciary	<u> </u>		<u>105,312</u>
	2,057,157		2,057,157
Elimination of Government funds activity	(<u>105,312</u>)		(<u>105,312</u>)
Government wide and fiduciary total	\$ <u>1,951,845</u>		\$ <u>1,951,845</u>

The interfund receivables and payables were made for cash flow purposes.

NOTE 6: OPERATING TRANSFERS

The following are the operating transfers for the year ended June 30, 2019:

FUND	TRANSFERS IN	FUND	TRANSFERS OUT
Local Street	\$ 131,361	General	\$ 1,142,372
Park	500,000		
Cemetery	75,000		
Building Department	75,000		
Police K-9	2,515		
2013 General Obligation Bond	12,441		
2008 Equipment Financing Debt	8,380		
Capital Improvement	297,675		
Parking	<u>40,000</u>		
Subtotal	<u>1,142,372</u>	Subtotal	<u>1,142,372</u>

NOTE 6: OPERATING TRANSFERS

General	\$ 9,410	Local Street	\$ 59,087
2015 General Obligation Bond	36,842		
2017 General Obligation Bond	<u>12,835</u>		<u> </u>
Subtotal	<u>59,087</u>	Subtotal	<u>59,087</u>
2010 General Obligation Bond	27,450	Major Street	302,935
2015 General Obligation Bond	87,335		
2017 General Obligation Bond	178,740		
General	<u>9,410</u>		<u> </u>
Subtotal	<u>302,935</u>	Subtotal	<u>302,935</u>
General	250,000	Wastewater	325,373
2009 General Obligation Bond	38,671		
2015 General Obligation Bond	<u>36,702</u>		<u> </u>
Subtotal	<u>325,373</u>	Subtotal	<u>325,373</u>
2009 General Obligation Bond	71,954	Water	131,413
2015 General Obligation Bond	<u>59,459</u>		<u> </u>
Subtotal	<u>131,413</u>	Subtotal	<u>131,413</u>
Local Street	42,356	2008 General Obligation Bond	145
	<u> </u>	2008(A) General Obligation Bond	218
		2007 Special Assessment Bond	<u>41,993</u>
Subtotal	<u>42,356</u>	Subtotal	<u>42,356</u>
Motor Pool	<u>10,000</u>	Park Fund	<u>10,000</u>
Water	24,287	Land Acquisition	102,770
2013 General Obligation Bond	59,810		
Wastewater	<u>18,673</u>		<u> </u>
Subtotal	<u>102,770</u>		<u>102,770</u>
General	120,000	Housing Resource	20,000
	<u> </u>	Information Technology	85,000
		Telephone	<u>15,000</u>
Subtotal	<u>120,000</u>	Subtotal	<u>120,000</u>
Cemetery	<u>97</u>	Cemetery Perpetual Care	<u>97</u>
2008 General Obligation Bond	<u>353,513</u>	2009 General Obligation Bond	<u>353,513</u>
TOTAL	\$ <u>2,589,917</u>	TOTAL	\$ <u>2,589,917</u>

NOTE 6: **OPERATING TRANSFERS – Concluded**

RECONCILIATION TO STATEMENTS

	TRANSFERS IN	TRANSFERS OUT
Governmental funds	\$ 2,506,957	\$ 2,133,131
Proprietary funds		
Business-type	82,960	456,786
Internal service		
TOTAL	<u>\$ 2,589,917</u>	<u>\$ 2,589,917</u>

These transfers were made for cash flow purposes.

NOTE 7: **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The cash equity of the various funds at June 30, 2019 is as follows:

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	TOTAL
General	\$ 1,638,604	\$ 400	\$ 1,418,300	\$ 3,057,304
Parking Fund	216,683			216,683
Waste Water Treatment Plant	25,750			25,750
Water Supply	420,557	100	376,025	796,682
Payroll Clearing	140,183			140,183
Employee Health Care	191,438		1,682,965	1,874,403
Downtown Development Authority		69,605		69,605
Brownfield Redevelopment Authority		709		709
Tax Increment Finance Authority		1,205,538		1,205,538
Economic Development Corporation		4,068		4,068
Local Development Finance Authority		265,422		265,422
Major Street	310,700		348,073	658,773
Local Street	340,006		303,875	643,881
Parks and Recreation	494,316	900		495,216
Mt. Hope Cemetery	79,723			79,723
Youth Mini-Grant	580			580
Building Department	69,063			69,063
Oakdale Development	78,063			78,063
Dog Park	5,373			5,373
Police K-9 Program	10,516			10,516
Drug Law Enforcement	104,144			104,144
School Liaison	3,561			3,561
Site Plan Review	13,843			13,843
General Forfeiture	9,838			9,838
Public Safety Training	1,923			1,923
Mobile Training Unit	2,865			2,865
Housing Resource	32,029			32,029
2009 General Obligation Limited Tax Bonds		3,629,262		3,629,262
2010 General Obligation Limited Tax Bond		1,213		1,213

NOTE 7: **CASH, CASH EQUIVALENTS, AND INVESTMENTS – Continued**

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	TOTAL
2013 General Obligation Limited Tax Bond	\$	\$ 5,351	\$	\$ 5,351
2015 General Obligation Limited Tax Bond		19,230		19,230
2008A Special Assessment Bond		14,540		14,540
2010 Special Assessment Bond		3,715		3,715
2011 Special Assessment Bond		101,507		101,507
2005 Equipment Financing		480		480
2008 Equipment Financing		3,912		3,912
2017 General Obligation Bonds		13,581		13,581
Land Acquisition	941,589		841,100	1,782,689
Infrastructure	89,445			89,445
Motor Pool	87,060			87,060
Information Technology	321,155			321,155
Telephone Communication	76,540			76,540
Mt. Hope Cemetery Perpetual Care	10,833			10,833
TOTAL	\$ <u>5,716,380</u>	\$ <u>5,339,533</u>	\$ <u>4,970,338</u>	\$ <u>16,026,251</u>

RECONCILIATION TO STATEMENTS

FUND	COMMON CASH	OTHER CASH	INVESTMENTS	TOTAL
Governmental funds	\$ 4,236,914	\$ 3,794,191	\$ 2,911,348	\$ 10,942,453
Proprietary funds				
Enterprise	663,090		376,025	1,039,115
Internal service	484,755			484,755
Fiduciary funds	331,621		1,682,965	2,014,586
Component units		1,545,342		1,545,342
	\$ <u>5,716,380</u>	\$ <u>5,339,533</u>	\$ <u>4,970,338</u>	\$ <u>16,026,251</u>

FINANCIAL STATEMENT
PRESENTATION

Cash	\$ 10,724,292
Investments	3,287,373
Fiduciary funds	<u>2,014,586</u>
TOTAL	\$ <u>16,026,251</u>

NOTE 7: **CASH, CASH EQUIVALENTS, AND INVESTMENTS – Continued**

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 for deposits 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 City’s deposits may not be returned to it. As of June 30, 2019, the carrying amount of the City’s deposits was \$16,026,251 and the bank balance was \$15,860,939 of which \$780,281 was covered by federal depository insurance. The remaining balance of \$15,080,658 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year end.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by Nationally Recognized Statistical Rating Organization (NRSRO’s). As of June 30, 2019, the City did not have any investment that would be subject to rating.

Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

NOTE 7: **CASH, CASH EQUIVALENTS, AND INVESTMENTS – Concluded**

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City'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 City 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 City's investment policy.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business in accordance with the City's investment policy.

NOTE 8: **DEFINED BENEFIT PENSION PLAN**

Summary of Significant Accounting Policies

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multi-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits provided include plans with multipliers ranging from 2.25% to 2.50%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Final average compensation is calculated based on 5 years. Member contributions are 0.

Employees covered by benefit terms: At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>70</u>
TOTAL	<u>154</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

NOTE 8: **DEFINED BENEFIT PENSION PLAN – Continued**

Annual required employer contributions range from 8.83% to 24.27% based on annual payroll for open divisions. The City voluntarily contributed an average of 16% annual payroll for open divisions to increase the funding level long-term.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation 2.5%. Salary increases: 3.75% in the long-term. Investment rate of return: 7.75%, net of investment and administrative expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation for 3% to 4%.

Mortality rates used were based on the RP-2014 Annuity Mortality Table with a 50% Male and 50% Female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.41%
Global Fixed Income	18.5 %	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes the employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term, expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8: **DEFINED BENEFIT PENSION PLAN** – Continued

Changes in Net Pension Liability	Calculating Net Pension Liability		
		Increase (Decrease)	
	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
	(a)	(b)	(a) - (b)
Balances at 12/31/17	\$ 28,079,061	\$ 20,378,673	\$ 7,700,388
Changes for the Year			
Service cost	450,652		450,652
Interest on Total Pension Liability	2,207,746		2,207,746
Difference between actual and expected experience	(116,542)		(116,542)
Employer Contributions		1,626,120	(1,626,120)
Net investment income		(816,872)	816,872
Benefit payments, including employee refunds	(1,415,125)	(1,415,125)	
Other changes	(1)		(1)
Administrative expense		(39,847)	39,847
Net changes	1,126,730	(645,724)	1,772,454
Balances as of 12/31/18	\$ 29,205,791	\$ 19,732,949	\$ 9,472,842

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

Sensitivity to Changes in Discount Rate

	1% DECREASE 7.00%	CURRENT DISCOUNT RATE (8.00%)	1% INCREASE 9.00%
Net Pension Liability at 12/31/18	\$ 9,472,842	9,472,842	9,472,842
Change in Net Pension Liability (NPL)	3,280,110		(2,788,630)
Calculated NPL for your Notes	\$ 12,752,952	\$ 9,472,842	\$ 6,684,212

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

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

For the year ended December 31, 2018, the employer recognized pension expense of \$1,522,772. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences in experience	\$	\$ 117,476
Excess (Deficit) Investment Returns	1,504,311	
Contributions subsequent to the measurement date	758,400	
Total	\$ 2,262,711	\$ 117,476

NOTE 8: **DEFINED BENEFIT PENSION PLAN – Concluded**

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2019.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
2019	\$ (349,335)
2020	(217,019)
2021	(329,660)
2022	(490,802)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions due pursuant to legal requirements. Benefit payment and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

NOTE 9: **LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2019:

	WATER AND SEWER REVENUE BONDS	GENERAL OBLIGATION BONDS	DIRECT BORROWING NOTES PAYABLE	COMPENSATED ABSENCES
As of July 1, 2018	\$ 5,941,650	\$ 5,435,000	\$ 101,322	\$ 542,161
Additions (Reductions)	(360,000)	(1,490,000)	(101,004)	(63,739)
As of June 30, 2019	\$ 5,581,650	\$ 3,945,000	\$ 318	\$ 478,422

Long-term debt at June 30, 2019 is comprised of the individual issues:

	BALANCE AS OF JULY 1, 2018	ADDITIONS	DEDUCTIONS	BALANCE AS OF JUNE 30, 2019	DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
\$8,905,000 2010 Sewer Revenue Bond due in annual installments of \$345,000 to \$560,000 through October 1, 2031; interest at 2.5%.	\$ 5,941,650	\$	\$ (360,000)	\$ 5,581,650	\$ 370,000
Accumulated compensated absences	36,466		(2,815)	33,651	33,651
	5,978,116		(362,815)	5,615,301	403,651
Less: Amount payable within one year	396,466			403,651	
TOTAL LONG-TERM DEBT BUSINESS-TYPE ACTIVITIES	\$ 5,581,650	\$	\$	\$ 5,211,650	

NOTE 9: **LONG-TERM OBLIGATIONS** – Continued

Long-term debt at June 30, 2019 is comprised of the individual issues:

	BALANCE AS OF JULY 1, 2018	ADDITIONS	DEDUCTIONS	BALANCE AS OF JUNE 30, 2019	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
PRIMARY GOVERNMENT					
\$350,000 2010 Special Assessment Bond due in annual installments of \$10,000 to \$40,000 through January 1, 2020; interest at 3.4%	\$ 75,000	\$	\$(40,000)	\$ 35,000	\$ 35,000
\$200,000 2010 General Obligation Limited Tax Bond due in annual Installments of \$15,000 to \$25,000 through January 1, 2020; Interest at 3.4%	50,000		(25,000)	25,000	25,000
\$152,000 2016 Abstract Building Installment and purchase loan in Annual installments of \$14,319 through February 1, 2019; interest at 3.870%	13,745		(13,427)	318	318
\$1,404,455 2008 Installment purchase contract due in bi-annual installments of \$84,993 through July 15, 2018; interest at 3.70%	87,577		(87,577)		
\$6,375,000 2009 General Obligation Tax Bond due in annual installments of \$385, 000 to \$740,000 through December 1, 2018; interest at 2.00% to 4.25%	595,000		(595,000)		
\$1,740,000 2017 General Obligation Capital Improvement Bond due in annual installments of \$155,000 to \$190,000 through November 1, 2027; interest at 2.20%	1,740,000		(155,000)	1,585,000	160,000
\$3,325,000 2008 General Obligation Limited Tax Bond due in annual Installments of \$195,000 to \$360,000 through December 1, 2018; interest 3.00% to 5.00%	345,000		(345,000)		
\$380,000 2011 Special Assessment Bond due in annual installments of \$25,000 to \$50,000 through May 1, 2021; interest at 4.25% to 5.50%	145,000		(45,000)	100,000	50,000
\$900,000 2013 General Obligation Construction Bond due in annual installments of \$120,000 to \$140,000 through November 1, 2020; interest at 2.20%	405,000		(130,000)	275,000	135,000

NOTE 9: **LONG-TERM OBLIGATIONS** - Continued

	BALANCE AS OF JULY 1, 2018	ADDITIONS	DEDUCTIONS	BALANCE AS OF JUNE 30, 2019	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
PRIMARY GOVERNMENT - Concluded					
\$2,375,000 2015 General Obligation Construction Bond due in annual installments of \$65,000 to \$175,000 through November 1, 2035; interest at 2.96%	2,080,000		(155,000)	1,925,000	160,000
Accumulated compensated absences	<u>505,695</u>		(<u>60,924</u>)	<u>444,771</u>	<u>80,059</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,042,017</u>	<u>\$</u>	<u>\$(1,651,928)</u>	<u>4,390,089</u>	<u>\$ 645,377</u>
Less: Amount payable within one year				<u>645,377</u>	
TOTAL LONG-TERM DEBT					
GOVERNMENTAL ACTIVITIES				<u>\$ 3,744,712</u>	

The annual requirements to pay future principal and interest are as follows:

YEAR ENDING JUNE 30	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL FUNDS	TOTAL
2020			
Principal	370,000	565,318	935,318
Interest	134,774	93,185	227,959
Total	504,774	658,503	1,163,277
2021			
Principal	380,000	520,000	900,000
Interest	134,774	79,115	213,889
Total	514,774	599,115	1,113,889
2022			
Principal	390,000	335,000	725,000
Interest	113,744	67,964	181,708
Total	503,744	402,964	906,708
2023			
Principal	395,000	335,000	730,000
Interest	102,899	60,717	163,616
Total	497,899	395,717	893,616
2024			
Principal	405,000	345,000	750,000
Interest	91,774	53,110	144,884
Total	496,774	398,110	894,884
2025– 2029			
Principal	2,190,000	1,290,000	3,480,000
Interest	281,620	153,644	435,264
Total	2,471,620	1,443,644	3,915,264
2030 -2034			
Principal	1,450,650	385,000	1,836,650
Interest	24,048	61,180	85,228
Total	1,475,698	446,180	1,921,878

NOTE 9: **LONG-TERM OBLIGATIONS - Concluded**

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL FUNDS	TOTAL
YEAR ENDING JUNE 30			
2035- 2039			
Principal		170,000	170,000
Interest		5,780	5,780
Total		175,780	175,780
TOTAL			
Principal	5,581,650	3,945,318	9,526,968
Interest	872,228	574,695	1,447,983
Total	6,454,938	4,520,013	10,974,951

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions. The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

NOTE 10: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains three Enterprise Funds which provide auto parking, water and sewer services. Segment information for the year ended June 30, 2019, is as follows:

	AUTO PARKING FUND	WASTE WATER TREATMENT PLANT FUND	WATER SUPPLY FUND	TOTAL
Total assets	\$ 870,620	\$ 22,224,959	\$ 9,997,215	\$ 33,092,794
Deferred outflows of resources	65,033	409,982	140,281	615,296
Total liabilities	534,438	9,163,510	1,364,341	11,062,289
Deferred inflows of resources	158,651	955,452	317,311	1,431,414
Total net position	242,564	12,215,979	8,455,844	21,214,387
Operating revenues	16,181	5,908,172	3,068,143	8,992,496
Operating expenses	(4,139)	4,808,498	2,806,500	7,610,859
Depreciation expense	24,059	797,106	281,000	1,102,165
Operating income (loss)	20,320	1,099,674	261,643	1,381,637
Nonoperating revenues (expenses)	1,664	(139,076)	6,229	(131,183)
Transfers	40,000	(306,700)	(107,126)	(373,826)
Change in net position	61,984	653,898	160,746	876,628
Restated beginning net position	180,580	11,804,694	8,295,098	20,280,372
Reduction of contributed capital		57,387		57,387
Ending net position	242,564	12,515,979	8,455,844	21,214,387
Cash flows from operating activities	(10,236)	1,007,381	438,090	1,435,235
Cash flows from noncapital and related financing activities	40,000	(306,700)	(107,126)	(373,826)
Cash flows from capital and related financing activities		(1,752,710)	(406,340)	(2,159,050)
Cash flows from investing activities	1,664	4,965	6,229	12,858
Cash and cash equivalents – beginning	185,255	1,072,814	489,804	1,747,873
Cash and cash equivalents – ending	216,683	25,750	420,657	663,090

NOTE 11: **CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	JULY 1, 2018	ADDITIONS	DELETIONS	JUNE 30, 2019
GOVERNMENTAL				
Capital assets not being depreciated				
Construction in progress	\$ 462,008	\$ 1,305,638	\$ 1,665,693	\$ 101,953
Land	<u>24,980,902</u>	<u> </u>	<u>552,255</u>	<u>24,428,647</u>
Total capital assets not being depreciated	<u>25,442,910</u>	<u>1,305,638</u>	<u>2,217,948</u>	<u>24,530,600</u>
Capital assets being depreciated				
Buildings	6,047,617			6,047,617
Improvements	5,810,116	10,395		5,820,511
Machinery and equipment	8,250,884	1,029,757	273,370	9,007,271
Infrastructure	<u>48,394,590</u>	<u>1,819,579</u>	<u> </u>	<u>50,214,169</u>
Total capital assets being depreciated	<u>68,503,207</u>	<u>2,859,731</u>	<u>273,370</u>	<u>71,089,568</u>
Total accumulated depreciation	<u>36,270,092</u>	<u>2,937,636</u>	<u>259,799</u>	<u>38,947,929</u>
Total capital assets being depreciated - net	<u>32,233,115</u>	<u>(77,905)</u>	<u>13,571</u>	<u>32,141,639</u>
NET CAPITAL ASSETS	<u>\$ 57,676,025</u>	<u>\$ 1,227,733</u>	<u>\$ 2,231,519</u>	<u>\$ 56,672,239</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 355,660
Public safety	155,410
Public works	65,153
Streets	2,210,997
Recreation	<u>150,416</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	<u>\$ 2,937,636</u>

A summary of the asset activity for the governmental activity component units are as follows:

	JULY 1, 2018	ADDITIONS	DELETIONS	JUNE 30, 2019
COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 375,174	\$	\$	\$ 375,174
Capital assets being depreciated				
Buildings	7,407,815			7,407,815
Equipment	<u>48,737</u>	<u> </u>	<u> </u>	<u>48,737</u>
Total being depreciated	7,456,552			7,456,552
Less: accumulated depreciation	<u>4,438,043</u>	<u>191,288</u>	<u> </u>	<u>4,629,331</u>
Total capital assets being depreciated	<u>3,018,509</u>	<u>(191,288)</u>	<u> </u>	<u>2,827,221</u>
NET CAPITAL ASSETS	<u>\$ 3,393,683</u>	<u>\$ (191,288)</u>	<u>\$</u>	<u>\$ 3,202,395</u>

NOTE 11: **CAPITAL ASSETS - Continued**

Depreciation expense for the governmental activities was charged to the following functions and activities of the component units:

GOVERNMENTAL ACTIVITY	AMOUNT
Downtown Development Authority	\$ 25,339
Tax Increment Finance Authorities #1, #2, #3	<u>165,949</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	\$ <u>191,288</u>

Capital assets for business-type activities have been summarized as follows:

	JULY 1, 2018	ADDITIONS	DELETIONS	JUNE 30, 2019
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 170,900	\$ 1,818,534	\$ 1,989,434	\$
Land	<u>798,214</u>	<u></u>	<u></u>	<u>798,214</u>
Total capital assets not being depreciated	<u>969,114</u>	<u>1,818,534</u>	<u>1,989,434</u>	<u>798,214</u>
Capital assets being depreciated				
Buildings	19,672,569			19,672,569
Machinery and equipment	1,626,725	1,824,322		3,451,047
Infrastructure	24,629,717			24,629,717
Improvements	<u>1,006,401</u>	<u>266,060</u>	<u></u>	<u>1,272,461</u>
Total capital assets being depreciated	<u>46,935,412</u>	<u>2,090,382</u>	<u></u>	<u>49,025,794</u>
Total accumulated depreciation	<u>20,609,294</u>	<u>1,102,165</u>	<u></u>	<u>21,711,459</u>
Total capital assets being depreciated	<u>26,326,118</u>	<u>988,217</u>	<u></u>	<u>27,314,335</u>
NET CAPITAL ASSETS	\$ <u>27,295,232</u>	\$ <u>2,806,751</u>	\$ <u>1,989,434</u>	\$ <u>28,112,549</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
Auto Parking	\$ 24,059
Wastewater	797,106
Water	<u>281,000</u>
TOTAL DEPRECIATION EXPENSE BUSINESS-TYPE ACTIVITIES	\$ <u>1,102,165</u>

NOTE 12: **AMORTIZATION OF CONTRIBUTED CAPITAL**

The City has received grants from state and federal governments for the purpose of constructing and equipping a waste water treatment plant. This plant was completed and placed into service during the year ended June 30, 1985. The contributions are being amortized over the useful lives of the assets acquired.

NOTE 13: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

The City of Lapeer adopted a new 457 plan document, which incorporates the recent changes to the law governing 457 deferred compensation plans. The most notable change in the plan provides that the employer establish a plan level trust in which all amounts deferred must be placed and held for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, the plan assets are no longer subject to claims of the City's general creditors.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are for the exclusive benefit of the employee or their beneficiary.

It is the opinion of the City that the City has no liability for losses under the plan, but does have a duty of care that would be required of an ordinary prudent investor. Therefore, the deferred compensation assets and liabilities have been removed from the City's fiduciary fund, as is no longer required to be shown in the financial statements for future years.

NOTE 14: TAX INCREMENT FINANCE AUTHORITY (TIFA)

The Tax Increment Finance Authority was established by the Lapeer City Commission on April 19, 1982, in accordance with Public Act 450 of 1980. In addition, the Lapeer City Commission designated the members of the Lapeer City Economic Development Corporation Board of Directors to constitute the Board of the Tax Increment Finance Authority (TIFA).

NOTE 15: DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

The Downtown Development Authority was established by the Lapeer City Commission on November 24, 1982, in accordance with Public Act 197 of 1975. Its purpose is to serve the best interest of the public in halting property value deterioration and to increase property tax valuation in the City's business district. The Authority will also promote economic growth.

NOTE 16: LOCAL DEVELOPMENT FINANCE AUTHORITY (LDFA)

The Local Development Finance Authority was established by the Lapeer City Commission on April 20, 1987, in accordance with Public Act 281 of 1986. Its purpose is to provide a means for local units of government to eliminate conditions of unemployment, underemployment, and joblessness and to promote economic growth through the use of Tax Increment Financing.

NOTE 17: BROWNFIELD REDEVELOPMENT AUTHORITY

The Brownfield Redevelopment Authority was established by the Lapeer City Commission on January 19, 1998, in accordance with Public Act 381 of 1996. Its purpose is to promote the revitalization of environmentally distressed areas.

NOTE 18: ECONOMIC DEVELOPMENT CORPORATION

The Economic Development Corporation was established in 1981. Its purpose is to lead and coordinate development throughout Lapeer County and to provide a link between Federal, State, and Local governments and business interested in locating or expanding in Lapeer County.

NOTE 19: **ECONOMIC DEVELOPMENT CORPORATION**

The Economic Development Corporation is organized pursuant to the State of Michigan, Public Act 338 of 1974, as amended, and the City of Lapeer, Michigan Ordinances. The primary purpose of the Corporation is to encourage and assist commercial enterprises to locate and expand facilities and services to the City and its residents. This purpose is accomplished by the Corporation entering into lease contracts with commercial enterprises. In accordance with the terms of the lease contracts, the Corporation agrees to issue revenue bonds and the commercial enterprise agrees to make lease payments in amounts equal to the bond principal plus interest. The bond proceeds are used to finance a project, which will benefit the commercial enterprise. The ownership of the project is transferred to the commercial enterprise when the bonds are paid in full. The revenue bonds are payable from the net revenues derived from the project, and are collateralized by a mortgage on the project and the lease contract.

The bonds issued by the Corporation and payable from net revenues are not a general obligation of the Corporation. Therefore, the bonds and related lease contracts are not reflected in the financial statements of the Corporation.

As of June 30, 2019 the date of the most recent audit, the Corporation has issued the following revenue bonds:

	DATE OF BOND CLOSING	AMOUNT OF REVENUE BONDS ISSUED
First National Bank of Lapeer	12/17/79	\$ 500,000
Growth & Opportunity	11/02/79	275,000
Peninsular Slate	12/28/79	200,000
Doc Development Company	12/21/79	363,000
Houghtaling Project	02/11/80	180,000
Dowsett Project	11/10/80	300,000
The Thread Forms, Inc. Project	11/06/81	400,000
MESC Project	02/28/82	323,300
Lapeer Foundry & Machine, Inc.	03/11/82	950,000
DeMille Industrial Development	06/18/82	200,000
The Whitman Project	06/30/83	368,806
Growth & Oppor. Inc. II Project	08/22/83	625,000
Barnard & Balaze Project	12/28/83	209,000
J.L. Avery Project	01/05/84	250,000
Lapeer Medical Center	01/17/84	475,000
Growth & Opportunity, Inc.	02/13/84	600,000
C & P Partnership Project	06/26/85	616,000
Copres Leasing Company	12/30/85	806,000
The Lapeer Association, Ltd.	06/20/86	1,500,000
Lapeer Enterprise Center	12/29/86	298,531
Albar Industries Inc.	11/15/89	3,500,000
Dott Manufacturing	11/15/89	4,128,000
Lapeer Regional Hospital	06/01/91	1,980,170
Vidon Plastics	07/05/95	1,075,000
JMA Development, Inc.	09/22/95	1,347,000
JMA Development, Inc.	06/17/99	4,000,000
H&H Tool	12/23/04	2,800,000
H&H Tool	08/31/07	9,870,000

NOTE 20: **POST EMPLOYMENT BENEFITS**

Plan Administration

The City of Lapeer offers single employer post-employment health insurance benefits to its employees through a defined benefit plan. These benefits are provided by contractual agreement and are paid annually by the City. The City funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$901,416 during the year ended June 30, 2019. The total number of eligible retirees amounted to 50 of which only 43 are active at June 30, 2019. The City pays 100% of these costs. There are no provisions for employee contributions. The City has recorded a liability of \$14,362,311 for this benefit, based on an independent actuarial valuation. The City of Lapeer has established a Retirement Health Funding Vehicle with the Municipal Employees' Retirement System of Michigan. The Funding Vehicle had a balance of \$1,682,966 at June 30, 2019. The City of Lapeer did not meet its Actuarially Determined Contribution (ADC) requirements in 2019 by \$748,558. The Plan does not issue a separate financial report.

Contributions

Annually, the City contributes to the Retirement Health Funding Vehicle the budgeted retiree health premiums. Monthly, the City draws a reimbursement for the actual premiums paid.

Employee contracts for AFSCME, P.O.L.C., and Teamsters effective July 1, 2007, no longer provide for paid retiree health insurance for new employees upon retirement. Effective April 1, 2009 the City no longer provides paid retiree health insurance for non-union employees hired after that date. New employees are required to establish a Health Savings Account in which the City will annually match their contribution up to 1% of their wage. The employees must contribute a minimum of \$5.00 monthly. If the employee does not vest in the system, the City contribution is forfeited.

The components of the net OPEB liability at June 30, 2019 were as follows:

Total OPEB liability	\$ 16,045,277
Plan fiduciary net position	<u>1,682,966</u>
City's net OPEB liability	<u>\$ 14,362,311</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.5%

Discount rate. A single discount rate of 7.75 percent was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.75 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the City, calculated using the single discount rate of 7.75 percent, as well as what the City's net OPEB liability would be if it were calculated using a single discount rate that is 1 percentage point lower (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

	1% DECREASE (6.75%)	CURRENT SINGLE DISCOUNT RATE (7.75%)	1% INCREASE (8.75%)
Net OPEB liability	\$ 16,497,958	\$ 14,362,311	\$ 12,601,462

NOTE 20: **POST EMPLOYMENT BENEFITS - Continued**

Sensitivity of the net pension liability to changes in the healthcare cost trend rate. The following presents the net pension liability of the City, calculated using the assumed trend rate of 9 percent decreasing to 5.0 percent, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (8.0 percent decreasing to 4.0 percent) or 1 percentage point higher (9.0 percent decreasing to 5.5 percent) than the current rate:

	1% DECREASE	HEALTHCARE COST TREND RATE	1% INCREASE
Net OPEB liability	\$ 12,989,669	\$ 14,362,311	\$ 16,647,143

Funding Progress

For the year ended June 30, 2019, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2017. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

OPEB Expenses and Deferred Inflows/Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expenses of \$1,781,457. The City reported deferred inflows of resources related to the OPEB from the following sources:

	Outflows	Inflows
Differences between expected and		
Actual experience	\$	\$ 4,713,932
Changes in assumption	(567,573)	2,209,602
Net differences between projected and		
Actual earnings in OPEB investments	(61,096)	34,666
	\$ (637,669)	\$ 6,958,200

Amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year ended June 30,

2020	\$ 3,169,764
2021	3,169,759
2022	(3,718)
2023	(15,274)
	<u>\$ 6,320,531</u>

Payable to OPEB plan

At June 30, 2019 the City had no amounts payable for contributions to the OPEB plan.

NOTE 20: **POST EMPLOYMENT BENEFITS** – Continued

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

The valuation used the following actuarial assumptions applied to all periods, unless specified:

Price inflation	2.50%	
Salary increase	4.05-14.75%	(including merit and seniority)
Investment rate of return	6.00%	
Health care trend rate	8.00%	(in the first year gradually decreasing to 4.5% in year 9)

Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Marital status of members at the calculation date was assumed to continue throughout retirement.

Life expectancies were based on:

- Healthy retirees: SOA PU6 – 2010 General Headcount weighted mortality table fully generational using Scale MP-2018
- Disabled retirees: SOA PU6 – 2010 Non-Safety Disabled Headcount weighted mortality table fully generational using Scale MP-2018.

Rates used to determine nongroup-specific age-based turnover were taken from the Michigan MERS actuarial valuations of December 31, 2018.

The expected rate of increase in healthcare insurance premiums was based on a combination of employer history, national trend surveys and professional judgment.

The payroll growth rate has been updated to be consistent with the assumptions used in the December 31, 2018 MERS actuarial valuation.

NOTE 20: **POST EMPLOYMENT BENEFITS – Concluded**

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 7.75 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2019 was 27 years.

Investment Policy

The City has chosen to invest in the Total Market Portfolio set up by MERS. The plan is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The City Commission has the authority to establish and amend investment policies as they choose.

Concentrations

The Plan did not hold investments other than those explicitly guaranteed by the U.S. government in any one organization that represent 5 percent or more of the total plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2019, the rate of return on plan investments, net of plan investment expenses was 12.22%

Net OPEB Liability

The City adopted GASB Statement No. 75, which requires the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the City has been measured as of June 30, 2019 and is composed of the following:

The following table presents the Net OPEB Obligation in the governmental activities by function and business-type activities by fund:

	NET OPEB OBLIGATION
Governmental Activities	
General government	\$ 2,185,084
Public safety	4,406,737
Public works	2,620,208
Cultural and recreation	1,699,562
Community development and enrichment	<u>545,215</u>
Total Governmental Activities	<u>11,456,806</u>
Business-Type Activities	
Auto parking	322,032
Wastewater treatment plant	1,939,391
Water supply	<u>644,082</u>
Total Business-Type Activities	<u>2,905,505</u>
TOTAL OPEB OBLIGATION	<u>\$ 14,362,311</u>

NOTE 21: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for most risks of loss to which it is exposed.

NOTE 22: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement 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, Council, etc.)

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 City's highest level of decision-making authority is the Board of Commissioners. 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 City Trustees are authorized to assign amounts to a specific purpose.

The City 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 City 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 23: SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by individual fund totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

NOTE 24: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

NOTE 24: **DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - Concluded**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 25: **PENDING LEGAL PROCEEDINGS**

Various legal actions are pending against the City, involving litigation incidental to the businesses engaged in. The consequences of these matters are not presently determinable but, in the opinion of management, the ultimate liability resulting, if any, above insurance coverage, will not have a material effect on the financial position of the City.

NOTE 26: **FAIR VALUE MEASUREMENTS**

The City 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 below.

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. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City has the following recurring fair value measurements as of June 30, 2019:

Retiree Health Care Funds
Assets Measured at Fair Value on a Recurring Basis

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment by fair value level:				
U.S Stock	\$ 324,812	\$ 324,812	\$	\$
International Stock	313,031	313,031		
Emerging Markets	188,492	188,492		
Private Equities	72,367		72,367	
Global Bond	203,639	203,639		
Global Real Assets	176,711	176,711		
Diversifying Strategies	<u>122,856</u>	<u>122,856</u>		
Total investments by fair value level	1,401,908	1,329,541	72,367	
Investment measured at net asset value –				
Pooled cash funds	<u>281,057</u>	<u>281,057</u>		
Total investment measured at fair value	<u>\$ 1,682,965</u>	<u>\$ 1,610,598</u>	<u>\$ 72,367</u>	<u>\$</u>

NOTE 27: TAX ABATEMENTS

The City received reduced property tax revenues during 2018/2019 as a result of industrial facilities tax exemptions (IFT's) entered into by the City.

The IFT's were entered into based upon the Plan Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements reduced 2018-2019 City tax revenues by \$85,727. There is no provision to recapture taxes.

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 2018 City tax revenues by an immaterial amount.

NOTE 28: INVESTMENT IN REAL PROPERTY

Investment in real property consists of a parcel of vacant land in the City. The parcel was acquired for approximately \$900,000 plus the payment of delinquent special assessments on the property. The property is being held for temporary investment with the full intent to sell the parcel. Total investment as of June 30, 2019 was \$1,520,675.

NOTE 29: PRIOR PERIOD ADJUSTMENT

The government wide net position and the enterprise fund net position were restated to allocate the proportionate share of pension liability to the enterprise fund. The total amount of the restatement was to increase the government wide beginning net position by \$1,482,379 and to decrease the beginning balance of the enterprise funds net position by \$1,482,379.

NOTE 30: UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, Fiduciary Activities, was issued which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. We will continue to assess the degree to which this standard impact the City.

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 lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources. We do not expect this standard to have any significant effect on the City.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes				
Property taxes	\$ 2,995,702	\$ 2,995,702	\$ 2,996,412	\$ 710
Penalties and interest	75,000	75,000	116,831	41,831
City income taxes	<u>3,120,000</u>	<u>3,120,000</u>	<u>3,423,237</u>	<u>303,237</u>
Total Taxes	<u>6,190,702</u>	<u>6,190,702</u>	<u>6,536,480</u>	<u>345,778</u>
Federal Grants				
MSHDA Section 8	145,000	145,000	157,946	12,946
School liaison officer	<u>65,000</u>	<u>65,000</u>	<u>66,640</u>	<u>1,640</u>
Total Federal Grants	<u>210,000</u>	<u>210,000</u>	<u>224,586</u>	<u>14,586</u>
Licenses and Permits				
Licenses	4,500	4,500	7,859	3,359
Permits	<u>18,375</u>	<u>18,375</u>	<u>27,072</u>	<u>8,697</u>
Total Licenses and Permits	<u>22,875</u>	<u>22,875</u>	<u>34,931</u>	<u>12,056</u>
Intergovernmental				
Sales tax	802,946	802,946	859,081	56,135
Liquor licenses	<u>11,663</u>	<u>11,663</u>	<u>13,408</u>	<u>1,745</u>
Total Intergovernmental	<u>814,609</u>	<u>814,609</u>	<u>872,489</u>	<u>57,880</u>
Charges for Services				
Administrative fees	746,760	746,760	755,711	8,951
Copies	3,500	3,500	3,492	(8)
Fire runs and protection	448,000	448,000	451,214	3,214
IFT application fee	2,000	2,000		(2,000)
Other fees	42,600	42,600	76,462	33,862
Cable franchise fees	<u>115,300</u>	<u>115,300</u>	<u>115,329</u>	<u>29</u>
Total Charges for Services	<u>1,358,160</u>	<u>1,358,160</u>	<u>1,402,208</u>	<u>44,048</u>
Fines and Forfeits				
Court fines	<u>34,000</u>	<u>34,000</u>	<u>42,933</u>	<u>8,933</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND - Continued

FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUDGETED AMOUNTS</u>			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES - Concluded				
Other Revenues				
Interest on investments	\$ 15,000	\$ 15,000	\$ 33,881	\$ 18,881
Rentals	142,010	142,010	135,888	(6,122)
Reimbursements	80,100	80,100	50,040	(30,060)
Miscellaneous	19,550	19,550	179,255	159,705
Contributions	490,966	490,966	565,398	74,432
	<u>747,626</u>	<u>747,626</u>	<u>964,462</u>	<u>216,836</u>
Total Other Revenues				
	<u>747,626</u>	<u>747,626</u>	<u>964,462</u>	<u>216,836</u>
TOTAL REVENUES	<u>9,377,972</u>	<u>9,377,972</u>	<u>10,078,089</u>	<u>700,117</u>
EXPENDITURES				
General Government				
Legislative	47,648	47,648	40,010	7,638
Executive/Clerk	759,255	759,255	686,955	72,300
Assessor's office	252,604	252,604	207,013	45,591
Income tax	237,467	237,467	230,887	6,580
Attorney/Jury-Witness	145,000	145,000	150,386	(5,386)
Elections	53,420	53,420	27,037	26,383
City Hall	42,165	42,165	37,280	4,885
Board of Review	2,169	2,169	1,151	1,018
Finance	597,324	597,324	569,927	27,397
Cable advisory board	475	475	132	343
	<u>2,137,527</u>	<u>2,137,527</u>	<u>1,950,778</u>	<u>186,749</u>
Total General Government				
	<u>2,137,527</u>	<u>2,137,527</u>	<u>1,950,778</u>	<u>186,749</u>
Public Safety				
Police	3,251,703	3,251,703	3,095,738	155,965
Fire	1,026,271	1,029,883	958,502	71,381
	<u>4,277,974</u>	<u>4,281,586</u>	<u>4,054,240</u>	<u>227,346</u>
Total Public Safety				
	<u>4,277,974</u>	<u>4,281,586</u>	<u>4,054,240</u>	<u>227,346</u>
Public Works				
Public services	878,337	878,337	877,069	1,268
	<u>878,337</u>	<u>878,337</u>	<u>877,069</u>	<u>1,268</u>
Community development and enrichment	777,462	777,462	714,613	62,849
	<u>777,462</u>	<u>777,462</u>	<u>714,613</u>	<u>62,849</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND - Concluded

FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
EXPENDITURES - Concluded				
Other Functions				
Contingency	\$ 101,000	\$ 101,000	\$	\$ 101,000
Contributions to other units	53,499	53,499	56,834	(3,335)
Contributions to component units	<u>1,163,755</u>	<u>1,163,755</u>	<u>1,158,560</u>	<u>5,195</u>
Total Other Functions	<u>1,318,254</u>	<u>1,318,254</u>	<u>1,215,394</u>	<u>102,860</u>
TOTAL EXPENDITURES	<u>9,389,554</u>	<u>9,393,166</u>	<u>8,812,094</u>	<u>581,072</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,582)</u>	<u>(15,194)</u>	<u>1,265,995</u>	<u>1,281,189</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	388,820	388,820	388,820	
Operating transfers out	<u>(1,029,372)</u>	<u>(1,029,372)</u>	<u>(1,142,372)</u>	<u>(113,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(640,552)</u>	<u>(640,552)</u>	<u>(753,552)</u>	<u>(113,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(652,134)	(655,746)	512,443	1,168,189
FUND BALANCE, JULY 1	<u>2,471,074</u>	<u>2,471,074</u>	<u>2,471,074</u>	
FUND BALANCE, JUNE 30	\$ <u><u>1,818,940</u></u>	\$ <u><u>1,815,328</u></u>	\$ <u><u>2,983,517</u></u>	\$ <u><u>1,168,189</u></u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

MAJOR STREET FUND

FOR THE YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
State grants	\$ 1,202,285	\$ 1,202,285	\$ 1,269,362	\$ 67,077
Interest on investments	6,100	6,100	8,790	2,690
Contribution from component units	2,919	2,919	2,919	
Other revenues	<u>14,415</u>	<u>14,415</u>	<u>45,211</u>	<u>30,796</u>
TOTAL REVENUES	1,225,719	1,225,719	1,326,282	100,563
EXPENDITURES				
Highways and streets	<u>1,052,817</u>	<u>1,052,817</u>	<u>985,658</u>	<u>67,159</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>172,902</u>	<u>172,902</u>	<u>340,624</u>	<u>167,722</u>
OTHER FINANCING SOURCES				
Operating transfers out	<u>(302,935)</u>	<u>(302,935)</u>	<u>(302,935)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(130,033)	(130,033)	37,689	167,722
FUND BALANCE, JULY 1	<u>1,071,510</u>	<u>1,071,510</u>	<u>1,071,510</u>	
FUND BALANCE, JUNE 30	<u>\$ 941,477</u>	<u>\$ 941,477</u>	<u>\$ 1,109,199</u>	<u>\$ 167,722</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS AND RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Charges for services	\$ 1,131,800	\$ 1,131,800	\$ 1,145,151	\$ 13,351
Interest and rent	51,700	51,700	63,974	12,274
Donations	41,200	41,200	40,400	(800)
Contribution from component units	488,126	488,126	281,774	(206,352)
Other revenues	<u>3,300</u>	<u>3,300</u>	<u>88,879</u>	<u>85,579</u>
TOTAL REVENUES	1,716,126	1,716,126	1,620,178	(95,948)
EXPENDITURES				
Culture and recreation	<u>2,312,725</u>	<u>2,312,725</u>	<u>1,997,950</u>	<u>314,775</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(596,599)</u>	<u>(596,599)</u>	<u>(377,772)</u>	<u>218,827</u>
OTHER FINANCING SOURCES				
Operating transfers in	500,000	500,000	500,000	
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(106,599)	(106,599)	112,228	218,827
FUND BALANCE, JULY 1	<u>326,202</u>	<u>326,202</u>	<u>326,202</u>	
FUND BALANCE, JUNE 30	<u>\$ 219,603</u>	<u>\$ 219,603</u>	<u>\$ 438,430</u>	<u>\$ 218,827</u>

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CITY OF LAPEER, MICHIGAN
SCHEDULE OF CHANGES IN THE CITY
NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2019	2018
TOTAL PENSION LIABILITY		
Service cost	\$ 450,652	\$ 430,250
Interest	2,207,746	2,109,460
Change in assumptions		
Difference between actual and expected experience	(116,542)	45,141
Benefit payments, including refunds	(1,415,125)	(1,317,826)
Other change	<u>(1)</u>	<u>(1)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,126,730	1,267,024
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	<u>28,079,061</u>	<u>26,812,037</u>
TOTAL PENSION LIABILITY - END OF YEAR	<u><u>\$ 29,205,791</u></u>	<u><u>\$ 28,079,061</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 1,626,120	\$ 1,515,038
Contributions - employee		111,189
Net investment income	(816,872)	2,380,419
Benefit payments, including refunds	(1,415,125)	(1,317,826)
Administrative expenses	<u>(39,847)</u>	<u>(37,593)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(645,724)	2,651,227
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	<u>20,378,673</u>	<u>17,727,446</u>
PLAN FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 19,732,949</u></u>	<u><u>\$ 20,378,673</u></u>
CITY'S NET PENSION LIABILITY - ENDING	<u><u>\$ 9,472,842</u></u>	<u><u>\$ 7,700,388</u></u>
PLAN FIDUCIARY NET POSITION AS A % OF TOTAL PENSION LIABILITY	67.57%	72.58%
COVERED EMPLOYEE PAYROLL	<u><u>\$ 4,434,972</u></u>	<u><u>\$ 4,254,076</u></u>
CITY'S NET PENSION LIABILITY AS A % OF COVERED PAYROLL	213.59%	181.01%

2017	2016	2015
\$ 426,985	\$ 401,331	\$ 435,088
1,961,859	1,888,233	1,792,434
729,250	1,224,741	
(1,225,724)	(736,514)	
(2,935)	(1,084,403)	(1,014,475)
<u>1,889,435</u>	<u>1,693,388</u>	<u>1,213,047</u>
<u>24,922,602</u>	<u>23,229,214</u>	<u>22,016,167</u>
\$ <u><u>26,812,037</u></u>	\$ <u><u>24,922,602</u></u>	\$ <u><u>23,229,214</u></u>
\$ 1,316,272	\$ 1,101,356	\$ 970,425
1,817,124	(244,240)	965,353
(1,225,724)	(1,084,403)	(1,014,475)
(35,842)	(35,472)	(35,527)
<u>1,871,830</u>	<u>(262,759)</u>	<u>885,776</u>
<u>15,855,616</u>	<u>16,118,375</u>	<u>15,232,599</u>
\$ <u><u>17,727,446</u></u>	\$ <u><u>15,855,616</u></u>	\$ <u><u>16,118,375</u></u>
\$ <u><u>9,084,591</u></u>	\$ <u><u>9,066,986</u></u>	\$ <u><u>7,110,839</u></u>
66.12%	63.62%	69.39%
\$ <u><u>4,238,874</u></u>	\$ <u><u>4,095,670</u></u>	\$ <u><u>4,449,996</u></u>
214.32%	221.38%	159.79%

CITY OF LAPEER, MICHIGAN
SCHEDULE OF CONTRIBUTIONS - PENSION
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 932,596	\$ 900,729	\$ 833,666	\$ 789,987
Contributions in relation to the actuarially determined contribution	<u>1,626,122</u>	<u>1,515,036</u>	<u>1,316,272</u>	<u>1,101,356</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>(693,526)</u>	\$ <u>(614,307)</u>	\$ <u>(482,606)</u>	\$ <u>(311,369)</u>
COVERED EMPLOYEE PAYROLL	\$ 4,434,972	\$ 4,254,076	\$ 4,238,874	\$ 4,095,670
CONTRIBUTIONS AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	36.67%	35.61%	31.05%	26.89%

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	22 years
Asset valuation method	5-year smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	7.75%
Administrative expense	0.25%
Retirement age	60
Mortality	50% Female/50% Male 2014 Group Annuity Mortality Table
Other information	None

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 769,694	\$ 792,143	\$ 747,656	\$ 722,120	\$ 733,956	\$ 700,000
<u>970,425</u>	<u>841,204</u>	<u>783,240</u>	<u>738,127</u>	<u>733,956</u>	<u>700,000</u>
\$ <u>(200,731)</u>	\$ <u>(49,061)</u>	\$ <u>(35,584)</u>	\$ <u>(16,007)</u>	\$ <u> </u>	\$ <u> </u>
\$ 4,449,996	\$ 4,207,951	\$ 4,539,885	\$ 4,499,943	\$ 4,541,250	\$ 4,569,422
21.81%	19.99%	17.25%	16.40%	16.16%	15.32%

CITY OF LAPEER, MICHIGAN
SCHEDULE OF CHANGES IN THE CITY
NET OPEB LIABILITY AND RELATED RATIOS

JUNE 30, 2019

LAST TEN FISCAL YEARS

(Schedule is built prospectively upon implementation of GASB Statement No. 75)

	2019	2018	2017
TOTAL OPEB LIABILITY			
Service cost	\$ 205,192	\$ 444,127	\$ 488,520
Interest	1,309,378	1,568,748	1,558,423
Change in benefit terms	(10,592)		
Change in assumptions	864,859	(4,419,206)	1,909,844
Difference between actual and expected experience	(2,650,227)	(5,894,230)	(2,958,392)
Benefit payments, including refunds	<u>(713,370)</u>	<u>(711,777)</u>	<u>(850,043)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(994,760)	(9,012,338)	148,352
TOTAL OPEB LIABILITY - JULY 1	<u>17,040,037</u>	<u>26,052,375</u>	<u>25,904,023</u>
TOTAL OPEB LIABILITY - JUNE 30	<u>\$ 16,045,277</u>	<u>\$ 17,040,037</u>	<u>\$ 26,052,375</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 901,416	\$ 912,007	\$ 847,211
Net investment income	43,434	131,267	177,736
Benefit payments, including refunds	(713,370)	(711,777)	(687,095)
Administrative expenses	<u>(4,133)</u>	<u>(4,081)</u>	<u>(3,746)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	227,347	327,416	334,106
PLAN FIDUCIARY NET POSITION - JULY 1	<u>1,455,619</u>	<u>1,128,203</u>	<u>794,097</u>
PLAN FIDUCIARY NET POSITION - JUNE 30	<u>\$ 1,682,966</u>	<u>\$ 1,455,619</u>	<u>\$ 1,128,203</u>
CITY'S NET OPEB LIABILITY - JUNE 30	<u>\$ 14,362,311</u>	<u>\$ 15,584,418</u>	<u>\$ 24,924,172</u>
PLAN FIDUCIARY NET POSITION AS A % OF TOTAL OPEB LIABILITY	10.49%	8.54%	4.33%
COVERED EMPLOYEE PAYROLL	<u>\$ 2,811,218</u>	<u>\$ 3,454,588</u>	<u>\$ 3,329,723</u>
CITY'S NET OPEB LIABILITY AS A % OF COVERED PAYROLL	510.89%	451.12%	748.54%

CITY OF LAPEER, MICHIGAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2019

YEAR ENDED JUNE 30,	ACTUARIALLY DETERMINED CONTRIBUTIONS	ACTUAL CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED EMPLOYEE PAYROLL	ACTUAL CONTRIBUTION AS PERCENTAGE OF COVERED- EMPLOYEE PAYROLL
2017	\$ 1,947,201	\$ 775,102	\$ 1,172,099	\$ 3,329,723	23.3%
2018	1,601,230	845,240	755,990	3,454,588	24.5%
2019	1,649,974	901,416	748,558	2,811,218	32.1%

CITY OF LAPEER, MICHIGAN
NOTES TO SCHEDULE OF CONTRIBUTIONS

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which the contributions are reported.
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	Fair market value
Inflation	3.0%
Salary increases	3.75%
Investment rate of return	6.00%
Administrative expense	0.25%
Retirement age	60
Mortality	50% Female/50% Male 2015 Group Annuity Mortality Table
Other information	None

(1) The amount provided represents the annual pay for members active on the valuation date and does not necessarily represent covered payroll as defined by GASB Statement No. 74.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

NONMAJOR FUNDS

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	SPECIAL REVENUE	DEBT SERVICE
ASSETS		
Cash	\$ 1,055,402	\$ 163,529
Receivables		
Accounts	52	
Special assessments	446	15,118
Due from		
Other funds	559	3,120
State	<u>40,087</u>	
TOTAL ASSETS	<u>1,096,546</u>	<u>181,767</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses	<u>5,326</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,101,872</u>	<u>\$ 181,767</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Payables		
Accounts	\$ 73,732	\$
Payroll and payroll taxes	5,033	
Due to other funds		
TOTAL LIABILITIES	<u>78,765</u>	
DEFERRED INFLOWS OF RESOURCES		
Special assessment - deferred revenue	<u>446</u>	<u>15,118</u>
FUND BALANCE		
Nonspendable		
Restricted for debt service		166,649
Assigned	<u>1,022,661</u>	
TOTAL FUND BALANCE	<u>1,022,661</u>	<u>166,649</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,101,872</u>	<u>\$ 181,767</u>

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 89,445	\$ 10,833	\$ 1,319,209
		52
		15,564
		3,679
		40,087
<u>89,445</u>	<u>10,833</u>	<u>1,378,591</u>
		5,326
<u>\$ 89,445</u>	<u>\$ 10,833</u>	<u>\$ 1,383,917</u>
\$ 31,752	\$	\$ 105,484
		5,033
<u>31,752</u>		<u>110,517</u>
		15,564
	10,395	10,395
<u>57,693</u>	<u>438</u>	<u>166,649</u>
<u>57,693</u>	<u>10,833</u>	<u>1,080,792</u>
		1,257,836
<u>\$ 89,445</u>	<u>\$ 10,833</u>	<u>\$ 1,383,917</u>

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE	DEBT SERVICE
REVENUES		
Taxes and special assessments	\$ 729	\$ 12,300
Intergovernmental	306,260	
Charges for services	279,171	
Interest and rentals	9,957	2,028
Contribution from component units	29,047	
Other revenues	<u>3,632</u>	<u>155,803</u>
TOTAL REVENUES	<u>628,796</u>	<u>170,131</u>
EXPENDITURES		
Public safety	25,914	
Health and welfare	131,444	
Community development and enrichment	451,939	
Debt service		
Principal retirement		996,005
Interest and fiscal charges		133,939
Other	584	
Highways and streets	892,073	
Capital outlay	<u></u>	<u></u>
TOTAL EXPENDITURES	<u>1,501,954</u>	<u>1,129,944</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(873,158)</u>	<u>(959,813)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	326,330	873,507
Operating transfers out	<u>(79,087)</u>	<u>(42,356)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>247,243</u>	<u>831,151</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(625,915)</u>	<u>(128,662)</u>
FUND BALANCE, JULY 1	<u>1,648,576</u>	<u>295,311</u>
FUND BALANCE, JUNE 30	\$ <u><u>1,022,661</u></u>	\$ <u><u>166,649</u></u>

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$	\$	\$
		13,029
		306,260
		279,171
227	97	12,309
		29,047
<u>3,000</u>	<u>580</u>	<u>163,015</u>
<u>3,227</u>	<u>677</u>	<u>802,831</u>
		25,914
		131,444
		451,939
		996,005
		133,939
		584
		892,073
<u>720,743</u>	<u></u>	<u>720,743</u>
<u>720,743</u>	<u></u>	<u>3,352,641</u>
<u>(717,516)</u>	<u>677</u>	<u>(2,549,810)</u>
297,675		1,497,512
<u></u>	<u>(97)</u>	<u>(121,540)</u>
<u>297,675</u>	<u>(97)</u>	<u>1,375,972</u>
(419,841)	580	(1,173,838)
<u>477,534</u>	<u>10,253</u>	<u>2,431,674</u>
\$ <u><u>57,693</u></u>	\$ <u><u>10,833</u></u>	\$ <u><u>1,257,836</u></u>

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GENERAL FUND

The General Fund exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are police and fire protection, public works and general administration of the City. Any other activity for which a special fund has not been created is accounted for in the General Fund.

CITY OF LAPEER, MICHIGAN
BALANCE SHEET
GENERAL FUND
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	2019	2018
ASSETS		
Cash	\$ 3,057,304	\$ 1,461,308
Investments		930,123
Receivables		
Accounts	70,563	129,000
Property taxes	64,917	70,259
Due from other governmental units	6,422	10,432
Due from state	272,830	262,537
Inventory	<u>16,302</u>	<u>23,211</u>
TOTAL ASSETS	<u>3,488,338</u>	<u>2,886,870</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses	<u>88,470</u>	<u>96,295</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,576,808</u>	<u>\$ 2,983,165</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 139,395	\$ 122,726
Accrued payroll and payroll taxes	107,024	94,436
Due to other units	53,922	57,979
Security deposits	<u>292,950</u>	<u>236,950</u>
TOTAL LIABILITIES	<u>593,291</u>	<u>512,091</u>
FUND BALANCE		
Assigned	684,206	
Nonspendable		
Receivables	70,563	129,000
Prepaid expenses	88,470	96,295
Inventory	16,302	23,211
Unassigned	<u>2,123,976</u>	<u>2,222,568</u>
TOTAL FUND BALANCE	<u>2,983,517</u>	<u>2,471,074</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,576,808</u>	<u>\$ 2,983,165</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Taxes				
Property taxes	\$ 2,995,702	\$ 2,996,412	\$ 710	\$ 2,742,477
Penalties and interest	75,000	116,831	41,831	101,126
City income taxes	<u>3,120,000</u>	<u>3,423,237</u>	<u>303,237</u>	<u>3,267,617</u>
Total Taxes	<u>6,190,702</u>	<u>6,536,480</u>	<u>345,778</u>	<u>6,111,220</u>
Federal Grants				
Federal Drug Grant (TNU)				2,084
MSHDA Section 8	145,000	157,946	12,946	153,026
School liaison officer	<u>65,000</u>	<u>66,640</u>	<u>1,640</u>	<u>31,200</u>
Total Federal Grants	<u>210,000</u>	<u>224,586</u>	<u>14,586</u>	<u>186,310</u>
Licenses and Permits				
Licenses	4,500	7,859	3,359	7,726
Permits	<u>18,375</u>	<u>27,072</u>	<u>8,697</u>	<u>45,264</u>
Total Licenses and Permits	<u>22,875</u>	<u>34,931</u>	<u>12,056</u>	<u>52,990</u>
Intergovernmental				
Sales tax	802,946	859,081	56,135	794,354
Liquor licenses	<u>11,663</u>	<u>13,408</u>	<u>1,745</u>	<u>12,670</u>
Total Intergovernmental	<u>814,609</u>	<u>872,489</u>	<u>57,880</u>	<u>807,024</u>
Charges for Services				
Administrative fees	746,760	755,711	8,951	752,742
Copies	3,500	3,492	(8)	4,262
Fire runs and protection	448,000	451,214	3,214	464,875
IFT application fee	2,000		(2,000)	
Other fees	42,600	76,462	33,862	77,559
Cable franchise fees	<u>115,300</u>	<u>115,329</u>	<u>29</u>	<u>116,833</u>
Total Charges for Services	<u>1,358,160</u>	<u>1,402,208</u>	<u>44,048</u>	<u>1,416,271</u>
Fines and Forfeits				
Court fines	<u>34,000</u>	<u>42,933</u>	<u>8,933</u>	<u>37,378</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES - Concluded				
Other Revenues				
Interest on investments	\$ 15,000	\$ 33,881	\$ 18,881	\$ 18,955
Rentals	142,010	135,888	(6,122)	144,380
Reimbursements	80,100	50,040	(30,060)	99,538
Miscellaneous	19,550	179,255	159,705	119,262
Contributions	490,966	565,398	74,432	504,790
Total Other Revenues	747,626	964,462	216,836	886,925
TOTAL REVENUES	9,377,972	10,078,089	700,117	9,498,118
EXPENDITURES				
General Government				
Legislative	47,648	40,010	7,638	43,443
Executive/Clerk	759,255	686,955	72,300	636,341
Assessor's office	252,604	207,013	45,591	210,070
Income tax	237,467	230,887	6,580	230,000
Attorney/Jury-Witness	145,000	150,386	(5,386)	132,524
Elections	53,420	27,037	26,383	22,548
City Hall	42,165	37,280	4,885	36,626
Board of Review	2,169	1,151	1,018	829
Accounting and data processing	597,324	569,927	27,397	538,601
Cable advisory board	475	132	343	214
Total General Government	2,137,527	1,950,778	186,749	1,851,196
Public Safety				
Police	3,251,703	3,095,738	155,965	3,080,987
Fire	1,029,883	958,502	71,381	979,777
Total Public Safety	4,281,586	4,054,240	227,346	4,060,764
Public Works				
Public services	878,337	877,069	1,268	838,240
Community development and enrichment	777,462	714,613	62,849	711,264

CITY OF LAPEER, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND - Concluded

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
EXPENDITURES - Concluded				
Other Functions				
Contingency	\$ 101,000	\$	\$ 101,000	\$
Contributions to other units	53,499	56,834	(3,335)	46,700
Contributions to component units	<u>1,163,755</u>	<u>1,158,560</u>	<u>5,195</u>	<u>1,003,767</u>
Total Other Functions	<u>1,318,254</u>	<u>1,215,394</u>	<u>102,860</u>	<u>1,050,467</u>
TOTAL EXPENDITURES	<u>9,393,166</u>	<u>8,812,094</u>	<u>581,072</u>	<u>8,511,931</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,194)</u>	<u>1,265,995</u>	<u>1,281,189</u>	<u>986,187</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	388,820	388,820		390,944
Operating transfers out	<u>(1,029,372)</u>	<u>(1,142,372)</u>	<u>(113,000)</u>	<u>(1,500,111)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(640,552)</u>	<u>(753,552)</u>	<u>(113,000)</u>	<u>(1,109,167)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(655,746)	512,443	1,168,189	(122,980)
FUND BALANCE, JULY 1	<u>2,471,074</u>	<u>2,471,074</u>		<u>2,594,054</u>
FUND BALANCE, JUNE 30	<u>\$ 1,815,328</u>	<u>\$ 2,983,517</u>	<u>\$ 1,168,189</u>	<u>\$ 2,471,074</u>

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to finance particular activities and are created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

The Special Revenue Funds of the City are: Major Street, Local Street, Parks and Recreation, Mt. Hope Cemetery, Youth Mini-Grant, Building Department, Oakdale Development, Dog Park, Police K-9 Program, Drug Law Enforcement, School Liaison, Site Plan Review, General Forfeiture, Public Safety Training, Mobile Training Unit, and Housing Resource.

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	MAJOR STREET	LOCAL STREET
ASSETS		
Cash	\$ 310,700	\$ 340,006
Investments	348,073	303,875
Special assessment receivable	94,076	446
Accounts receivable	18,171	52
Due from other funds	3,737	559
Due from other units		
Due from state	<u>455,034</u>	<u>40,087</u>
TOTAL ASSETS	<u>1,229,791</u>	<u>685,025</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses	<u>5,246</u>	<u>1,917</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,235,037</u>	<u>\$ 686,942</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 30,115	\$ 5,250
Payroll and taxes payable	<u>1,647</u>	<u>785</u>
TOTAL LIABILITIES	<u>31,762</u>	<u>6,035</u>
DEFERRED INFLOWS OF RESOURCES		
Special assessment deferred revenue	<u>94,076</u>	<u>446</u>
FUND BALANCE		
Assigned	<u>1,109,199</u>	<u>680,461</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,235,037</u>	<u>\$ 686,942</u>

PARKS AND RECREATION	MT. HOPE CEMETERY	YOUTH MINI-GRANT	BUILDING DEPARTMENT	OAKDALE DEVELOPMENT
\$ 495,216	\$ 79,723	\$ 580	\$ 69,063	\$ 78,063
16,916				
<u>512,132</u>	<u>79,723</u>	<u>580</u>	<u>69,063</u>	<u>78,063</u>
<u>11,422</u>	<u>567</u>		<u>2,672</u>	<u>170</u>
\$ <u><u>523,554</u></u>	\$ <u><u>80,290</u></u>	\$ <u><u>580</u></u>	\$ <u><u>71,735</u></u>	\$ <u><u>78,233</u></u>
\$ 65,763	\$ 9,278	\$	\$ 46,539	\$ 3,023
<u>19,361</u>	<u>639</u>		<u>3,345</u>	<u>264</u>
<u>85,124</u>	<u>9,917</u>		<u>49,884</u>	<u>3,287</u>
<u>438,430</u>	<u>70,373</u>	<u>580</u>	<u>21,851</u>	<u>74,946</u>
\$ <u><u>523,554</u></u>	\$ <u><u>80,290</u></u>	\$ <u><u>580</u></u>	\$ <u><u>71,735</u></u>	\$ <u><u>78,233</u></u>

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - Continued
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	DOG PARK	POLICE K-9 PROGRAM	DRUG LAW ENFORCEMENT
ASSETS			
Cash	\$ 5,373	\$ 10,516	\$ 104,144
Investments			
Special assessment receivable			
Accounts receivable			
Due from other funds			
Due from other units			
Due from state			
	<u>5,373</u>	<u>10,516</u>	<u>104,144</u>
TOTAL ASSETS	<u>5,373</u>	<u>10,516</u>	<u>104,144</u>
DEFERRED OUTFLOWS OF RESOURCES			
Prepaid expenses			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,373</u>	<u>\$ 10,516</u>	<u>\$ 104,144</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$ 78	\$ 2,270
Payroll and taxes payable			
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> </u>	<u>78</u>	<u>2,270</u>
DEFERRED INFLOWS OF RESOURCES			
Special assessment deferred revenue			
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE			
Assigned	<u>5,373</u>	<u>10,438</u>	<u>101,874</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 5,373</u>	<u>\$ 10,516</u>	<u>\$ 104,144</u>

SCHOOL LIAISON	SITE PLAN REVIEW	GENERAL FORFEITURE	PUBLIC SAFETY TRAINING
\$ 3,561	\$ 13,843	\$ 9,838	\$ 1,923
<u>3,561</u>	<u>13,843</u>	<u>9,838</u>	<u>1,923</u>
\$ <u><u>3,561</u></u>	\$ <u><u>13,843</u></u>	\$ <u><u>9,838</u></u>	\$ <u><u>1,923</u></u>
\$ 869	\$ 5,000	\$	\$ 1,425
<u>869</u>	<u>5,000</u>		<u>1,425</u>
<u>2,692</u>	<u>8,843</u>	<u>9,838</u>	<u>498</u>
\$ <u><u>3,561</u></u>	\$ <u><u>13,843</u></u>	\$ <u><u>9,838</u></u>	\$ <u><u>1,923</u></u>

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - Concluded
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	MOBILE TRAINING UNIT	HOUSING RESOURCE
ASSETS		
Cash	\$ 2,865	\$ 32,029
Investments		
Special assessment receivable		
Accounts receivable		
Due from other funds		
Due from other units		
Due from state		
	<hr/>	<hr/>
TOTAL ASSETS	<hr/> 2,865 <hr/>	<hr/> 32,029 <hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses		
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<hr/> \$ 2,865 <hr/>	<hr/> \$ 32,029 <hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$	\$
Payroll and taxes payable		
	<hr/>	<hr/>
TOTAL LIABILITIES	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Special assessment deferred revenue		
	<hr/>	<hr/>
FUND BALANCE		
Assigned	<hr/> 2,865 <hr/>	<hr/> 32,029 <hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<hr/> \$ 2,865 <hr/>	<hr/> \$ 32,029 <hr/>

TOTAL SPECIAL REVENUE 2019	ELIMINATION OF MAJOR FUNDS	TOTAL NON- MAJOR SPECIAL REVENUE 2019	TOTAL SPECIAL REVENUE 2018
\$ 1,557,443	\$ (805,916)	\$ 751,527	\$ 2,635,212
651,948	(348,073)	303,875	1,048,533
94,522	(94,076)	446	122,418
35,139	(35,087)	52	66,961
4,296	(3,737)	559	2,570
<u>495,121</u>	<u>(455,034)</u>	<u>40,087</u>	<u>159,750</u>
<u>2,838,469</u>	<u>(1,741,923)</u>	<u>1,096,546</u>	<u>4,035,444</u>
<u>21,994</u>	<u>(16,668)</u>	<u>5,326</u>	<u>25,216</u>
\$ <u><u>2,860,463</u></u>	\$ <u><u>(1,758,591)</u></u>	\$ <u><u>1,101,872</u></u>	\$ <u><u>4,060,660</u></u>
\$ 169,610	\$ (95,878)	\$ 73,732	\$ 865,515
<u>26,041</u>	<u>(21,008)</u>	<u>5,033</u>	<u>26,439</u>
<u>195,651</u>	<u>(116,886)</u>	<u>78,765</u>	<u>891,954</u>
<u>94,522</u>	<u>(94,076)</u>	<u>446</u>	<u>122,418</u>
<u>2,570,290</u>	<u>(1,547,629)</u>	<u>1,022,661</u>	<u>3,046,288</u>
\$ <u><u>2,860,463</u></u>	\$ <u><u>(1,758,591)</u></u>	\$ <u><u>1,101,872</u></u>	\$ <u><u>4,060,660</u></u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	MAJOR STREET	LOCAL STREET
REVENUES		
Taxes and special assessments	\$ 27,850	\$ 729
Charges for services		
Intergovernmental		
Federal		
State	1,269,362	230,397
Interest and rent	8,790	6,690
Donations		
Contribution from component units	2,919	
Other revenue	17,361	
	<hr/>	<hr/>
TOTAL REVENUES	1,326,282	237,816
	<hr/>	<hr/>
EXPENDITURES		
Highways and streets	985,658	892,073
Culture and recreation		
Health and welfare		
Community development and enrichment		
Public safety		
	<hr/>	<hr/>
TOTAL EXPENDITURES	985,658	892,073
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	340,624	(654,257)
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Operating transfers in		173,718
Operating transfers out	(302,935)	(59,087)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(302,935)	114,631
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	37,689	(539,626)
	<hr/>	<hr/>
FUND BALANCE, JULY 1	1,071,510	1,220,087
	<hr/>	<hr/>
FUND BALANCE, JUNE 30	\$ 1,109,199	\$ 680,461
	<hr/>	<hr/>

PARKS AND RECREATION	MT. HOPE CEMETERY	YOUTH MINI-GRANT	BUILDING DEPARTMENT	OAKDALE DEVELOPMENT
\$ 1,145,151	\$ 38,572	\$	\$ 240,599	\$
63,974	781	8	226	808
40,400				
281,774				29,047
88,879			148	
<u>1,620,178</u>	<u>39,353</u>	<u>8</u>	<u>240,973</u>	<u>29,855</u>
1,997,950	131,444			
			362,196	28,247
<u>1,997,950</u>	<u>131,444</u>		<u>362,196</u>	<u>28,247</u>
<u>(377,772)</u>	<u>(92,091)</u>	<u>8</u>	<u>(121,223)</u>	<u>1,608</u>
500,000	75,097		75,000	
<u>(10,000)</u>				
<u>490,000</u>	<u>75,097</u>		<u>75,000</u>	
112,228	(16,994)	8	(46,223)	1,608
<u>326,202</u>	<u>87,367</u>	<u>572</u>	<u>68,074</u>	<u>73,338</u>
\$ <u><u>438,430</u></u>	\$ <u><u>70,373</u></u>	\$ <u><u>580</u></u>	\$ <u><u>21,851</u></u>	\$ <u><u>74,946</u></u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - Continued
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	DOG PARK	POLICE K-9 PROGRAM	DRUG LAW ENFORCEMENT
REVENUES			
Taxes and special assessments	\$	\$	\$
Charges for services			
Intergovernmental			
Federal			
State			
Interest and rent	5	103	1,034
Donations	354	50	
Contribution from component units			
Other revenue			
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	<u>359</u>	<u>153</u>	<u>1,034</u>
EXPENDITURES			
Highways and streets			
Culture and recreation	584		
Health and welfare			
Community development and enrichment			
Public safety		1,236	16,537
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	<u>584</u>	<u>1,236</u>	<u>16,537</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(225)</u>	<u>(1,083)</u>	<u>(15,503)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in		2,515	
Operating transfers out			
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	<hr/>	<u>2,515</u>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(225)</u>	<u>1,432</u>	<u>(15,503)</u>
FUND BALANCE, JULY 1	<u>5,598</u>	<u>9,006</u>	<u>117,377</u>
FUND BALANCE, JUNE 30	\$ <u><u>5,373</u></u>	\$ <u><u>10,438</u></u>	\$ <u><u>101,874</u></u>

SCHOOL LIAISON	SITE PLAN REVIEW	GENERAL FORFEITURE	PUBLIC SAFETY TRAINING
\$	\$	\$	\$
42 1,293	130	96	3,191 8
<u>1,335</u>	<u>130</u>	<u>96</u>	<u>3,199</u>
<u>3,602</u>		<u>1,348</u>	<u>3,191</u>
<u>3,602</u>		<u>1,348</u>	<u>3,191</u>
<u>(2,267)</u>	<u>130</u>	<u>(1,252)</u>	<u>8</u>
(2,267)	130	(1,252)	8
<u>4,959</u>	<u>8,713</u>	<u>11,090</u>	<u>490</u>
\$ <u><u>2,692</u></u>	\$ <u><u>8,843</u></u>	\$ <u><u>9,838</u></u>	\$ <u><u>498</u></u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - Concluded
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	MOBILE TRAINING UNIT	HOUSING RESOURCE
REVENUES		
Taxes and special assessments	\$	\$
Charges for services		
Intergovernmental		
Federal		
State		72,672
Interest and rent	26	
Donations		
Contribution from component units		
Other revenue		1,787
	<hr/>	<hr/>
TOTAL REVENUES	26	74,459
	<hr/>	<hr/>
EXPENDITURES		
Highways and streets		
Culture and recreation		
Health and welfare		
Community development		
and enrichment		61,496
Public safety		
	<hr/>	<hr/>
TOTAL EXPENDITURES		61,496
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	26	12,963
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Operating transfers in		
Operating transfers out		(20,000)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)		(20,000)
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	26	(7,037)
	<hr/>	<hr/>
FUND BALANCE, JULY 1	2,839	39,066
	<hr/>	<hr/>
FUND BALANCE, JUNE 30	\$ 2,865	\$ 32,029
	<hr/>	<hr/>

TOTAL SPECIAL REVENUE 2019	ELIMINATION OF MAJOR FUNDS	TOTAL NON- MAJOR SPECIAL REVENUE 2019	SPECIAL REVENUE 2018
\$ 28,579	\$ (27,850)	\$ 729	\$ 62,100
1,424,322	(1,145,151)	279,171	1,427,709
1,575,622	(1,269,362)	306,260	1,374,291
82,721	(72,764)	9,957	64,399
42,097	(40,400)	1,697	16,658
313,740	(284,693)	29,047	1,251,714
108,175	(106,240)	1,935	166,462
<u>3,575,256</u>	<u>(2,946,460)</u>	<u>628,796</u>	<u>4,363,333</u>
1,877,731	(985,658)	892,073	2,297,936
1,998,534	(1,997,950)	584	1,868,609
131,444		131,444	157,583
451,939		451,939	487,039
25,914		25,914	46,736
<u>4,485,562</u>	<u>(2,983,608)</u>	<u>1,501,954</u>	<u>4,857,903</u>
<u>(910,306)</u>	<u>(37,148)</u>	<u>(873,158)</u>	<u>(494,570)</u>
826,330	(500,000)	326,330	2,756,286
<u>(392,022)</u>	<u>312,935</u>	<u>(79,087)</u>	<u>(264,733)</u>
<u>434,308</u>	<u>(187,065)</u>	<u>247,243</u>	<u>2,491,553</u>
(475,998)	(149,917)	(625,915)	1,996,983
<u>3,046,288</u>	<u>(1,397,712)</u>	<u>1,648,576</u>	<u>1,049,305</u>
<u>\$ 2,570,290</u>	<u>\$ (1,547,629)</u>	<u>\$ 1,022,661</u>	<u>\$ 3,046,288</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR STREET FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Special assessments	\$ 13,415	\$ 27,850	\$ 14,435	\$ 61,208
State grants	1,202,285	1,269,362	67,077	971,527
Interest on investments	6,100	8,790	2,690	5,539
Contribution from component units	2,919	2,919		2,919
Other revenue	<u>1,000</u>	<u>17,361</u>	<u>16,361</u>	<u>15,400</u>
TOTAL REVENUES	1,225,719	1,326,282	100,563	1,056,593
EXPENDITURES				
Highways and streets	<u>1,052,817</u>	<u>985,658</u>	<u>67,159</u>	<u>1,512,780</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>172,902</u>	<u>340,624</u>	<u>167,722</u>	<u>(456,187)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				1,589,300
Operating transfers out	<u>(302,935)</u>	<u>(302,935)</u>		<u>(159,976)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(302,935)</u>	<u>(302,935)</u>		<u>1,429,324</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(130,033)	37,689	167,722	973,137
FUND BALANCE, JULY 1	<u>1,071,510</u>	<u>1,071,510</u>		<u>98,373</u>
FUND BALANCE, JUNE 30	<u>\$ 941,477</u>	<u>\$ 1,109,199</u>	<u>\$ 167,722</u>	<u>\$ 1,071,510</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL STREET FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Special assessments	\$ 564	\$ 729	\$ 165	\$ 892
State grants	294,267	230,397	(63,870)	283,587
Federal grants				
Interest on investments	1,082	6,690	5,608	3,042
Contributions from component unit				1,023,143
Other revenue				755
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	295,913	237,816	(58,097)	1,311,419
EXPENDITURES				
Highways and streets	<u>956,130</u>	<u>892,073</u>	<u>64,057</u>	<u>785,156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(660,217)</u>	<u>(654,257)</u>	<u>5,960</u>	<u>526,263</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	173,718	173,718		535,909
Operating transfers out	<u>(59,087)</u>	<u>(59,087)</u>		<u>(72,650)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>114,631</u>	<u>114,631</u>		<u>463,259</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(545,586)	(539,626)	5,960	989,522
FUND BALANCE, JULY 1	<u>1,220,087</u>	<u>1,220,087</u>		<u>230,565</u>
FUND BALANCE, JUNE 30	<u>\$ 674,501</u>	<u>\$ 680,461</u>	<u>\$ 5,960</u>	<u>\$ 1,220,087</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS AND RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES				
Charges for services	\$ 1,131,800	\$ 1,145,151	\$ 13,351	\$ 1,138,002
Interest and rent	51,700	63,974	12,274	53,443
Donations	41,200	40,400	(800)	7,350
Other revenues	3,300	88,879	85,579	11,355
Contribution from component units	<u>488,126</u>	<u>281,774</u>	<u>(206,352)</u>	<u>191,573</u>
TOTAL REVENUES	1,716,126	1,620,178	(95,948)	1,401,723
EXPENDITURES				
Culture and recreation	<u>2,312,725</u>	<u>1,997,950</u>	<u>314,775</u>	<u>1,866,695</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(596,599)</u>	<u>(377,772)</u>	<u>218,827</u>	<u>(464,972)</u>
OTHER FINANCING SOURCES				
Operating transfers in	500,000	500,000		500,000
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>		<u>(10,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>490,000</u>	<u>490,000</u>		<u>490,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(106,599)	112,228	218,827	25,028
FUND BALANCE, JULY 1	<u>326,202</u>	<u>326,202</u>		<u>301,174</u>
FUND BALANCE, JUNE 30	\$ <u><u>219,603</u></u>	\$ <u><u>438,430</u></u>	\$ <u><u>218,827</u></u>	\$ <u><u>326,202</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MT. HOPE CEMETERY FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES				
Charges for services	\$ 33,000	\$ 38,572	\$ 5,572	\$ 38,385
Interest on investments	<u>335</u>	<u>781</u>	<u>446</u>	<u>443</u>
TOTAL REVENUES	33,335	39,353	6,018	38,828
EXPENDITURES				
Health and welfare	<u>142,404</u>	<u>131,444</u>	<u>10,960</u>	<u>157,583</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(109,069)</u>	<u>(92,091)</u>	<u>16,978</u>	<u>(118,755)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>75,060</u>	<u>75,097</u>	<u>37</u>	<u>128,562</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(34,009)	(16,994)	17,015	9,807
FUND BALANCE, JULY 1	<u>87,367</u>	<u>87,367</u>		<u>77,560</u>
FUND BALANCE, JUNE 30	\$ <u><u>53,358</u></u>	\$ <u><u>70,373</u></u>	\$ <u><u>17,015</u></u>	\$ <u><u>87,367</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YOUTH MINI-GRANT
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest income	\$ <u>4</u>	\$ <u>8</u>	\$ <u>4</u>	\$ <u>3</u>
EXCESS OF REVENUES OVER EXPENDITURES	4	8	4	3
FUND BALANCE, JULY 1	<u>572</u>	<u>572</u>	<u></u>	<u>569</u>
FUND BALANCE, JUNE 30	\$ <u><u>576</u></u>	\$ <u><u>580</u></u>	\$ <u><u>4</u></u>	\$ <u><u>572</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES				
Charges for services	\$ 297,600	\$ 240,599	\$ (57,001)	\$ 251,322
Interest on investments	696	226	(470)	638
Other revenues	<u>10</u>	<u>148</u>	<u>138</u>	<u>333</u>
TOTAL REVENUES	298,306	240,973	(57,333)	252,293
EXPENDITURES				
Community development and enrichment	<u>399,297</u>	<u>362,196</u>	<u>37,101</u>	<u>353,698</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(100,991)</u>	<u>(121,223)</u>	<u>(20,232)</u>	<u>(101,405)</u>
OTHER FINANCING USES				
Operating transfers in	<u></u>	<u>75,000</u>	<u>75,000</u>	<u></u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	(100,991)	(46,223)	54,768	(101,405)
FUND BALANCE, JULY 1	<u>68,074</u>	<u>68,074</u>	<u></u>	<u>169,479</u>
FUND BALANCE, JUNE 30	\$ <u><u>(32,917)</u></u>	\$ <u><u>21,851</u></u>	\$ <u><u>54,768</u></u>	\$ <u><u>68,074</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OAKDALE DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest and rent	\$ 374	\$ 808	\$ 434	\$ 451
Contribution from component units	<u>29,047</u>	<u>29,047</u>	<u></u>	<u>34,079</u>
TOTAL REVENUES	29,421	29,855	434	34,530
EXPENDITURES				
Community development and enrichment	<u>29,421</u>	<u>28,247</u>	<u>1,174</u>	<u>28,346</u>
EXCESS OF REVENUES OVER EXPENDITURES		1,608	1,608	6,184
FUND BALANCE, JULY 1	<u>73,338</u>	<u>73,338</u>	<u></u>	<u>67,154</u>
FUND BALANCE, JUNE 30	\$ <u><u>73,338</u></u>	\$ <u><u>74,946</u></u>	\$ <u><u>1,608</u></u>	\$ <u><u>73,338</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DOG PARK FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest and rent	\$ 5	\$ 5	\$	\$ 4
Donations	<u>10,000</u>	<u>354</u>	<u>(9,646)</u>	<u>7,508</u>
TOTAL REVENUES	10,005	359	(9,646)	7,512
EXPENDITURES				
Culture and recreation	<u>5,000</u>	<u>584</u>	<u>4,416</u>	<u>1,914</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,005	(225)	(5,230)	5,598
FUND BALANCE, JULY 1	<u>5,598</u>	<u>5,598</u>		
FUND BALANCE, JUNE 30	<u>\$ 10,603</u>	<u>\$ 5,373</u>	<u>\$ (5,230)</u>	<u>\$ 5,598</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
POLICE K-9 PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest	\$ 55	\$ 103	\$ 48	\$ 65
Donations	<u>250</u>	<u>50</u>	<u>(200)</u>	<u></u>
TOTAL REVENUES	305	153	(152)	65
EXPENDITURES				
Public safety	<u>2,118</u>	<u>1,236</u>	<u>882</u>	<u>11,726</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,813)	(1,083)	730	(11,661)
OTHER FINANCING SOURCES				
Operating transfers in	<u>2,515</u>	<u>2,515</u>	<u></u>	<u>2,515</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	702	1,432	730	(9,146)
FUND BALANCE, JULY 1	<u>9,006</u>	<u>9,006</u>	<u></u>	<u>18,152</u>
FUND BALANCE, JUNE 30	\$ <u><u>9,708</u></u>	\$ <u><u>10,438</u></u>	\$ <u><u>730</u></u>	\$ <u><u>9,006</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG LAW ENFORCEMENT
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$ 450	\$ 1,034	\$ 584	\$ 567
Other revenues	<u>500</u>	<u></u>	<u>(500)</u>	<u>135,993</u>
TOTAL REVENUES	950	1,034	84	136,560
EXPENDITURES				
Public safety	<u>24,150</u>	<u>16,537</u>	<u>7,613</u>	<u>27,946</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(23,200)	(15,503)	7,697	108,614
FUND BALANCE, JULY 1	<u>117,377</u>	<u>117,377</u>		<u>8,763</u>
FUND BALANCE, JUNE 30	<u>\$ 94,177</u>	<u>\$ 101,874</u>	<u>\$ 7,697</u>	<u>\$ 117,377</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SCHOOL LIAISON
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$ 33	\$ 42	\$ 9	\$ 35
Other revenues	<u>800</u>	<u>1,293</u>	<u>493</u>	<u>1,800</u>
TOTAL REVENUES	833	1,335	502	1,835
EXPENDITURES				
Public safety	<u>4,000</u>	<u>3,602</u>	<u>398</u>	<u>3,566</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,167)	(2,267)	900	(1,731)
FUND BALANCE, JULY 1	<u>4,959</u>	<u>4,959</u>		<u>6,690</u>
FUND BALANCE, JUNE 30	\$ <u><u>1,792</u></u>	\$ <u><u>2,692</u></u>	\$ <u><u>900</u></u>	\$ <u><u>4,959</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SITE PLAN REVIEW
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES				
Charges for services	\$	\$	\$	\$
Interest earnings	<u>85</u>	<u>130</u>	<u>45</u>	<u>95</u>
TOTAL REVENUES	85	130	45	95
OTHER FINANCING USES				
Operating transfers out	<u></u>	<u></u>	<u></u>	<u>(2,107)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	85	130	45	(2,012)
FUND BALANCE, JULY 1	<u>8,713</u>	<u>8,713</u>	<u></u>	<u>10,725</u>
FUND BALANCE, JUNE 30	\$ <u><u>8,798</u></u>	\$ <u><u>8,843</u></u>	\$ <u><u>45</u></u>	\$ <u><u>8,713</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FORFEITURE
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest earnings	\$ 54	\$ 96	\$ 42	\$ 58
Other revenue	<u>50</u>	<u></u>	<u>(50)</u>	<u>60</u>
TOTAL REVENUES	104	96	(8)	118
EXPENDITURES				
Public safety	<u>1,350</u>	<u>1,348</u>	<u>2</u>	<u></u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,246)	(1,252)	(6)	118
FUND BALANCE, JULY 1	<u>11,090</u>	<u>11,090</u>	<u></u>	<u>10,972</u>
FUND BALANCE, JUNE 30	\$ <u><u>9,844</u></u>	\$ <u><u>9,838</u></u>	\$ <u><u>(6)</u></u>	\$ <u><u>11,090</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PUBLIC SAFETY TRAINING
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
State grants	\$ 4,000	\$ 3,191	\$ (809)	\$ 3,498
Interest earnings	<u>3</u>	<u>8</u>	<u>5</u>	<u>1</u>
TOTAL REVENUES	4,003	3,199	(804)	3,499
EXPENDITURES				
Public safety	<u>4,000</u>	<u>3,191</u>	<u>809</u>	<u>3,498</u>
EXCESS OF REVENUES OVER EXPENDITURES	3	8	5	1
FUND BALANCE, JULY 1	<u>490</u>	<u>490</u>		<u>489</u>
FUND BALANCE, JUNE 30	\$ <u><u>493</u></u>	\$ <u><u>498</u></u>	\$ <u><u>5</u></u>	\$ <u><u>490</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MOBILE TRAINING UNIT
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Interest and rentals	\$ 110	\$ 26	\$ (84)	\$ 15
EXPENDITURES				
Public safety	<u>100</u>	<u></u>	<u>100</u>	<u></u>
EXCESS OF REVENUES OVER EXPENDITURES	10	26	16	15
FUND BALANCE, JULY 1	<u>2,839</u>	<u>2,839</u>	<u></u>	<u>2,824</u>
FUND BALANCE, JUNE 30	\$ <u><u>2,849</u></u>	\$ <u><u>2,865</u></u>	\$ <u><u>16</u></u>	\$ <u><u>2,839</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING RESOURCE FUND
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>			<u>2018</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES				
State grants	\$ 1,392,000	\$ 72,672	\$ (1,319,328)	\$ 115,679
Other revenues	<u>1,250,000</u>	<u>1,787</u>	<u>(1,248,213)</u>	<u>2,566</u>
TOTAL REVENUES	2,642,000	74,459	(2,567,541)	118,245
EXPENDITURES				
Community development and enrichment	<u>2,622,000</u>	<u>61,496</u>	<u>2,560,504</u>	<u>104,995</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,000</u>	<u>12,963</u>	<u>(7,037)</u>	<u>13,250</u>
OTHER FINANCING USES				
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>		<u>(20,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES		(7,037)	(7,037)	(6,750)
FUND BALANCE, JULY 1	<u>39,066</u>	<u>39,066</u>		<u>45,816</u>
FUND BALANCE, JUNE 30	\$ <u><u>39,066</u></u>	\$ <u><u>32,029</u></u>	\$ <u><u>(7,037)</u></u>	\$ <u><u>39,066</u></u>

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DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt and revenue bonds issued for and serviced by a governmental enterprise.

The City's Debt Service Funds include the 2017 General Obligation Bond, 2008 General Obligation Limited Tax Bonds, 2008 Series A General Obligation Limited Tax Bonds, 2009 General Obligation Limited Tax Bonds, 2010 General Obligation Limited Tax Bonds, 2013 General Obligation Limited Tax Bonds, 2015 General Obligation Limited Tax Bonds, 2007 Special Assessment Bonds, 2008 Series A Special Assessment Bonds, 2010 Special Assessment Bonds, 2011 Special Assessment Bonds, 2005 Equipment Financing, and 2008 Equipment Financing

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	2008 GENERAL OBLIGATION LIMITED TAX BONDS	2008 SERIES A GENERAL OBLIGATION LIMITED TAX BONDS	2009 GENERAL OBLIGATION LIMITED TAX BONDS	2010 GENERAL OBLIGATION LIMITED TAX BONDS
ASSETS				
Cash	\$	\$	\$ 3,629,262	\$ 1,213
Assessments receivable				
Due from other funds			97,896	
Prepaid expenses				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u> </u>	\$ <u> </u>	\$ <u>3,727,158</u>	\$ <u>1,213</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
 DEFERRED INFLOWS OF RESOURCES				
Special assessments	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 FUND BALANCE				
Restricted for debt service	<u> </u>	<u> </u>	<u>3,727,158</u>	<u>1,213</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ <u> </u>	\$ <u> </u>	\$ <u>3,727,158</u>	\$ <u>1,213</u>

2013 GENERAL OBLIGATION LIMITED TAX BONDS	2015 GENERAL OBLIGATION LIMITED TAX BONDS	2007 SPECIAL ASSESSMENT BONDS	2008 SERIES A SPECIAL ASSESSMENT BONDS	2010 SPECIAL ASSESSMENT BONDS
\$ 5,351	\$ 19,230	\$	14,540	\$ 3,715 2,673 2,061
<u>5,351</u>	<u>19,230</u>		<u>14,540</u>	<u>8,449</u>
\$	\$	\$		\$
				2,673
<u>5,351</u>	<u>19,230</u>		<u>14,540</u>	<u>5,776</u>
\$ <u>5,351</u>	\$ <u>19,230</u>	\$	<u>14,540</u>	\$ <u>8,449</u>

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS - Concluded
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	2011 SPECIAL ASSESSMENT BONDS	2005 EQUIPMENT FINANCING	2008 EQUIPMENT FINANCING	2017 GENERAL OBLIGATION BONDS
ASSETS				
Cash	\$ 101,507	\$ 480	\$ 3,912	\$ 13,581
Assessments receivable	12,445			
Due from other funds	1,059			
Prepaid expenses	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 115,011</u>	<u>\$ 480</u>	<u>\$ 3,912</u>	<u>\$ 13,581</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
 DEFERRED INFLOWS OF RESOURCES				
Special assessments	<u>12,445</u>	<u> </u>	<u> </u>	<u> </u>
 FUND BALANCE				
Restricted for debt service	<u>102,566</u>	<u>480</u>	<u>3,912</u>	<u>13,581</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 115,011</u>	<u>\$ 480</u>	<u>\$ 3,912</u>	<u>\$ 13,581</u>

TOTAL DEBT SERVICE 2019	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR DEBT SERVICE 2019	TOTAL DEBT SERVICE 2018
\$ 3,792,791	\$ (3,629,262)	\$ 163,529	\$ 3,990,259
15,118		15,118	748,995
101,016	(97,896)	3,120	105,232
<u> </u>	<u> </u>	<u> </u>	<u>750</u>
\$ <u><u>3,908,925</u></u>	\$ <u><u>(3,727,158)</u></u>	\$ <u><u>181,767</u></u>	\$ <u><u>4,845,236</u></u>
\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
<u>15,118</u>	<u> </u>	<u>15,118</u>	<u>748,995</u>
<u>3,893,807</u>	<u>(3,727,158)</u>	<u>166,649</u>	<u>4,096,241</u>
\$ <u><u>3,908,925</u></u>	\$ <u><u>(3,727,158)</u></u>	\$ <u><u>181,767</u></u>	\$ <u><u>4,845,236</u></u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2008 GENERAL OBLIGATION LIMITED TAX BONDS	2008 SERIES A GENERAL OBLIGATION LIMITED TAX BONDS	2009 GENERAL OBLIGATION LIMITED TAX BONDS	2010 GENERAL OBLIGATION LIMITED TAX BONDS
REVENUES				
Taxes and special assessments	\$	\$	\$ 770,038	\$
Interest earnings			7,472	2
Other revenues				
TOTAL REVENUES			777,510	2
EXPENDITURES				
Debt Service				
Principal retirement	345,000		595,000	25,000
Interest and fiscal charges	8,513		13,394	2,450
TOTAL EXPENDITURES	353,513		608,394	27,450
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(353,513)		169,116	(27,448)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	353,513		110,625	27,450
Operating transfers out	(145)	(218)	(353,513)	
TOTAL OTHER FINANCING SOURCES (USES)	353,368	(218)	(242,888)	27,450
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(145)	(218)	(73,772)	2
FUND BALANCE, JULY 1	145	218	3,800,930	1,211
FUND BALANCE, JUNE 30	\$	\$	\$ 3,727,158	\$ 1,213

2013 GENERAL OBLIGATION LIMITED TAX BONDS	2015 GENERAL OBLIGATION LIMITED TAX BONDS	2007 SPECIAL ASSESSMENT BONDS	2008 SERIES A SPECIAL ASSESSMENT BONDS	2010 SPECIAL ASSESSMENT BONDS
\$	\$		\$	\$
13	32	16	30	3,184
62,204				396
62,217	32	16	30	3,580
130,000	155,000			40,000
7,488	65,337			3,300
137,488	220,337			43,300
(75,271)	(220,305)	16	30	(39,720)
72,251	220,338	(41,993)		
72,251	220,338	(41,993)		
(3,020)	33	(41,977)	30	(39,720)
8,371	19,197	41,977	14,510	45,496
\$ 5,351	\$ 19,230		\$ 14,540	\$ 5,776

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2011 SPECIAL ASSESSMENT BONDS	2005 EQUIPMENT FINANCING	2008 EQUIPMENT FINANCING
REVENUES			
Taxes and special assessments	\$ 9,116	\$	\$
Interest earnings	1,508		7
Other revenues	<u> </u>	<u>14,320</u>	<u>79,279</u>
TOTAL REVENUES	<u>10,624</u>	<u>14,320</u>	<u>79,286</u>
EXPENDITURES			
Debt Service			
Principal retirement	45,000	13,428	87,577
Interest and fiscal charges	<u>8,375</u>	<u>527</u>	<u>1,620</u>
TOTAL EXPENDITURES	<u>53,375</u>	<u>13,955</u>	<u>89,197</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(42,751)</u>	<u>365</u>	<u>(9,911)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in			8,380
Operating transfers out	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> </u>	<u> </u>	<u>8,380</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(42,751)</u>	<u>365</u>	<u>(1,531)</u>
FUND BALANCE, JULY 1	<u>145,317</u>	<u>115</u>	<u>5,443</u>
FUND BALANCE, JUNE 30	<u>\$ 102,566</u>	<u>\$ 480</u>	<u>\$ 3,912</u>

2017 GENERAL OBLIGATION BONDS	TOTAL DEBT SERVICE 2019	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR DEBT SERVICE 2019	TOTAL DEBT SERVICE 2018
\$	\$	\$	\$	\$
24	782,338	(770,038)	12,300	859,532
	9,500	(7,472)	2,028	8,750
	155,803		155,803	236,368
<u>24</u>	<u>947,641</u>	<u>(777,510)</u>	<u>170,131</u>	<u>1,104,650</u>
155,000	1,591,005	(595,000)	996,005	1,583,670
<u>36,329</u>	<u>147,333</u>	<u>(13,394)</u>	<u>133,939</u>	<u>201,563</u>
<u>191,329</u>	<u>1,738,338</u>	<u>(608,394)</u>	<u>1,129,944</u>	<u>1,785,233</u>
<u>(191,305)</u>	<u>(790,697)</u>	<u>(169,116)</u>	<u>(959,813)</u>	<u>(680,581)</u>
191,575	984,132	(110,625)	873,507	893,171
<u></u>	<u>(395,869)</u>	<u>353,513</u>	<u>(42,356)</u>	<u>(375,003)</u>
<u>191,575</u>	<u>588,263</u>	<u>242,888</u>	<u>831,151</u>	<u>518,168</u>
270	(202,434)	73,772	(128,662)	(162,413)
<u>13,311</u>	<u>4,096,241</u>	<u>(3,800,930)</u>	<u>295,311</u>	<u>4,258,654</u>
<u>\$ 13,581</u>	<u>\$ 3,893,807</u>	<u>\$ (3,727,158)</u>	<u>\$ 166,649</u>	<u>\$ 4,096,241</u>

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CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. (Enterprise Fund resources are not included in this category). These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors and other grantors of Capital Projects Fund revenue that their requirements regarding the use of the revenue were fully satisfied.

The City's Capital Projects Funds include the Land Acquisition and Capital Improvement.

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	LAND ACQUISITION	CAPITAL IMPROVEMENT
ASSETS		
Cash	\$ 941,589	\$ 89,445
Investments	841,100	
Accounts receivable		
Land held for investment	<u>1,520,675</u>	<u> </u>
TOTAL ASSETS	3,303,364	89,445
 DEFERRED OUTFLOWS OF RESOURCES		
Deposits	<u> </u>	<u> </u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ <u>3,303,364</u>	 \$ <u>89,445</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 1,951,845	\$ 31,752
Due to other funds	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>1,951,845</u>	<u>31,752</u>
 FUND BALANCE		
Assigned	<u>1,351,519</u>	<u>57,693</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>3,303,364</u>	 \$ <u>89,445</u>

TOTAL CAPITAL PROJECTS 2019	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR CAPITAL PROJECTS 2019	TOTAL CAPITAL PROJECTS 2018
\$ 1,031,034	\$ (941,589)	\$ 89,445	\$ 1,166,755
841,100	(841,100)		630,846
<u>1,520,675</u>	<u>(1,520,675)</u>	<u> </u>	<u>60,928</u>
3,392,809	(3,303,364)	89,445	1,520,675
			3,379,204
<u> </u>	<u> </u>	<u> </u>	<u>307,848</u>
\$ <u>3,392,809</u>	\$ <u>(3,303,364)</u>	\$ <u>89,445</u>	\$ <u>3,687,052</u>
\$ 31,752	\$	\$ 31,752	\$ 1,352
<u>1,951,845</u>	<u>(1,951,845)</u>	<u> </u>	<u>2,148,015</u>
<u>1,983,597</u>	<u>(1,951,845)</u>	<u>31,752</u>	<u>2,149,367</u>
<u>1,409,212</u>	<u>(1,351,519)</u>	<u>57,693</u>	<u>1,537,685</u>
\$ <u>3,392,809</u>	\$ <u>(3,303,364)</u>	\$ <u>89,445</u>	\$ <u>3,687,052</u>

CITY OF LAPEER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	LAND ACQUISITION	CAPITAL IMPROVEMENT
REVENUES		
Interest	\$ 17,567	\$ 227
Other	<u>472,480</u>	<u>3,000</u>
TOTAL REVENUES	<u>490,047</u>	<u>3,227</u>
EXPENDITURES		
Capital outlay		720,743
Other	<u>95,909</u>	
TOTAL EXPENDITURES	<u>95,909</u>	<u>720,743</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>394,138</u>	<u>(717,516)</u>
OTHER FINANCING SOURCES (USES)		
Bond proceeds		
Operating transfers in		297,675
Operating transfers out	<u>(102,770)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(102,770)</u>	<u>297,675</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES		
OTHER USES	291,368	(419,841)
FUND BALANCE, JULY 1	<u>1,060,151</u>	<u>477,534</u>
FUND BALANCE, JUNE 30	<u>\$ 1,351,519</u>	<u>\$ 57,693</u>

TOTAL CAPITAL PROJECTS 2019	ELIMINATION OF MAJOR FUNDS	TOTAL NON-MAJOR CAPITAL PROJECTS 2019	TOTAL CAPITAL PROJECTS 2018
\$ 17,794	\$ (17,567)	\$ 227	\$ 8,841
<u>475,480</u>	<u>(472,480)</u>	<u>3,000</u>	<u>348,098</u>
<u>493,274</u>	<u>(490,047)</u>	<u>3,227</u>	<u>356,939</u>
720,743		720,743	36,111
<u>95,909</u>	<u>(95,909)</u>	<u></u>	<u>88,929</u>
<u>816,652</u>	<u>(95,909)</u>	<u>720,743</u>	<u>125,040</u>
<u>(323,378)</u>	<u>(394,138)</u>	<u>(717,516)</u>	<u>231,899</u>
297,675		297,675	1,740,000
<u>(102,770)</u>	<u>102,770</u>	<u></u>	<u>523,858</u>
<u>194,905</u>	<u>102,770</u>	<u>297,675</u>	<u>(1,993,539)</u>
<u>194,905</u>	<u>102,770</u>	<u>297,675</u>	<u>270,319</u>
(128,473)	(291,368)	(419,841)	502,218
<u>1,537,685</u>	<u>(1,060,151)</u>	<u>477,534</u>	<u>1,035,467</u>
<u>\$ 1,409,212</u>	<u>\$ (1,351,519)</u>	<u>\$ 57,693</u>	<u>\$ 1,537,685</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and/or commodities furnished by a designated program to other programs within the City. Since the services and commodities are supplied exclusively to programs under the City's jurisdiction, they are distinguishable from those services which are rendered to the public in general and which are accounted for in General, Special Revenue or Enterprise Funds.

The City's Motor Pool Fund, Information Technology Fund, and Telephone Communication Fund are operated as Internal Service Funds.

CITY OF LAPEER, MICHIGAN
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	MOTOR POOL	INFORMATION TECHNOLOGY
ASSETS		
CURRENT ASSETS		
Cash	\$ 87,060	\$ 321,155
Inventory	43,694	
Accounts receivable		
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	<hr/> 130,754	<hr/> 321,155
FIXED ASSETS		
Land and improvements	32,198	
Vehicles and equipment	4,098,107	135,219
Accumulated depreciation	(2,588,134)	(100,359)
	<hr/>	<hr/>
NET FIXED ASSETS	<hr/> 1,542,171	<hr/> 34,860
TOTAL ASSETS	<hr/> 1,672,925	<hr/> 356,015
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expenses	<hr/> 4,457	
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <hr/> <hr/> 1,677,382	\$ <hr/> <hr/> 356,015
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 29,714	\$ 9,963
Accrued expenses	<hr/> 3,591	
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	<hr/> 33,305	<hr/> 9,963
NET POSITION		
Net position	1,600,383	346,052
Reserved for inventory	<hr/> 43,694	
	<hr/>	<hr/>
TOTAL NET POSITION	<hr/> 1,644,077	<hr/> 346,052
TOTAL LIABILITIES AND NET POSITION	\$ <hr/> <hr/> 1,677,382	\$ <hr/> <hr/> 356,015

TELEPHONE
COMMUNICATION

2019

TOTALS

2018

\$ 76,540

\$ 484,755
43,694

\$ 412,279
39,690
5,665

76,540

528,449

457,634

76,364
(781)

32,198
4,309,690
(2,689,274)

22,328
4,233,721
(2,505,644)

75,583

1,652,614

1,750,405

152,123

2,181,063

2,208,039

4,457

10,294

\$ 152,123

\$ 2,185,520

\$ 2,218,333

\$ 394

\$ 40,071
3,591

\$ 51,122
3,399

394

43,662

54,521

151,729

2,098,164
43,694

2,118,554
45,258

151,729

2,141,858

2,163,812

\$ 152,123

\$ 2,185,520

\$ 2,218,333

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	MOTOR POOL	INFORMATION TECHNOLOGY
OPERATING REVENUES		
Equipment rentals	\$ <u>790,823</u>	\$ <u>265,040</u>
OPERATING EXPENSES		
Salaries and wages	125,931	
Fringe benefits	124,732	
Office supplies	1,068	
Operating supplies	240,258	
Administrative fees	23,941	
Professional and contractual services	10,538	
Insurance and bonds	46,572	8,172
Public utilities	8,572	
Repairs and maintenance	5,035	93,151
Rental	5,573	
Miscellaneous	2,033	
Depreciation	269,607	11,561
Capital outlay	10,872	27,456
Conferences	<u>755</u>	
TOTAL OPERATING EXPENSES	<u>875,487</u>	<u>140,340</u>
OPERATING INCOME	<u>(84,664)</u>	<u>124,700</u>
NONOPERATING REVENUE		
Interest income	267	2,833
Gain on sale of fixed assets	<u>5,559</u>	
TOTAL NONOPERATING REVENUE	<u>5,826</u>	<u>2,833</u>
OPERATING TRANSFERS		
Operating transfers in	10,000	
Operating transfers out		<u>(85,000)</u>
TOTAL OPERATING TRANSFERS	<u>10,000</u>	<u>(85,000)</u>
NET INCOME	(68,838)	42,533
NET POSITION, JULY 1	<u>1,712,915</u>	<u>303,519</u>
NET POSITION, JUNE 30	\$ <u><u>1,644,077</u></u>	\$ <u><u>346,052</u></u>

TELEPHONE
COMMUNICATION

2019

TOTALS

2018

\$ 40,320

\$ 1,096,183

\$ 1,033,124

125,931

123,156

124,732

100,000

1,068

961

240,258

235,535

23,941

23,090

10,538

14,923

495

55,239

72,535

18,704

27,276

25,427

894

99,080

97,925

5,573

4,487

2,033

2,417

781

281,949

234,778

1,187

39,515

28,388

755

1,356

22,061

1,037,888

964,978

18,259

58,295

68,146

1,092

4,192

3,065

5,559

50,003

1,092

9,751

53,068

(15,000)

10,000

187,416

(100,000)

(100,000)

(15,000)

(90,000)

87,416

4,351

(21,954)

208,630

147,378

2,163,812

1,955,182

\$ 151,729

\$ 2,141,858

\$ 2,163,812

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	MOTOR POOL	INFORMATION TECHNOLOGY
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interfund charges	\$ 796,488	\$ 265,040
Cash payment for goods and services	(372,695)	(120,750)
Cash payment for employees	<u>(250,471)</u>	<u></u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>173,322</u>	<u>144,290</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in	10,000	
Operating transfers out	<u></u>	<u>(85,000)</u>
NET CASH PROVIDED BY (USED IN) NON- CAPITAL FINANCING ACTIVITIES	<u>10,000</u>	<u>(85,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for capital acquisitions	(115,659)	(5,706)
Sale of capital assets	19,130	
Increase in investments	<u></u>	<u></u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(96,529)</u>	<u>(5,706)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>267</u>	<u>2,833</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,060	56,417
CASH AND CASH EQUIVALENTS, JULY 1	<u></u>	<u>264,738</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 87,060</u></u>	<u><u>\$ 321,155</u></u>

TELEPHONE COMMUNICATION	2019	TOTAL	2018
\$ 40,320 (21,049) <u> </u>	\$ 1,101,848 (514,494) <u>(250,471)</u>		\$ 1,033,124 (471,885) <u>(223,156)</u>
<u>19,271</u>	<u>336,883</u>		<u>338,083</u>
<u>(15,000)</u>	<u>10,000</u> <u>(100,000)</u>		<u>187,416</u> <u>(100,000)</u>
<u>(15,000)</u>	<u>(90,000)</u>		<u>87,416</u>
(76,364) <u> </u>	(197,729) 19,130 <u> </u>		(732,739) <u> </u>
<u>(76,364)</u>	<u>(178,599)</u>		<u>(732,739)</u>
<u>1,092</u>	<u>4,192</u>		<u>3,066</u>
(71,001) <u>147,541</u>	72,476 <u>412,279</u>		(304,174) <u>716,453</u>
\$ <u><u>76,540</u></u>	\$ <u><u>484,755</u></u>		\$ <u><u>412,279</u></u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS - Concluded
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	MOTOR POOL	INFORMATION TECHNOLOGY
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ <u>(84,664)</u>	\$ <u>124,700</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	269,607	11,561
Gain on sale of assets		
(Increase) decrease in inventory	(4,004)	
(Increase) decrease in accounts receivable	5,665	
(Increase) decrease in prepaid expenses	269	5,568
Increase (decrease) in accounts payable	(13,743)	2,461
Increase (decrease) in accrued expenses	<u>192</u>	<u></u>
Total adjustments	<u>257,986</u>	<u>19,590</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>173,322</u></u>	\$ <u><u>144,290</u></u>

TELEPHONE
COMMUNICATION

2019

TOTAL

2018

\$ 18,259

\$ 58,295

\$ 68,146

781

281,949

234,778

50,003

(4,004)

5,446

5,665

(5,665)

5,837

(5,261)

231

(11,051)

(9,453)

192

89

1,012

278,588

269,937

\$ 19,271

\$ 336,883

\$ 338,083

CITY OF LAPEER, MICHIGAN
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	CASH	INVESTMENT	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JULY 1	\$ 412,279	\$	\$ 412,279
NET INCREASE	<u>72,476</u>	<u></u>	<u>72,476</u>
CASH AND CASH EQUIVALENTS, JUNE 30	\$ <u><u>484,755</u></u>	\$ <u><u></u></u>	\$ <u><u>484,755</u></u>

PERMANENT FUND

The permanent fund exists to account for resources legally held in trust to be used for cemetery perpetual care.

CITY OF LAPEER, MICHIGAN
 BALANCE SHEET
 PERMANENT FUND
 MT. HOPE CEMETERY PERPETUAL CARE
 JUNE 30, 2019
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	2019	2018
ASSETS		
Cash	\$ <u>10,833</u>	\$ <u>10,253</u>
FUND BALANCE		
Committed for cemetery perpetual care	10,395	9,912
Unreserved	<u>438</u>	<u>341</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>10,833</u>	\$ <u>10,253</u>

CITY OF LAPEER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
PERMANENT FUND
MT. HOPE CEMETERY PERPETUAL CARE
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019	2018
REVENUES		
Donations and rights	\$ 580	\$ 465
Interest and rent	<u>97</u>	<u>53</u>
TOTAL REVENUES	<u>677</u>	<u>518</u>
EXCESS OF REVENUES OVER EXPENDITURES	677	518
OTHER FINANCING USES		
Operating transfers out	<u>(97)</u>	<u>(53)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	580	465
FUND BALANCE, JULY 1	<u>10,253</u>	<u>9,788</u>
FUND BALANCE, JUNE 30	<u>\$ 10,833</u>	<u>\$ 10,253</u>

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GENERAL LONG-TERM DEBT ACCOUNT GROUP

General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the governmental unit as a whole and not its individual constituent funds. Also, the proceeds of such debt may be spent on facilities which are utilized in the operations of several funds. For these reasons, the amount of such unmatured long-term indebtedness is recorded and accounted for in a separate self-balancing group of accounts titled "General Long-Term Debt Account Group."

CITY OF LAPEER, MICHIGAN
STATEMENT OF GENERAL LONG-TERM DEBT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
JUNE 30, 2019

**AMOUNTS AVAILABLE AND TO BE PROVIDED FOR
PAYMENT OF LONG-TERM DEBT**

Amount available in Debt Service Funds	\$ 3,893,807
Amount to be provided for payment of long-term debt	<u>496,282</u>
TOTAL	\$ <u>4,390,089</u>

GENERAL LONG-TERM DEBT PAYABLE

2011 Special Assessment Bonds	\$ 100,000
2010 General Obligation Tax Bonds	25,000
2010 Special Assessment Bonds	35,000
2015 General Obligation Tax Bonds	1,925,000
2013 General Obligation Tax Bonds	275,000
2017 General Obligation Capital Improvement Bonds	1,585,000
Abstract Building	318
Accumulated Compensated Absences	<u>444,771</u>
TOTAL	\$ <u>4,390,089</u>

CAPITAL ASSETS

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	2019	2018
General Fixed Assets		
Land	\$ 24,414,975	\$ 24,967,231
Construction in progress	101,953	462,007
Buildings	6,047,617	6,047,617
Improvements other than buildings	5,801,982	5,801,457
Machinery and equipment	4,697,580	4,017,162
Infrastructure	<u>50,214,172</u>	<u>48,394,594</u>
TOTAL	<u>\$ 91,278,279</u>	<u>\$ 89,690,068</u>

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FIXED ASSETS JULY 1, 2018	ADDITIONS	DELETIONS	GENERAL FIXED ASSETS JUNE 30, 2019
General Government				
City Hall	\$ 1,032,885	\$ 76,364	\$	\$ 1,109,249
Accounting	103,196			103,196
Assessor	14,766			14,766
Building department	26,105			26,105
City Commission	200,079			200,079
City Manager	26,702			26,702
Geographic information systems	7,897			7,897
Information technology	66,500			66,500
Income tax	1,657			1,657
Planning	7,658,875		122,807	7,536,068
Train depot	358,952			358,952
Cemetery	288,516			288,516
	<u>9,786,130</u>	<u>76,364</u>	<u>122,807</u>	<u>9,739,687</u>
Total General Government				
Public Safety				
Police	1,703,760	22,683		1,726,443
Fire	4,752,197	607,744	129,790	5,230,151
Parking	768,039			768,039
Housing rehabilitation	1,381,414			1,381,414
	<u>8,605,410</u>	<u>630,427</u>	<u>129,790</u>	<u>9,106,047</u>
Total Public Safety				
Parks and Recreation				
Parks	3,859,966	141,479	31,689	3,969,756
Recreation	3,170			3,170
Trailer park	203,811			203,811
Community center	912,709	73,712		986,421
	<u>4,979,656</u>	<u>215,191</u>	<u>31,689</u>	<u>5,163,158</u>
Total Parks and Recreation				
Public Works	<u>66,318,872</u>	<u>1,379,963</u>	<u>429,448</u>	<u>67,269,387</u>
Total General Fixed Assets	<u>\$ 89,690,068</u>	<u>\$ 2,301,945</u>	<u>\$ 713,734</u>	<u>\$ 91,278,279</u>
Component Units				
Tax Increment Finance Authority	\$ 6,652,361	\$	\$	\$ 6,652,361
Local Development Finance Authority	206,774			206,774
Downtown Development Authority	972,591			972,591
	<u>7,831,726</u>	<u></u>	<u></u>	<u>7,831,726</u>
Total Component Units				

CITY OF LAPEER, MICHIGAN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2019

	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS
General Government			
City Hall	\$ 1,200	\$ 952,794	\$ 78,891
Accounting			
Assessor			
Building department		17,850	
City Commission		200,079	
City Manager			
Geographic information systems			
Information technology			
Income tax			
Planning	6,917,987	582,116	32,625
Train depot	42,857	37,161	271,144
Cemetery	105,469	26,990	151,057
Total General Government	<u>7,067,513</u>	<u>1,816,990</u>	<u>533,717</u>
Public Safety			
Police	448,263	1,055,062	
Fire	448,263	1,055,062	
Parking	768,039		
Housing rehabilitation	1,324,486	50,233	
Total Public Safety	<u>2,989,051</u>	<u>2,160,357</u>	
Parks and Recreation			
Parks	857,759	340,450	2,500,983
Recreation			
Trailer park			203,811
Community center	208,262	174,044	356,504
Total Parks and Recreation	<u>1,066,021</u>	<u>514,494</u>	<u>3,061,298</u>
Public Works	<u>13,292,390</u>	<u>1,555,776</u>	<u>2,206,967</u>
Total General Fixed Assets	<u>\$ 24,414,975</u>	<u>\$ 6,047,617</u>	<u>\$ 5,801,982</u>
Component Units			
Tax Increment Finance Authority	\$ 14,400	\$ 6,637,961	\$
Local Development Finance Authority	206,774		
Downtown Development Authority	154,000	769,854	
Total Component Units	<u>\$ 375,174</u>	<u>\$ 7,407,815</u>	<u>\$</u>

MACHINERY AND EQUIPMENT	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTAL
\$ 76,364	\$	\$	\$ 1,109,249
103,196			103,196
14,766			14,766
8,255			26,105
			200,079
26,702			26,702
7,897			7,897
66,500			66,500
1,657			1,657
3,340			7,536,068
7,790			358,952
5,000			288,516
<u>321,467</u>	<u></u>	<u></u>	<u>9,739,687</u>
165,745		57,373	1,726,443
3,669,453		57,373	5,230,151
			768,039
6,695			1,381,414
<u>3,841,893</u>	<u></u>	<u>114,746</u>	<u>9,106,047</u>
61,394	52,237	201,980	4,014,803
3,170			3,170
			203,811
247,611			986,421
<u>312,175</u>	<u>52,237</u>	<u>201,980</u>	<u>5,208,205</u>
222,045	49,716	49,897,446	67,224,340
<u>\$ 4,697,580</u>	<u>\$ 101,953</u>	<u>\$ 50,214,172</u>	<u>\$ 91,278,279</u>
\$	\$	\$	\$ 6,652,361
			206,774
48,737			972,591
<u>\$ 48,737</u>	<u></u>	<u></u>	<u>\$ 7,831,726</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioner
City of Lapeer
Lapeer, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Lapeer, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lapeer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lapeer's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lapeer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
December 12, 2019

SINGLE AUDIT

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Commissioner
City of Lapeer
Lapeer, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Lapeer's compliance with the types of compliance requirements described in the OMB, *Compliance Supplement* that could have a direct and material effect on each of the City of Lapeer's major federal programs for the year ended June 30, 2019. The City of Lapeer's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lapeer's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (uniform guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit including examining, on a test basis, evidence about the City of Lapeer's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Lapeer's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lapeer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City of Lapeer is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lapeer's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lapeer's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
December 12, 2019

CITY OF LAPEER, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PAID TO SUBRECIPIENTS	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Michigan State Strategic Fund				
CDBG	14.228	MSC 216031-ICE		\$ 1,590,310
CDBG	14.228	MSC-218009-CPF		143,849
U.S. DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT				
Passed through Michigan State Housing Development Authority				
CDBG	14.228	MSC-218009-CPF		52,606
Housing Preservation Grant	10.433	M-2015-0292		<u>7,500</u>
				<u>\$ 1,794,265</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LAPEER, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditure of Federal Awards (SEFA) includes the federal grant activity of the City of Lapeer under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Lapeer, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Lapeer.

The accompany Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 2: INDIRECT COST RATE

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Lapeer has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3: RECONCILIATION OF GOVERNMENT GRANTS TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

Government grants – financial statements	\$ 4,309,670
State grants included on financial statements	<u>2,515,405</u>
Federal expenditures – SEFA	\$ <u>1,794,265</u>

CITY OF LAPEER, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section I – Summary of Auditors' Results

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA NUMBER	NAME OF FEDERAL PROGRAM OR CLUSTER
14.228	Community Development Block Grant

Dollar threshold for distinguish between Type A and Type B Programs? \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II – Findings and Questioned Costs

Findings – Financial Statement Audit: NONE

Section III – Federal Award Findings and Questioned Costs

MAJOR FEDERAL AWARDS PROGRAM AUDIT

NONE

LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Mayor and City Commission
City of Lapeer
Lapeer, Michigan

In planning and performing our audit of the financial statements of City of Lapeer, Michigan, as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered City of Lapeer, Michigan's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the City's internal control in our letter dated December 12, 2019. This letter does not affect our report dated December 12, 2019, on the financial statements of City of Lapeer, Michigan.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City of Lapeer, Michigan's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, City of Lapeer, Michigan, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
December 12, 2019

MEMORANDUM

PRIOR YEAR RECOMMENDATIONS

SUSPENSION AND DEBARMENT

Any agency that receives federal funds is required to follow certain procedures before entering into a covered transaction to verify that the other party is not suspended or debarred. The City is currently completing the required verification. We recommend that you review your written policies and update them to be sure they include all requirements for this verification. **Current year status: This recommendation has not been implemented.**

PROCUREMENT POLICY

The new Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards includes new procurement policies. We recommend that you review these policies in Sections 200.317 through 200.326 of these regulations and update your written policy to follow the regulations. If your written policy does not conform to these regulations, it will be a finding in future audits. **Current year status: This recommendation has not been implemented.**

SIGNATURE STAMPS - PARK

During our audit it came to our attention that signature stamps were not being used correctly and were in possession of someone who is not an authorized check signer. We recommend that the signature stamps be in the possession and only used by the person who's signature is on the stamp to avoid unauthorized use of the stamps. **Current year status: This recommendation has not been implemented.**

SEPARATION OF DUTIES – CLASS REFUNDS

It was noted during our audit procedures that the person who is in charge of all class refunds is the same person who is printing the checks. We recommend someone other than the person in charge of class refunds review and approve them before printing the checks and take to City Hall for signing. Management response: Backup information is saved for all refunds and this procedure will continue as it is. **Current year status: This recommendation has not been implemented.**

SEPARATION OF DUTIES – COMMUNITY CENTER

It was noted during our audit procedures that the person who is reconciling the cash register at the community center is the same person who is creating the deposit slip and taking the deposit to the bank. We recommend someone independent of this process review and document their approval of the reconciliation. **Current year status: This recommendation has not been updated**

PAYROLL REVIEW

During our audit, it was noted that a second person is reviewing the entry and processing in the payroll department. However, upon this review, there is no documentation of this review. We recommend the second person document their review on the document for future reference. **Current year status: This recommendation has not been implemented.**

JOURNAL ENTRIES

During our testing, it was noted that no one reviews journal entries after they have been made. Someone other than the Accounting Manager should review and document their review of the journal entries. This will help ensure that the entries being made are correct. **Current year status: This recommendation has not been implemented.**

CURRENT YEAR RECOMMENDATIONS

ONLINE BANK ACCESS

Our audit procedures revealed that the Finance Director, Accounting Manager, the income tax department and the Finance Clerks all have online access to the City's bank accounts. Although we understand the need for such access and the convenience it offers, we caution you that such access permissions are frequently bundled with other features as well. For example, often the ability to transfer funds to other accounts is available as a component of online access. We strongly recommend the City receive a complete and clear understanding from the banking institution of the abilities granted as a function of online access. Transfer authorization should only be made accessible to a limited number of people, and transfers should be restricted to only City of Lapeer's bank accounts. Policies and procedures should be developed that incorporate effective controls and safeguards over cash activities for any online access situation.

To the City Commission
City of Lapeer, Michigan
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lapeer, Michigan for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lapeer, Michigan are described in Note one to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates effecting the financial statements were:

Management's estimate of the allowance for accumulated depreciation is based on management's estimate of useful life. We evaluated the key factors and assumptions used to develop the allowance for accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation balances.

Management's estimate of the accrued Pension obligation is based on the actuarial report provided by Municipal Employee's Retirement System.

Management's estimate of the accrued OPEB obligation is based on the actuarial report provided by Nyhart.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 12, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, general long-term debt, and capital assets schedule, which accompany the financial statements, but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Commission and management of City of Lapeer, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

December 12, 2019
East Lansing, Michigan